

The framing of Japanese corporate governance in the English-language mass media

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Abstract

This thesis investigates and problematizes how the English-language mass media constructs the discourse on Japanese corporate governance. The purpose is to analyse and problematize the discourse on mass media with regard to orientalism. By looking at a number of examples from the discourse, this thesis questions the fundamental assumption that the mass media is an impartial conveyor of information to a concerned public. The mass media is seen rather as a social consciousness that projects and reiterates the underlying assumptions that exist within the society of which it is a part of. Furthermore, this thesis highlights how scandal is connected to the discussion of corporate governance in Japan and how reform is perceived as a necessity. This ignores the fact that there have been a number of reforms to corporate governance in Japan since the early 1990s. Underlying orientalist assumptions are found to be the explanation for this as can be seen by the constant use of what I term the ‘efficiency argument’ and ‘reform or face a scandal argument’ throughout the discourse. No matter what happens in Japan there is an underlying assumption in the English-language mass media that there is something rotten in the state of Japan.

Keywords:

Orientalism, Japan, The West, English-language, mass media, discourse, corporate governance, scandal.



Foreword & Acknowledgments

This thesis marks the end of a journey that started two years ago when I started the master's program in Asian Studies at Lund University, it has been a long journey and many people have been involved in shaping it. Now that I am at the journey's end, I would like to primarily thank my supervisor Jens Sejrup for all the help he provided me with when I was writing this thesis. His advice and aid kept this thesis on track so that it could be handed in on time with few problems along the way.



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1.0 Introduction

Following repeated scandals within Japanese companies and the accompanying strong criticism from foreign investors as well as the mass media, a new reform of corporate governance is to be introduced in Japan during 2015 (The Economist, 2014). The rising number of corporate scandals is something Yoshikawa et al (2006 in Yoshikawa, Tsui-Auch & McGuire 2007: 979) found to have been reported in media about Japanese companies. There is a perception within English speaking mass media that Japanese corporate governance is inferior to its western equivalents as can be seen for instance in *The Economist* (2014) and in *The Wall Street Journal* (Inagaki, 2011). The Olympus scandal is often cited as an example of the necessity for reform as the lack of accountability within the company led to the fraudulent hiding of \$1,5 billion in losses from the company's investors. It is claimed in the English-language mass media that Japan cannot afford continued poor corporate governance in its companies (The Economist, 2014; Inagaki, 2011).

Consequences supposedly include bad decision-making processes, lower productivity as well as internal corruption. In general there seems to be a perception that investors have little influence over how companies that they are supposed to be part owners of are run. This is especially supposed to be an issue for non-Japanese stockowners (Yoshikawa, Tsui-Auch & McGuire, 2007: 979-981; Yoshikawa et al, 2006:530). Moreover there is concern that no responsibility is taken when management does not live up to expectations or is engaged in practices that are not in the owners' interest. These are some of the reasons why it is claimed in English-language mass media that reform of corporate governance is a keystone of current Prime Minister Shinzo Abe's reform package (The Economist, 2014; Jones, 2011).

It can therefore be said that there exists a discourse within English-language mass media wherein Japanese corporate governance is held as inferior to western corporate governances (The Economist, 2014; Jones, 2011). This discourse is even found in some academic papers where U.S. corporate governance is held forward as some form of de facto global standard to which Japanese corporate governance is then contrasted (Nakamura, 2011:234).

1.1 Previous research

Studies into how media treat various businesses-related issues are not uncommon. For instance, scandals and failures of corporate governance are examples of how negative corporate reputations are formed. Ishii & Takeshita (2011) give an extensive overview of the research conducted on corporate reputation studies within Japan while West (2006) describes the Japanese media environment and how scandal is produced in Japan. Another form of studies that are of interest for this thesis are those on agenda setting theory as they look into how certain topics are elevated above others by the mass media. Examples of this are Carroll & McCombs (2003) study on how business news forms the public's opinions and image of major corporations as well as Tanimura & Okamoto's (2013) study of reputational penalties in Japan in addition to Mueller's (2006) study of different corporate governance systems.

Other studies relevant for this thesis are those that deal specifically with the mechanics of the mass media like Czarniawska (2011) study on the inner workings of news bureaus and how these in effect manufacture news from disparate strands of information. Niklas Luhmanns (2000) *The Reality of the Mass media* is of particular interest for this thesis as it provides a theoretical framework from which mass media can be analysed. Mass media cannot be viewed as exclusive organisational entities as the production of news within individual news organisations is heavily reliant on referencing what other news organisations have already reported. The mechanics of how individual organisations operate is something Brunsson (2006) goes into at length when he describes the importance of hypocrisy as an organisational trait.

1.2 Scandals

In the discourse of Japanese corporate governance, scandals within companies have a central role to play in order to propel the narrative forward. According to Tanimura & Okamoto (2013) the number of reported corporate scandals in Japan has increased. Several portions of the 2006 Financial Instruments and Exchange Law were specifically enacted due to the growing number of corporate scandals (Tanimura & Okamoto, 2013:40). These scandals have been linked to economically meaningful and statistically significant losses in share values of firms implicated in corporate scandal (Tanimura & Okamoto, 2013:41).

The difference between what constitutes a scandal in Japan and the western world lies in the underlying structures of society (West, 2006:11-58). In a somewhat simplified terms, an issue usually becomes a full-blown scandal in Japan once the authorities start making arrests. This requires some explanations that are grounded in the particulars of how the Japanese judiciary is organised as well as Japanese society in general. In effect, due to the low crime rate the highly trained prosecutors have a low caseload. In their role as elite public officials, prosecutors and judges are some of the best-trained legal minds in Japan (West, 2006:11-58). The fact that there is usually no jury and the prosecutors have wide discretionary powers means that conviction rates are somewhere in the upper 90%, with small variations from year to year. An important note to make here is that Japan is no police state but rather a state with a different kind of judiciary system. Prosecutors have wide discretion to decide whom to prosecute and routinely prefer to prosecute only when they are sure of a conviction. The moment a prosecutor decides to issue an arrest warrant is usually the moment when an event turns into a full-blown scandal within Japan (West, 2006:11-58). This is also when all the elite media in Japan, here defined as in West (2006:11-58) simply by media whose reporters are members of press clubs, decide to start covering a scandal.

An additional deviation between Japan and other countries is that it is commonly claimed that Japanese employees tend to break the law not to promote personal gain but to protect their company (West, 2006:119-142). Usually this is supposedly the result of a conflict between internal norm-based rules that exist within the company and external rules like laws and regulations that are supposed to apply to all of society. It is claimed that problems at Japanese companies tend to escalate until breaking the law is perceived as a more viable alternative than dealing with the problem and damaging the company, allegedly due to inadequate internal structures to deal with problems or because secrecy is deemed to be the best option to protect the company (West, 2006:119-142).

1.3 Orientalism

Differences between Japanese and western companies are often commented on in various ways both within and outside of Japan. In both cases this can take the form of portraying Japan as somehow exceptional when compared to an idealised norm of things or practices should be like. Tendencies to systematically portray non-western societies as abnormal and static were first properly historicized and analysed by Edward Said in his book *Orientalism* (2003, orig. 1978).

In essence it is a question of essentializing the non-western as somehow fundamentally in opposition to the west that is in turn considered normal. The west has a long history of doing this towards Japan both within academia and in the rest of society. In fact, orientalist criticism is often labelled as Japan-bashing both outside and within Japan (Morris, 2013). Japan-bashing is in fact very often synonymous with orientalist criticism of the Japanese corporate establishment specifically (Morris, 2013). An important note is that not all comparisons between the west and the east include elements of Orientalism and it is only those comparisons that result in essentialized depictions of the east that can be properly termed as Orientalist. There will be further elaboration on this as well as orientalism and Japan-bashing on page 18 of this thesis under subchapter *3.3 Orientalism and Japan*.

1.4 Corporate governance

An important note for this thesis is that Japan has already had one revision of its corporate governance legislation in 2003 and another in 2006 (West, 2006: 124; Tanimura & Okamoto, 2013:40). “Corporate governance” is a term used for the rules and regulations that are put into place in order to balance the power structures between different stakeholders in a company (Blom, Stafsudd & Kärreman, 2007). Usually this refers to the owners, the board of directors and the company’s senior management. Formal rules for corporate governance are necessary because most owners are unable to engage themselves directly in the leadership of the company for various reasons (Blom, Stafsudd & Kärreman, 2007). This has led to the creation of a professional managerial class that leads companies on behalf of its owners.

Corporate governance is meant to ensure that owners remain in charge of their companies while simultaneously acting in accordance with what is best for the company as a whole. This is because stocks are commonly traded on a stock market and companies can easily receive a new set of owners who have not invested anything significant in the company and are only interested in short term profit (Blom, Stafsudd & Kärreman, 2007). In the case of Japan, there is a prevalent claim both in the academy as well as the English-speaking mass media that corporate boards in Japan are often made up of former employees (Jones, 2011; West, 2006: 122; Yoshikawa, Tsui-Auch & McGuire, 2007:978), leading to accusations that they are staffed by insiders and therefore do not truly represent all of the owners.

Major institutional actors with whom a relationship has been formed have traditionally owned Japanese companies (Yoshikawa, Tsui-Auch & McGuire, 2007: 983; West, 2006: 122); primary examples of this are banks that lend the company money and trading partners. This has meant that there has been and continues to be a large amount of cross ownership between Japanese companies. Corporate governance has therefore traditionally been focused on ensuring long-term investment and stability. This situation has been changing since the financial crash and up through the 1990s with a significant increase in foreign investment. Foreign investors are more prone to trade shares than their Japanese counterparts, as their investment perspective is more short-term. Simultaneously there has been a change in financing with diminishing reliance on banks in favour of loans between group-affiliated and independent firms (Hodder & Paker, 2002 in Yoshikawa, Tsui-Auch & McGuire, 2007:978).

In effect, the demands of major foreign investors as well as the underlying changes in business structures have created pressures to institute reforms of corporate governance (Yoshikawa, Tsui-Auch & McGuire, 2007: 982-985; Yoshikawa et al, 2006: 548-551). This pressure is manifested, among other things, through the formation of professional associations for corporate governance reform as well as through the mass media (Yoshikawa, Tsui-Auch & McGuire, 2007: 982-983).

1.5 Purpose and Research Question

The purpose of this thesis is to analyse and problematize the discourse on Japanese corporate governance within the English-language mass media with regard to orientalism. To be clear, this thesis does not claim that there are no problems with corporate governance in Japan but aims rather to scrutinise how Japanese corporate governance is portrayed in the English-language mass media. The research question is therefore: *What fundamental notions dominate English-language mass-media coverage of corporate scandals in Japan, and what images of business practices and corporate governance does the mass media disseminate?*

1.6 Disposition

Some effort has been put into structuring this thesis in such a fashion as to provide the reader with an easy understanding of the research topic as well as how the study was conducted and why the results are valid. Thus, the introductory chapter includes a subchapter that defines corporate governance before providing the research question. Likewise, orientalism is discussed both in the introductory chapter under 1.3 as well as in the theory chapter under 3.4. In essence, I believed that the reader needed to understand the fundamentals of what this thesis would be about before introducing the research question.

The methodology chapter is intended to guide the reader through my line of thinking in order to enable a reproduction of the research presented in this thesis if so desired. I do this by going through how data was gathered and what methods were used for data collection as well as for the analysis. In the theory chapter, I explain the most relevant parts of Niklas Luhmann's *The Reality of the Mass Media* (2000) as it forms the main theoretical framework of this thesis. The theory chapter also further elaborates such issues as orientalism, Japan-bashing as well as other relevant media theories. This is all brought together with the empirical material in 4.0 Analysis which is then followed by 5.0 Conclusions & Discussion.

2.0 Method

According to social researcher Bryman as well as discourse analyst Gee, an author should clearly explain what worldview is espoused in a thesis as it forms the fundamental assumptions that have guided the work throughout the research effort. This is because theory links up with method in ways dependent on the researcher's ontological and epistemological views (Gee, 2011:11; Bryman, 2012: 27-33). The same thing applies to what can be considered acceptable empirical data for a thesis, as research has to be firmly grounded in both method and theory that are mutually consistent to produce coherent results. This thesis aims to produce a logical train of thought when analysing the discourse of Japanese corporate governance within the English-language mass media.

I have selected the methods for this thesis with regards to its purpose and research question. A constructionist ontological stance seems to be the most suitable option, as social domains can only exist due to inter-human relations (Gee, 2011:10-13; Bryman, 2012: 33-35). As this thesis is interested in discussing framing and narrativization some things are accepted as a given. For instance, I do not deny or trivialize that there are in fact differences between Japan and the rest of the world, but they are not the focus of this thesis, as I am interested in the discourse of Japanese corporate governance within the English-language mass media. I approach such media sources as they carry meaning in accordance with the context in which they were produced; a context that is dependent on previous history within a particular social formation (Gee, 2011:100-114). Thus, the discourse being studied in this thesis relates directly to the context in which it was formed due to social interactions between humans.

Recognising that social reality exists only in the minds of its participants, this thesis espouses an epistemological viewpoint known as interpretivism (Bryman, 2012:30-32). Social reality exists because people attribute meaning to it, making it difficult to quantify and measure. The nature of a discourse must be interpreted from the myriad clues formed by various types of human interaction. Examples of such interactions would be writings of various types or visual or audio recordings (Gee, 2011: 2-13). These are clearly meant to convey some form of meaning to other humans and constitute relevant forms of data for analysis. Social domains being studied can only be interpreted from the accumulated data, as it is not possible to objectively verify them. The results are therefore also only tangible and their validity comes

down to how well the author can argue for his case as well as if others who conduct similar types of research accept them as valid (Gee, 2011:122-124).

2.1 Discourse analysis

As the purpose of this thesis is to analyse the mechanics of the mass media as well as how the discourse of Japanese corporate governance is constructed in mass media, the most suitable way to proceed is in the form of a discourse analysis. This is based on the presumption that a socially constructed reality must be interpreted in a structured way to achieve meaningful research results (Bryman, 2012; Gee, 2011).

The form of discourse analysis that this thesis will utilise is based on J.P. Gee's (2011) book *An Introduction to Discourse Analysis: Theory and Method*. Gee (2011:117-126) provides an analytical framework for how up to 42 different types of questions can be used to query a piece of text. These are six questions that can be posed to each seven building tasks, thereby constituting 42 questions that are used to discern patterns in language use. The use of all 42 questions constitutes what can be labelled as the "ideal" discourse analyses because it allows the researcher to thoroughly go over a piece of text from 42 methodologically grounded angles. Gee (2011:117-126) claims that it is in no way necessary to strive to achieve this ideal as analytical saturation of a piece of text can be reached after a few inquiries and the researcher can move on to the next part of the text. Saturation is reached when it becomes apparent that further inquiries only provide redundant answers to what is already known.

Discourse analysis is dependent on some form of prior knowledge of the discourse that is to be analysed. According to Gee (2011:76-96), all human existence has a shared foundation in our biological as well as material existence. In a somewhat simplified manner this means that our needs, desires and the material limitations of our reality all constitute a shared framework of reference. While history has imposed certain variations on how different parts of humanity view the world it is still based on the same foundation. Previous historical experiences create a context that has to be taken into consideration when doing discourse analysis. Discourses do not come into being in pure vacuum but are affected by previous topics and discourses. In a wider meaning, contexts form the basis upon which socially constructed realities are moulded. Socially constructed realities, or "figured worlds" as Gee (2011:62-116) calls them, are important for shaping how a discourse develops as preconceived notions are used as the normal standard to which new information is compared or aligned.

They are (often unconscious) theories and stories that are used by people to understand and as the basis for interaction with the surrounding world. To be able to analyse how the figured worlds within the discourse of Japanese corporate governance in the English-language mass media have evolved, this thesis will be using a timeframe that was chosen from the availability of empirical material. This timeframe stretches from the Nomura scandal in 1997, the earliest major scandal that I could find in which corporate governance was linked to a perceived necessity for reform, until the present day, ie. April 2015. An important note here is that I did not have access to any databases where the mass media store old articles. It is therefore possible that major scandals exist where Japanese corporate governance is linked in English-language mass media to scandal as well as framed and narrated in an orientalist fashion that I have not considered for this thesis.

A final note about discourse analysis is that Gee (2011: 34-36) makes a distinction between two types of discourse and this is something I will be doing as well when looking at the actions of certain people who participate in the discourse. The distinction in question is made between one type giving the word “discourse” with a capital “D” and the other with lower-case “d”. The distinction is one wherein Discourse becomes a way of enacting a social identity through behaviour in addition to communication. Actions are also a form of communication and as this thesis will be looking at the mechanics of mass media and it will be necessary to comment upon the actions of the media and in particular its use of sources. The other type of discourse, with a lower-case “d”, refers in this thesis, as in Gee (2011: 34-36), to any stretch of text used to communicate.

2.2 Critical approach

According to Gee (2011:5) all use of language is politically motivated in the sense that the users seek to somehow gain or preserve their access to social goods. What constitutes social goods may differ between specific groups and individuals but in principal it can be anything that people desire and compete over. This leads to some form of politics being introduced in any social interaction as people compete for dominance and power in order to secure social goods for themselves. All use of language is therefore in some sense political and navigating these rules decides who will gain additional social goods (Gee, 2011:5). The existence of orientalism and Japan bashing are prime examples of a struggle over social goods between Japan and the west, as well as other countries in Asia where the general population has a historically rooted animosity towards Japan (Morris, 2013; Said, 2003). Based on this line of

reasoning I have decided that this thesis will consist of a critical discourse analysis as its purpose of is to analyse and problematize the discourse on Japanese Corporate governance within the English-language mass media with a regard to orientalism.

2.3 Data selection and case studies

Empirical data for this thesis was gathered using initially the Google online search engine. To avoid country-specific bias, I used the ‘no countries or regions’ version of the search engine¹. Key search words that were used included “corporate governance + Japan” as well as “corporate scandal + Japan”, the latter only being utilized after the first searches yielded numerous references to corporate scandal due to bad corporate governance in Japan. As I was continuously referred to mass media websites such as *The Economist*, *The Wall Street Journal*, *The Financial Times*, *Bloomberg Business*, *Reuters* etc. I repeated the same search on these individual sites using the same search pattern as the one I had used on Google. These are all major and highly influential mass media in the western world.

From these results, I discerned patterns around particular topics, or scandals, and then structured the cases used for this thesis around these patterns. From the diverse empirical material about Japanese corporate governance, I selected certain illustrative examples to showcase the patterns I had discerned. I subsequently analysed these patterns in the analysis chapter of this thesis. The number of articles to consider per case was not fixed in advance but was rather dependent on reaching the empirical saturation point of a qualitative discourse analysis. The parameters for what I chose to include in this thesis depended on what was found to be either typical of the discourse or somehow a major occurrence, the latter being highlighted by an abundance of references in the English-language mass media. My line of thinking when gathering said data was as follows:

- While gathering data I first concluded that all references to corporate governance in Japan were linked to a scandal.
- Following this, I found the case of Takafumi Horie was a particularly illustrative example of how scandals are linked to corporate governance, especially considering

¹ Google typically optimises searches to be relevant to the location where the user is located and this can be changed to suit the needs of the user (google.com, 2015).

the volume of text devoted to presenting what is allegedly wrong about Japanese corporate governance rather than the actual Horie-scandal.

- As I gathered further data, I came across references to the 1997 Nomura securities scandal. This was the earliest major scandal that I could find for which there was sufficient data available to justify its inclusion in the thesis. In this scandal, and the time period immediately afterwards, there were frequent references to *sōkaiya* which led to an expansion of the search for that as well.
- In the discourse there were frequent references to Japan and Japanese companies being introvert; both *sōkaiya* and the 2002 TEPCO scandal were considered good examples of this. I chose the 2002 TEPCO scandal because of the way it was described was typical for the discourse in general.
- The same line of reasoning led to the inclusion of Toyota's brakes scandal as the mass media treated the company in the same manner as all other cases in the discourse. The title of an article in *The Economist* (2010) literally reads: "Toyota Accelerating into trouble - The company's problems sharply illustrate the failings of Japanese corporate governance".
- By this time, a very distinct pattern had been formed, and I included the Olympus scandal as it is the most frequently mentioned example within the English-language mass media of where scandal is systematically connected to a necessity for corporate governance reform.
- Subsequently I decided to include the latest development within the discourse, as well: the perceived necessity of outsiders training Japanese directors to do their job. This was included because a) it is the latest development I could find, and b) exhibits several parallels to how *sōkaiya* were treated earlier in the discourse.
- Finally, I also decided to include some additional points related to politics due to the correlation observed within the empirical material as well the constant ongoing reforms of corporate governance that both scientific journals, books as well as the mass media referred to. The primary example for this part is a policy speech by Prime Minister Shinzo Abe (2015) and was extracted from the Japanese government's website after it was referenced by the English-language mass media.

2.4 Validity and reliability

Discourse analysis is essentially an interpretation of an interpretation of a specific context using a specific method (Gee, 2011:122-124). As both Gee (2011:122-124) and Bryman (2012: 46) put it, the reliability of research is a question of to what extent it can be reproduced. The issue of validity differs between different types of discourse analysis depending on what kind of an approach is being used (Gee, 2011:122-124). Basically, it can be claimed that a primary criterion of whether or not a discourse analysis achieves validity is if it is recognised as such by others who conduct similar types of research. All analyses are to some extent subject to further debate within the field as new research is produced and becomes available. To achieve validity, this thesis will strive for strict methodological and analytical rigour as generally understood and practiced in the context and methodology of discourse analysis.

2.5 Ethical considerations

As this thesis will be using publicly available sources that have been published in English language mass media, ethical considerations present no major difficulties. All sources will be duly and unambiguously referenced for the reader to check and inspect, and I do not find any further considerations necessary.

3.0 Theory

This chapter is focused on theories of the mechanics of mass media as well as the interaction between different social domains, the public, and the role of the media as retainers of social memory. In particular, I use Niklas Luhmann (2000) systemic theory of the mass media. In addition, I discuss Orientalism and Japan-bashing due to the role they play within the discourse. Consequently, I take a critical stance towards the notion that the mass media are impartial conveyors of information to a concerned public.

3.1 Mass Media sets the agenda

According to “agenda setting theory”, public discourse of any issue depends on the media for information (Carroll, 2004:150-152; Carroll & McCombs, 2003:36-38). Members of the public can take no standpoint without some basic information about an issue. An issue does not exist in the minds of the public if they are not informed about. Mass media therefore set the agenda for what the public at large can be aware of as a prevalent issue. Actors within disparate social domains can try to affect the media into bringing up their particular issues, examples of social domains is politics, economics, law and so forth. They can even try to affect how the media will portray these issues, but how the public will react is outside of the media’s control (Carroll, 2004:150-152; Carroll & McCombs, 2003: 36-38). Through a number of mechanisms the mass media regulates the flow of information in society (Czarniawska, 2011: 176-215).

By highlighting certain news as especially important, perhaps by putting it on the front page of the newspaper, the public is steered towards what to converse about. The media can only provide the information that will be discussed but the discussion itself, if any, takes place between members of the public (Carroll, 2004:150-152; Carroll & McCombs, 2003: 36-38). The way information is presented is important, as communication depends on context and how the receiver perceives communication will therefore depend on the framing (Gee, 2011: 100-114). Mass media is capable of affecting other social domains but they do not have any control over how discussions in different social domains will develop beyond the initial framing of the information to the audience (Carroll, 2004:150-152; Carroll & McCombs, 2003: 36-38).

3.2 The mechanics of media

According to social systems theorist Niklas Luhmann (2000), mass media are the kit that glues the many disparate parts of modern society together into one cohesive whole. They are the source of information upon which the individual citizen constructs his or her perceptions of the wider society. This mass production of knowledge is central to the functioning of modern society, as no single individual is capable of investigating and ascertaining the validity of events on a massive scale. This is only possible due to the technologies that allow large-scale of one-way communication as this enables forms of productive differentiation (Luhmann, 2000:2). Two-way communication cancels out the possibility of a system being built with sufficient internal complexities to be able to achieve an internally consistent logic of its own. In effect it allows the creation of borders by shutting out communication that does not follow the rules of the system.

How the media work is dictated by its own innate logic. They constitute a system of interlocking organisations that publish their stories through channels that are by their technological nature meant for mass dissemination of information. It is this systemic nature of how the mass media work, producing a reality for the mass media that stems from within the system rather than from the rest of society (Luhmann, 2000:10-23). The media as a closed system relate to what is outside of it through various points of contact, but the dissemination of information to the masses is completely one-sided. According to Czarniawska (2011: 176-215), a very large part of the creation of news is a question of reiterating the reporting of other news organisations. An individual news organisation will look for news on its own as well as receive tips from the public. However, they very often become aware of what can be considered newsworthy events from other media organisations. News is created by the accumulation of information that is then refined according to pre-existing topics. It is these topics of conversation that are then reiterated to the masses and in turn form a sort of living memory (Luhmann, 2000: 95-102).

As operational closure and self-reference are factual conditions of the system that give it the capability of co-opting anything into a topic it becomes difficult for outsiders to fully trust the system (Luhmann, 2000: 1-15). The system is dependent on humans to perform tasks throughout the process that leads to the creation of news (Czarniawska, 2011: 176-215). One must keep in mind that by bringing disparate strands of information together under one topic,

the mass media *create* news, they do not merely find and report news. This is a process that in today's society happens very fast with a number of gatekeepers² throughout the process who scrutinise the information before allowing it to pass on, although the ever-increasing speed and the task of the gatekeepers to vet the information is mutually contradictory.

The manufactured nature of news is dependent on topics as the media create internal cohesion when reporting news as well as form principle for interaction with other social domains (Luhmann, 2000:12-24). As information about events is organised into a topic, more information can be added in ways that fit into a now existing pattern. The success of the mass media in disseminating information is completely dependent on the acceptance of the topic by the public. Whether the response is positive or negative is largely irrelevant as long as the information is accepted as a topic (Luhmann, 2000:68).

The continuity created by topics is important for the inner workings of the mass media as a continuous production of news is expected, that there is content that can be presented to the audience (Luhmann, 2000:10-14). As the availability of raw material for the production of news is not constant, however the media use technology that provides easy communications across the globe to acquire information for every scheduled reporting session (Czarniawska, 2011: 176-215). We are left with the question of how relevant the reporting is for the audience if news has almost no connection to their daily lives?

If "news" is continuously manufactured with fluctuating relevance for the audience then it becomes difficult at times to distinguish it from entertainment. According to Luhmann (2000:1-10) this was in fact something that helped create acceptance for mass media during the transitory period after the mass media's first introduction in Europe during the 16th century. The violation of social norms is one of the preferred selectors for asserting if something is to be regarded as news or not due to the inherent entertainment value of scandals. Moral judgment and the maintenance of social customs appear at times more relevant than the factual reporting of information. The mass media's endeavours to find actors who can receive credit or blame for events that have transpired help raise the entertainment value for the audience (Luhmann, 2000:78).

² Gatekeeper in this context usually refers to an editor although all staff members have in effect a gatekeeping function as they sort of what information will be presented to the editor who has the final say in what is published (Czarniawska, 2011: 29-77).

As the media in effect produce narratives of heroes and villains, conveying information to the masses becomes more like the traditional storytelling and less like the conveying of accurate information to a concerned citizenry. Even though media may conceive of themselves as impartial conveyors of information to the public, its machinelike nature is still predisposed to seek out information that not only has an entertainment value but also offends the audience's social norms (Luhmann, 2000:76-87). This is something that Gee (2011:34-36) would term a "Discourse" of Journalism in which acting and behaving in a certain previously accepted manner in the context of the media machine gets the journalists accepted as journalists by both the public as well as other journalists. Providing factual information is therefore not the job of a journalist but rather a prerequisite for being accepted as one.

Although to an outsider this situation might appear as hypocritical, as the organisations in question espouse one set of ideals but in practice pursue another (Brunsson, 2006: 1-39). Organisations can be divided into two parts where one part interacts with stakeholders and produces talk to maintain the operational suzerainty of the core unit of the organisation. But if both units of the organisation have communication as an integral part of their work, it becomes difficult to envision a situation wherein both are free from effectively producing hypocrisy (Brunsson, 2006). As Luhmann (2000:17) puts it the mass media does not work on the assumption of truth/untruth but information/non-information. The ingenious part of how media works is its self-proclaimed role as distinguisher between information and non-information. But how do the media determine what is information and what is non-information? That is the task of human gatekeepers, the editors and journalists who create the news.

Although the reality of the media is created in a closed system whose operations appear mechanical the process of operational closure and self-reference, it is still a human social activity with connections to other social domains (Luhmann, 2000:15-24; Czarniawska, 2011: 176-215). Media act like a living consciousness by creating new knowledge as well as recycling old patterns to fit new events into a recognisable form (Luhmann, 2000: 95-102). This provides stimuli for change in what in essence becomes a living memory. The perspective on previous knowledge is changed due to the arrival of new information. While the framing of information by the mass media will affect how a topic is perceived it can by no means control how the discussion will develop once it has been received by the public

(Carroll, 2004; Carroll & McCombs, 2003). The audience must in some way still interpret the information it has received.

But if information is almost continually fitted into pre-existing patterns then the creation of new topics, or forms of knowledge, becomes a rare occurrence (Luhmann, 2000: 15-22). The mechanics of how this is conducted would be dependent on how discourses develop within the social domain that is media (Gee, 2011: 100-114). The creation of new topics, or forms of knowledge, would therefore have to contend with pre-existing topics and the entertainment value that can be gained from these. As the masses are already trained in identifying existing topics, they tend to only reluctantly embrace an entirely new set of topics (Luhmann, 2000: 15-24; Gee, 2011: 44-60). Rather, the introduction of new topics becomes evolutionary as the legacy from previous topics is incorporated and evolved by new interpretations in various ways that depend on the motives of the audience (Gee, 2011: 44-60).

Topics form the main structural couplings between media and other types of social domains (Luhmann, 2000: 63-70). Structural couplings occur systematically when the media report on topics and provoke responses from other social domains, responses that in turn provoke more reporting from the mass media, thereby creating a structural connection between social domains. Typical examples of other social domains are the economy or politics (Luhmann, 2000: 63-70). As the media structure reality into topics, they do not create hierarchies but rather treat all equally according to what attracts the most attention at the moment.

Languages are standardised within media to increase efficiency with the production of news (Czarniawska, 2011: 73-77; Luhmann, 2000: 88-94). News production is effectively sorted into language groupings as these allow for fast and expedient communication within the system. This means that we cannot talk about one media system but rather about multiple media systems with structural couplings linking them to each other (Czarniawska, 2011: 176-215). If English-language media were to report something in sufficient quantity then that would be a topic that for instance would be considered newsworthy by Japanese language media and they would then report about it to their audiences.

A human face to these systemic couplings between language groups would be people who are bilingual as they are the ones who facilitate the coupling by providing translations to their colleagues (Czarniawska, 2011: 26-27; Luhmann, 2000: 88-94). The technology that makes

the existence of mass media possible precludes the ability of the audience from affecting the content in anything else but as an exception but when looking at media as language groups it becomes apparent that reactions can easily be provoked between language-based media systems. Operationally closed systems create their own indicators of reality at the level of operations thereby reducing all forms of resistance to the question of internal problems of consistency. By treating everything as events it is possible to co-opt everything on an operational level, a necessity as there are no higher functions that can address what happens outside the system (Luhmann, 2000:88-94).

In that context, the fact that all information is not accurate is not particularly important as it is swept away in a steady stream of information that reshapes the very foundations of those realities that are available for the population. As more information is constantly put into circulation by the mass media, an infinite number of possible reflections of reality are created (Luhmann, 2000: 103-106). The function of the mass media as a social memory for the population becomes assured because reflections of reality become grounded in previously circulated topics reiterating older discursive practices and attitudes.

3.3 Orientalism and Japan

One kind of discursive practice and attitude is called Orientalism and was, as mentioned on page 3, originally described as a phenomenon by Edward Said (2003, orig 1978). The kernel of orientalism is that in order to affirm itself the west produces depictions of other societies as being in diametric opposition to the west. These depictions of non-western societies tend to be simplistic and ascribe cultural essences as motivations for why the west is usually somehow superior to the society that is being depicted. As these other societies are perceived as inferior to the west, they must learn from it in order to catch up to the levels of modernity and development that the west has achieved and defines. The roles are only reversed when the west somehow feels threatened by oriental societies and then the west must learn from the other in order to return the state of affairs to its “natural” state (Said, 2003). In essence, orientalist depictions of the other function as imperialist domination by cultural discrimination (Said, 2003). These preconceived archetypes have been handed down through the centuries as the then current iteration of the west is viewed as the norm to which the other should be compared (Said, 2003).

Using this logic, other societies cannot achieve parity with the west as they are inherently inferior. This thesis argues that the underlying bias can rear its head both in academic and non-academic depictions of non-western societies, in this specific case in western news media accounts and coverage of Japanese corporate governance.

A Japan-specific version of orientalism is called Japan-bashing, a term used to describe criticism of Japanese society based on certain ideas of its culture (Morris, 2013). To elaborate, criticism of Japan that was perceived as unwarranted by its detractors was labelled as Japan-bashing as of the late 1970s and was considered an established phenomenon by the mid-1980s. Japan-bashing as term had its heyday during the late twentieth century and the use of the term revealed that contemporary anti-Japanese views were often shaped more by Western thinking about the world than actual developments in Japan (Morris, 2013). The link between Japan-bashing and economics is strong as the term rose to prominence due to increased criticism of Japan that resulted following Japan's economic success, especially when compared to western countries. Much of the criticism was directed against Japanese companies and perceived as unwarranted in addition to often being grounded in cultural stereotypes (Morris, 2013). For instance, the economic systems of Japan and western countries were compared, the Japanese one being often seen as problematic for various reasons. This criticism continued after the bursting of the bubble in the early 1990s.

A typical example of Japan-bashing is to claim that for cultural reasons Japanese companies are fundamentally different from companies in other countries (Morris, 2013). These depictions usually portray Japanese companies in a sinister light with references to ancient Japanese warrior ethics as well as connect Japanese companies to organised crime. Japanese companies are essentially depicted as closed insular feudal domains on either a conquest spree or hiding something nefarious from the public eye; it is therefore claimed that transparency is not in their interest (Morris, 2013). While there *are* differences between how Japanese and non-Japanese companies are organised (West, 2006:119-142), criticism becomes only Japan-bashing if it is claimed that Japanese malpractice is due to inherent cultural reasons (Morris, 2013). Characteristically this is also accompanied by claims that Japan must open up and learn from the west in order to be successful.

3.4 Corporate reputations

Perception is something that corporations strive to influence. The Japanese case illustrates how other social domains can have an impact on media reporting. In the case of Japan there is in particular a tendency for witch-hunt scandals when the media reports on economic news (Takahashi in Ishii & Takeshita, 2011: 132). Japanese companies, unlike their western counterparts, are often poorly prepared to deal with scandals and they therefore exacerbate their own situation by prolonging the scandal (West, 2006: 138). The agenda that the media sets for public discussion becomes one of how one particular company or its employees have violated either the law or social norms or both, as is often the case (Luhmann, 2000: 29-31; West, 2006: 119-142). Media mechanisms create a situation in which the company is punished by negative coverage while simultaneously providing entertainment for the public. The effort a company has poured into recruiting management and CEOs, both vital for establishing and maintaining a good reputation, is devalued by scandal (Carroll & McCombs, 2003). While the Japanese case does illustrate that other social domains can affect media it also illustrates that the power relationship between mass media and other social domains is in the mass media's favour. This is at least true while large segments of the mass media are focused on one particular company. In essence, mass media are a self-contained system and the easiest way of affecting it is to provide it with nourishment for further reporting.

3.5 Summary

Mass media function within society as more like a retainer of social memory or a storyteller of ancient times than as an impartial conveyor of information. This is because the internal structures of the mass media are predisposed to seek out information that fits into preconceived topics. This is especially true if the information fits into topics that are associated with deviations from social norms. These topics are then delivered through distribution channels that allow only one-way communication due to the need for efficiency. As the media set the agenda for what the public will discuss we are left with a situation wherein all of human society is in effect tied to each other. One is struck by how analogous to a collective mind the media appear with the sole purpose of preserving social memory. Individual members of the public use the topics conveyed to them by mass media to achieve some form of sense in a society increasingly cluttered with information. Simplification and the maintenance of social norms are therefore imposed upon other social domains as result of mechanics within mass media.

4.0 Analysis

Before the bubble burst in 1990 Japanese companies and their corporate governance in turn, were viewed as something to be emulated by the west (Mueller, 2006:638). Because views on Japanese corporate governance has shifted over time any analysis must therefore take into consideration the particular time and context from where different samples are extracted. Of interest therefore are the common dominators that can be observed to exist over time within the discourse. The discourse of Japanese corporate governance in English-language mass media appears to have been mostly constructed during the post-bubble period when the Japanese economy has been performing poorly (Yoshikawa, Tsui-Auch & McGuire, 2007: 978-980; Yoshikawa et al, 2006: 548-551). Consequently, advocates of corporate governance reform often claim such reforms to be necessary in order to get the economy moving and that the recurring scandals are a symptom of fundamental problems in Japanese corporate culture.

4.1 Scandal as motivation for reform

Discussions of Japanese corporate governance in English-language mass media are almost always triggered by an unfolding corporate scandal in Japan. Partially this can be due to the Japanese mass media's preponderance towards witch-hunting scandals (Takahashi in Ishii & Takeshita, 2011: 132). This is because the Japanese mass media industry is structured in a manner that forces the tabloids and other non-elite mass media to constantly look for scandals in order to compete with the elite mass media's superior access to official information through their membership of exclusive press clubs (West, 2006: 11-34). The higher likelihood of scandals that this produces in turn leads to a higher likelihood that English-language mass media pick up the stories through their Japan-based correspondents. Later, this provokes a response from the Japanese mass media and authorities as English-language and Japanese language media are mutually connected to each other through bilingual members of their staffs (Czarniawska, 2011: 26-27; West, 2006: 11-34). Establishing why and how English-language mass media attribute these corporate scandals to failures in corporate governance is a focal point of this thesis.

Plender's (2007) article in the *Financial Times* titled "An accountability gap is holding back Japan's economy" illustrates the connection between scandal and corporate governance most vividly. The central figure in the scandal was Takafumi Horie. Prior to the scandal he was

known as a champion of western style-capitalism and corporate governance in Japan (Plender, 2007). The article was published in the same week as Horie was to receive his verdict for charges of insider trading and accounting fraud. Plender treats situation as if he was already convicted, probably because there is a more than 90% probability of being found guilty in such a trial in Japan (West, 2006: 35-44). In the same article, one of two recurring lines of reasoning as to why Japanese corporate governance needs to be reformed appears. I will label these as the ‘efficiency argument’ and the ‘reform or face a scandal argument’. Starting off with a comment on the current Horie-scandal, Plender quickly goes on to make the following claim:

The problem for which more western-style corporate governance is part of the solution is Japan’s chronic tendency to overinvest and generate poor returns on capital by global standards. [...]It thus takes 2.4 times as much capital to generate the same amount of growth as it does in the US (Plender, 2007).

The context of this claim is interesting, as the specific corporate scandal is only used initially and barely touched upon before Plender declares corporate governance reform a necessity (Plender, 2007). It is not substantiated how more western-style corporate governance would have prevented Horie from committing these acts, even though the author languishes in the rest of the article over what he calls “[...] a corporate governance vacuum.” and at the need for reform (Plender, 2007). Instead Plender focuses on the “efficiency argument”. The framing of the information conveyed to the public in this instance is that reform is necessary, as focus is put on how inefficient Japanese companies supposedly are compared to U.S. companies.

The comparison is not even done between companies in comparable markets but on a general countrywide level. It matters therefore not how much effort Japanese companies put into creating a good reputation they will still be viewed as Japanese first and not evaluated on their own merits. The mass media convey the topic in a manner that is clearly pro-reform to the general public, thereby setting the conversational agenda to be about reform (Carroll, 2004; Carroll & McCombs, 2003). It is hypocritical as no reflection is provided in connection to Horie’s previous role as a champion of corporate governance reform (Plender, 2007). Instead, the mass media latch the topic of reform to a corporate scandal where the main player is an individual who was championing precisely the type of corporate governance that Plender says is required.

What Plender does is use factual information in order to establish his credentials as a journalist but frame it in a manner that is pro-reform. While the Horie case was a particularly clear example of how scandals are used to initiate discussion of reform, similar conduct is common in the discourse and can be observed in all the cases that were analysed in this thesis (The Economist, 2010; Pollack, 1997; Osawa & Inagaki, 2012; Soble & Nakamoto, 2011).

4.2 Cultural roots

The earliest major example of this common tendency that I found when I was doing the research for this thesis was the coverage of the Nomura scandal of 1997, one of the most famous Japanese corporate scandals after the bubble (Pollack, 1997; West, 2006:120). It was one of a number of similar scandals that hit all four major securities companies (Nomura, Daiwa, Yamaichi and Nikko) in Japan simultaneously (West, 2006:120). Nomura Securities, Japan's then biggest securities company, was revealed to have been paying of a *sōkaiya* in order to avoid embarrassment of the company's leadership at the annual general meetings (West, 2006; Pollack, 1997; The Economist, 1997a). *Sōkaiya*³ are a particular type of Japanese gangsters who specialise in this kind of blackmail. Interestingly Pollack (1997) who writes for the *Wall Street Journal* as well as *The Economist* (1997a) started discussing corporate governance reform early. From his accounts, one gets the impression that corruption in Japanese companies forms part of a figured world⁴ proved by the existence of *sōkaiya*:

But if Japanese executives were not afraid of talking to shareholders and letting an annual meeting last more than 30 minutes, the *sōkaiya* would have a harder time extracting payoffs (Pollack, 1997).

The assumption is that the problem has cultural roots and that *sōkaiya* are a prevalent problem that has hampered the Japanese economy's performance for a protracted period of time. As the problem is supposed to be cultural, Japanese authorities have therefore either not adequately tried to deal with it or are unable to do so. In addition to the continued existence of *sōkaiya*, further argument for this view is that Nomura broke the Commercial Code by violating a law that was put in place specifically because of a previous scandal in 1991 that the company was involved in (The Economist, 1997a; West, 2006:120-123).

³ For more on *sōkaiya* see West (2006: 120-123).

These are claims that do not stand up to closer scrutiny. For instance, West (2006: 120) claims that the sudden spate of *sōkaiya* hunting by Japanese authorities during the post bubble period was due to the sudden downturn in the economy. *Sōkaiya* were originally banned in 1950 but very few were ever prosecuted prior to 1981. In fact there were only sixteen cases involving *sōkaiya* between 1981 and 1997 (West 2006: 120). Furthermore, during the economic slowdown that followed the bubble there was mounting pressure to reform due to repeated corporate governance failures that were widely publicized in the mass media (Yoshikawa et al in Yoshikawa, Tsui-Auch & McGuire, 2007). Increased reporting of corporate governance failures happened simultaneously with increased foreign ownership of Japanese companies (Yoshikawa, Tsui-Auch & McGuire, 2007).

This is interesting because the discourse also claims that corporate governance failures will deter foreign investors and the Japanese public from investing in the Japanese economy due to corruption. *Sōkaiya* are used as evidence of the inherent corruption of Japanese companies (The Economist, 1997a; The Economist, 1997b; Pollack, 1997). This is particularly illustrated by Pollack (1997) who writes that “People do not want to bet in a rigged casino”, and is in line with what I previously referred to as the ‘reform or face a scandal argument’. The sudden vigorous prosecution of *sōkaiya* is, according to West (2006:120), more indicative of the authorities looking for scapegoats for the Japanese economy’s performance than actual justice. To a certain extent this reflects what is reported in English-language media while not necessarily being an objective reflection on the *sōkaiya*’s actual effect on the economy. Although the Japanese authorities’ efforts to stamp out *sōkaiya* activity have resulted in a sharp decline of the phenomenon it has since been replaced by other types of organised financial crime (Kawasaki, 2010).

Two important points can be observed here: The first one regards the activity of *sōkaiya*. Japanese authorities cannot have viewed *sōkaiya* as a serious hindrance to the performance of the economy before 1997 when they actively started prosecuting cases and passing laws to curtail that particular type of economic crime (West 2006:120). This leads to the second point which regards the assumption within the discourse that Japanese corporate culture is inherently corrupt. This is a line of thinking that is in accord with what Edward Said (2003) described as orientalism, a variation of which Narrelle Morris (2013) terms Japan-bashing. Assuming that the wider Japanese culture has led to an inherently corrupt corporate culture is

nothing else but orientalism. The discourse assumes that Japan is unable to save itself from terminal economic stagnation brought about by Japanese corporate culture.

However, as I argue in this thesis, such a notion does not bear closer scrutiny. It is a reproduction of previous topics and orientalist infused figured worlds wherein Japan cannot restart its economy if there is no reform (Luhmann, 2000:78; Gee, 2011:62-99). The mass media are a social system that uses operational closure in order to reproduce figured worlds (such as that Japan must instigate reform of its corporate governance) by a process of self-reference (Luhmann, 2000: 95-102). Because scandal and reform of corporate governance as topics are infused with orientalism they are more likely to appear within the system than other events (Morris, 2013; Said, 2003).

As a consequence of this the view of Japanese companies as inherently corrupt is then wildly propagated (West, 2006:120), while more recent successful reforms are simultaneously unacknowledged, as could be seen with the *sōkaiya* (Kawasaki, 2010). The topic handed down within mass media for subsequent news production is that Japanese companies, and wider society by implication, are corrupt and reforms that will make Japan more akin to the west are necessary. This implies that in the logic of the mass media what matters is not the authorities' success in combating *sōkaiya*, as that was a slow process that took many years, but rather the scandals. As the mass media operate on a basis of information/non-information, they can drop information from topics, such as *sōkaiya*, that is no longer considered relevant (Luhman, 2000:17). *Sōkaiya* were seen as a symptom of how corrupt Japanese society is and were dropped after they stopped occurring in scandals, the rationale apparently being that the removal of a symptom does not mean that the disease has been cured. Japan is after all, it seems, still not on the same level as the West as scandals clearly continue to happen.

Furthermore, scandals resonate more strongly with the public than regular reporting as they contain an element of violation of public norms (Luhmann, 2000:29-78) and are easily graspable for the public, allowing the mass media to associate strands of information into familiar topics. In essence saying that Japanese companies are inherently corrupt means less time is necessary to instruct the audience in the details of a new topic when an old topic can be modified to fit a new situation. These old familiar topics are often already infused with orientalism (Morris, 2013; Said, 2003). Using familiar topics creates internal cohesion in the

reporting and, as an example, makes it possible for the mass media to comment in the following manner:

On September 2nd, TEPCO announced the ritual resignations that almost invariably follow such scandals. The president, Nobuya Minami, and four other executives will step down. Before he leaves in mid-October, however, Mr Minami will oversee an internal probe, which is expected to find that a secretive corporate culture and a bureaucratic aversion to inconvenience—in other words, standard Japanese business practices—are among the chief culprits (The Economist 2002).

This is further illustrated by Soble & Nakamoto (2011) who, writing for the *Financial Times* referred explicitly to the same scandal:

The decade-old incident has been recounted often since Tepco's Fukushima Daiichi nuclear facility began leaking radiation after Japan's tsunami on March 11 (Soble & Nakamoto, 2011).

The paragraph from the Economist (2002) was published as part of a report on the 2002 TEPCO scandal⁵. The scandal revolved around the company's falsification of at least 29 reports to nuclear safety regulators with regards to eight different reactors since the 1980s (The Economist 2002). Note in particular the last line where TEPCO's behaviour is referred to as standard Japanese business practices. What could be interpreted as efforts by Japanese companies to deal with their problems is instead dismissed as attempts to maintain their reputation while doing nothing. The problem of secrecy within Japanese business as opposed to non-Japanese business is a variation of the recurring theme that there is something rotten in Japan. As a static view of culture infuses orientalist thought it is also assumed that problems that have cultural roots cannot change from within (Morris, 2013; Said, 2003). This view was surfaced again after the 2011 Fukushima disaster when TEPCO required an injection of funds from its owners, the government. It was expected that the government would demand at least the replacement of top TEPCO officials by outsiders in order to deal with the company's corporate governance problem (Kyodo in The Japan Times, 2012). In essence it is presumed that the members of the company are either incapable or unwilling to deal with problems

⁵ Whether or not the 2002 TEPCO scandal had any bearing on the Fukushima Daiichi disaster of 2011 falls outside of the focus of this thesis, and I will not go into any details regarding the nuclear disaster here.

thereby necessitating the intervention of outsiders (The Economist 2002; Kyodo in The Japan Times, 2012).

4.3 The outsiders

This line of thinking is a recurring phenomenon and was also seen in the Nomura scandal (Pollack, 1997). In addition, it is claimed that Japanese boards of directors consist of insiders promoted to the board as a reward for long and dedicated service. “Most boards in Japan are made up of the top 30 to 50 managers, with no outsiders” (Pollack, 1997).

That too many insiders are a problem is a consistent part of the discourse and can further be evidenced by the following claim:

Groupthink becomes entrenched because there is so little mobility between companies: hiring from outside is thought to disrupt a firm's internal harmony, and an executive willing to move will be stained as a disloyal “job-hopper”.[...] The lack of an outside perspective is particularly striking in the case of Toyota's board. It is composed of 29 Japanese men— all of them Toyota insiders, none of them independent (The Economist 2010).

As with the *sōkaiya* there is once again a problem with Japanese corporate governance, although now the *sōkaiya* have been substituted with too many insiders within the figured world of Japanese corporate governance as the main problem for the Japanese economy. The claim that outside directors are needed has therefore a particular situated meaning that is connected to this figured world. Japanese companies, and by implication the rest of Japanese society, are once again seen as entirely insular and inherently different from companies and practices elsewhere.

Introducing outsiders is presented almost as a miracle solution to Japanese corporate governance that will give foreign investors the courage to invest in Japanese companies and save its economy from the current stagnation. But it is never defined what is meant with external, or outside, directors within the discourses. Current institutional owners such as banks are already represented on the board (Yoshikawa, Tsui-Auch & McGuire, 2007), but apparently they do not count as external directors within the discourse. The purpose of external directors is supposedly to provide more transparency and have somebody without vested interest with sufficient authority to deal with problems when they first appear instead

of letting them evolve into a scandal (Pollack, 1997; The Economist, 2010; Inagaki, 2011). The validity of this line of thinking can be questioned when one considers the scandal that engulfed Olympus Corp. The company had three outside directors out of fifteen as well as four auditors of which two were outsiders (Inagaki, 2011). In effect, Olympus had voluntarily implemented everything that was claimed as necessary within the discourse on Japanese corporate governance in English-language mass media. And yet a scandal occurred.

The Olympus scandal gained wide traction in English-language news media as the former CEO and president Michael Woodford went to the U.K, his home country, and raised allegations in the mass media there that the Olympus board had concealed \$1,5 billion in investment losses (Osawa & Inagaki, 2012; Soble, 2012). The Olympus scandal differs from previous scandals where Japanese corporate governance was discussed because Woodford chose to give a number of interviews and thereby provided an unusually large amount of information to the mass media. In fact, he gave his first interview to the *Financial Times* under interesting circumstances. The interview was given two hours after his dismissal when he claimed that he feared for his life:

“They told me to catch a bus to the airport,” he recounted to the FT during that first interview, in the back corner of a Tokyo café about two hours after his dismissal. [...] His main worry now was that criminal gangs might somehow be involved, and he was eager to get home to his wife and two children in the UK. “I felt very uncomfortable, because the amount of monies paid to parties completely unknown was so huge,” he said afterwards (Soble, 2012).

It is interesting that Woodford made a connection to criminal gangs being involved and felt the need to leave Japan as soon as possible. Connections to criminal gangs and Japanese companies are often made in cultural works about Japan and are an example of Japan-bashing (Morris, 2013). Nowhere in any sources that I have seen so far has there been a proven connection to any criminal gangs in the Olympus scandal. Furthermore it is only Woodford himself who has speculated that there might have been one (Soble, 2012). This brings home Luhmann’s (2000: 33-34) general point that that opinions, thoughts or comments can be disseminated as news if the source is reputable. Such opinions, thoughts or comments are frequently mixed in with the events being reported on (Luhmann, 2000: 33-34). In this instance claiming that Woodford feared for his life strengthens the impression of him as an outsider while simultaneously portraying him as a more sympathetic character than the

insiders who forced him out of the company, insiders that may have been consorting with criminals (Soble, 2012). It is also interesting that Woodford gave the interview only two hours after his dismissal, making one wonder how spontaneous this public relations effort on Woodford's side could reasonably have been.

The deviating points in the Olympus scandal are as interesting as those that converge compared to earlier cases. First, I will deal with those that deviate before looking at those that converge. The first point of deviation is Woodford himself who had worked his way up in the company for thirty years and was in charge of the company's European business before he was selected to become the new president and subsequently also CEO (Soble, 2011; Ryall, 2014). Woodford's appointment was surprising because very few non-Japanese are promoted to such high positions. Woodford's tenure as president lasted for only eight months and his time as CEO was a mere two weeks (Soble, 2011; Ryall, 2014). Furthermore he does not speak Japanese which would have meant communication difficulties and nearly isolated him from his surroundings (Soble, 2012; Ryall, 2014; Liang, 2014).

In many respects, Woodford's career had been similar to that of a typical Japanese salaryman, or lifelong corporate employee, as he had worked his way up the corporate ladder. The scandal reportedly started in a way that West (2006:11-58) would call common for Japan when FACTA, a small weekly, reported about suspicious acquisitions that had been conducted (Ryall, 2014). As mentioned on page 21 of this thesis, in Japan the initial reports on scandals are commonly published first by small weeklies, tabloids or the foreign media due to the structure of the media landscape that makes the Elite media reluctant to be first with reporting on these issues (West, 2006: 11-34). These suspicious acquisitions were allegedly a surprise to Woodford when he read the report which, he claimed, then led him to start asking questions for which he was eventually fired (Burrough, 2012; Ryall, 2014). In many Japanese scandals, the initial information that prosecutors receive about a scandal is actually from the weekly tabloids or in the foreign press (West, 2006: 39). A similar train of events appear to have happened in the case of the Olympus scandal. As far as I have been able to find out Woodford did not go to the police first but to *The Financial Times* (Soble, 2011; Soble, 2012). The police arrested Mr. Kikukawa, the chairman of the board, and several other leading figures in the company as well as auditors following an investigation in February 2012 (Soble & Nakamoto, 2012). Before devoting more attention to Woodford it is necessary to look further at the context in which he is commented on as the treatment of the scandal by

English-language mass media shows inherent orientalist assumptions, illustrated by both the claim for a need of outsiders as well as the situated language in use:

Only a small investigative magazine, Facta, went digging, and within the company only Mr. Woodford felt compelled to speak out. And only after 10 days of global coverage embarrassed Japan Inc. did Mr Kikukawa fall on his sword (The Wall Street Journal, 2011).

This quote highlights several situated meanings. Firstly, FACTA and Woodford are assigned roles as heroes by the English-language mass media. Kikukawa and the rest of the Olympus Corp. become the representatives of “Japan Inc.” in addition to the rest of Japanese society as villains. The description of Kikukawa as falling on his sword is a rhetorical feature that, in addition to being stereotypical, reminds the reader of his nationality as well as failure (Morris, 2013; Said, 2003). This reinforces the narrative of the scandal being a confrontation of west vs. east as the collective of Japan Inc. must apparently be *embarrassed* into doing the right thing. When this happens its representative is shamed to such an extent that he must fall on his sword, the Japanese character being thus made exotic, barbaric, and essentially militarist by the stereotypical allusion to an ancient warrior ethic. Allusions to Japanese feudal custom are common in orientalist descriptions of Japans modern economic system even though the link is fragile at best; not least because the samurai were in fact banned from engaging in any form of business already in of the 17th century (Morris, 2013).

The narrative framing of “Japan Inc” and similar rhetorical features cancel out such considerations as they position the topic within a situated world where roles are unambiguous and clearly distributed (Gee, 2011:62-116; Morris, 2013). The role Kikukawa plays in the narrative is a smaller deviation within the discourse as Japan Inc. usually appears as a virtually faceless entity that simply does not like transparency or outsiders. This is a consistently recurring theme throughout the discourse and can be seen in the cases I analyse in this thesis (The Economist, 2002; The Economist, 2010; Pollack, 1997; Osawa & Inagaki, 2012; Soble & Nakamoto, 2011). Woodford participated actively in that discourse:

Instead, he is suing the company and preparing to write a book. He says he sometimes feels as though he was taking on Japan’s whole business establishment, rather than rotten executives at a single camera maker (Soble, 2012).

His participation is also visible in the quote on page 28 of this thesis when he claimed that he feared for his life after he was fired without any actual proof that there were criminal elements involved in the scandal (Soble, 2012). There will apparently also be a movie adaptation of Woodford's book regarding his experience as a whistleblower in the Olympus scandal (Ryall, 2014). I should stress that I have no reason or intention to doubt Woodford's account, or to speculate that he did not himself believe any of the things he has said to be true at the time he said them. I do not concern myself with Woodford's personal experiences or the legitimacy of his account. My criticism is directed exclusively at how the English-language mass media use him in the discourse. This is because Woodford's actions after the scandal continue to provide the mass media with further information around which to construct additional news angles and narratives. Depicting Woodford as a hero means assigning him positive social goods and justifying his actions post facto (Gee, 2011:5-7). His own motives and strategic course of action are not critically discussed even though positive treatment has clearly benefited him financially (Ryall, 2014).

He is now living what Gee (2011; 34-36) would call the big "D" Discourse of a corporate governance expert. This means that he is communicating and otherwise interacting with his environment in such a way as to convince society of his legitimacy as a corporate governance expert. This is an interesting career choice for somebody who spent most of his life within the same company, and unusual with regards to others who tend to lose out financially when turning whistleblower (Dyck, Morse & Zingales, 2010: 2251). He is a fountain of information to the media and has given several interviews, published a book and is about to turn said book into a movie. He also holds talks here and there about corporate governance, insisting that change is necessary in Japan (Osawa & Inagaki, 2012; Ryall, 2014). Thus, there is an element of hypocrisy surrounding the treatment of Woodford by the English-language mass media as it is never questioned how he came to be such an expert in corporate governance in order to now be able to make a living out of it. Woodford has worked for three companies in his entire life and the last one of them was Olympus for whom he had worked for thirty consecutive years (Soble, 2012). This may be an excellent career choice for Woodford, and those who engage his services may certainly find them entirely worthwhile, but this does not absolve the English-language mass media from treating him with a velvet glove if they are to be impartial conveyors of information to the public.

This hypocritical velvet-glove treatment of the western outsider in corporate Japan is symptomatic of the mass media's need to produce a "hero" (Luhmann, 2000:31). The mass media prefer to stage such characters as heroes while treating their opinions as news (Luhmann, 2000:31-33). In order to do this the mass media often avoid scrutinising such people's motives and interests. Considering the media's self-declared role as purveyors of factual information, this can hardly be considered anything other than hypocrisy. The nature of the mass media is to use topics in a systematic manner in order to create internal coherence in what is reported, a consequence being that what is portrayed is simplified so as to fit into familiar topics (Luhmann, 2000:10-15). In the Olympus case this is illustrated by how a foreign outsider receives beneficial treatment to fit into a pre-existing role within previous topics. One of which is the foreigner, or outsider, who is there to, as it were, save the Japanese from themselves even though he is in fact very much an insider within the company.

A similar example is Nicholas Benes, the head of the Board Director Training Institute of Japan (BDTI). He is an often-cited source on Japanese corporate governance and has given several interviews on this topic (Fensom, 2014; Uranaka, 2014; Redmond, Kitanaka & Takeo, 2014). Benes is part of a more recent evolution in the discourse on Japanese corporate governance within English-language mass media that can be summed up with the claim that Japanese board members lack the skills and training in how to do their jobs:

The Asian Corporate Governance Association, a watchdog, recently downgraded Japan to fourth in Asia for corporate governance, tying with Malaysia. It noted that "Japan is also lagging most markets in not requiring any training of directors." It added that this was "shocking" (The Economist, 2012).

This was followed a few years later by:

Next month the government aims to go further by introducing a new corporate governance code [...] how directors are nominated, paid and trained; and why shareholders should care. (McLannahan, 2014)

This is a prime example of what I termed the efficiency argument on page 22; Japanese corporate boards are supposedly staffed by people who do not know how to do their jobs as efficiently as boards in other countries. According to its own website, the BDTI is certified by the government, and its mission is to improve corporate governance in Japan (BDTI webpage,

2015a). It is left entirely unclear, however, precisely how paying Benes and his associates at least ¥55,000 (the price of the regular consultancy package) to spend one day in their facility is supposed to transform the already accrued experience, job-specific training, and previous education of a new director (BDTI webpage, 2015b). Benes is treated similarly to Woodford, and it is never fundamentally questioned how much and what kind of training Japanese directors actually need. The same caveat that I expressed for Woodford on page 31 applies to Benes and the BDTI as well: I am not criticising him as a person; I am merely problematizing how he and the institute are used within the discourse. Woodford and Benes are examples of how English-language mass media use certain people as sources without scrutinising their reasons for providing information. The opinion that corporate governance in Japan is faulty is both treated as news and is in turn used to produce additional news (Luhmann, 2000: 33).

Thus, a type of orientalism is thereby reproduced based on the assumption that outsiders must come to Japan in order to, as it were, save it from itself (Morris, 2013; Said, 2003). While both Woodford and Benes are non-Japanese and therefore glaring examples, a similar variation of the necessity for outsiders was visible in the previously discussed TEPCO scandal when it was claimed that Japanese companies have too many insiders (The Economist 2002; Kyodo in The Japan Times, 2012). The difference between these cases is minor, as in the TEPCO case it was claimed that it was the company that had too many insiders and therefore needed outside intervention. In this case it is all of Japan that needs help from the outside. Perhaps, within the discourse, Japan is simply too Japanese?

4.4 Hypocrisy & reform

As I have indicated a number of times already, several types of hypocrisy are at play in the discourse. The first one is the claim that Japanese companies have a corporate governance problem even when a company, as in the Olympus case, has clearly and voluntarily fulfilled the previous demands for reform (Inagaki, 2011). As successive corporate governance reforms have been introduced, so have also new demands for reform when scandals continue to happen despite previous reforms (The Economist, 2002; The Economist, 2010; Inagaki, 2011; Pollack, 1997). Continued insistence on reform becomes therefore hypocritical as no amount of reform is apparently ever quite sufficient.

Orientalism is recreated in the topics as a way to explain practices that offend the social mores of western audiences, and thereby the mass media pass a moral judgment upon Japan that elevates the west over the east thereby insinuating that the latter is essentially inferior (Morris, 2013; Said, 2003). According to this discourse, Japanese companies are inherently introvert and try to keep problems secret as a consequence of uniquely Japanese structural and cultural characteristics (Osawa & Inagaki, 2012; The Economist, 2010; Pollack, 1997; Soble & Nakamoto, 2011). This is supposedly done either by staff in order to protect their superiors or by management in order to protect the company. Employees are therefore implicitly assumed as selfless in the figured world of Japanese corporate governance as they take risks to protect the company and not for personal enrichment. Mass media seem to have an affinity for this type of moral judgments (Luhmann, 2000:78). Factual information is presented in a manner that serves to reinforce pre-existing stereotypes. By sorting information into pre-existing topics, mass media make it possible to pass moral judgment and thereby functions as a repository of social memory. This requires the turning of irritation into information for society; the resulting topics are then used by the mass media to either shape, or reflect a version of, reality (Luhmann, 2000:84). Furthermore the mass media uses this to create structural couplings to other social domains such as politics (Luhmann, 2000:67-69).

An expectation for a reform of Japan's corporate governance by Prime Minister Abe's government has been prevalent in the discourse at least since 2013 (Narioka, 2014; The Economist, 2014; McLannahan, 2014; The Economist, 2013). Politics benefits from being mentioned in the media while simultaneously being irritated by them which in turn results in additional commentary by the mass media (Luhmann, 2000:67). Thereby a loop is created in which both systems benefit from each other. Although the original causation cannot be ascertained, whether politicians started talking about reform first or the media irritated them into doing so, the mass media does set the agenda for conversations about reform by continuously recreating the topic of reform (Carroll, 2004; Carroll & McCombs, 2003). Supposedly even Prime Minister Shinzo Abe has started to claim that corporate governance is a necessity in order to create economic growth. This is evidenced by the Policy Speech that Prime Minister Shinzo Abe gave to the 189th Session of the Diet in early 2015:

In the face of an ever-more globalized economy, any company that cannot be internationally competitive cannot hope to survive. This is again something that the Government recognizes well. We cannot shirk from reforms that are fixed firmly on an

open world. We will make it mandatory for all listed companies to comply with a new “Corporate Governance Code” in line with international standards, or provide a reason if they are not in compliance with the code (Abe, 2015).

This structural connection wherein both politics and the mass media have corporate governance reform on the agenda perpetuates a form of orientalism within the English-language mass media. This happens because the mass media continue to make a connection between scandals and culture as well as a perceived necessity for reform even though there have already been a number of reforms. One wonders whether this latest round of corporate governance reform will change anything compared to the reforms that were enacted in 2003 and 2006 respectively (West, 2006: 124; Tanimura & Okamoto, 2013:40). And yet the English-language mass media sets an orientalist agenda for continued conversations about reform by routinely utilising phrases such as:

Hedges are rolling, but corporate governance will probably not get any better (The Economist, 2002).

Toyota's problems are its alone, but they highlight broader failings in Japanese corporate governance that make large companies particularly vulnerable to mishandling a crisis in this way (The Economist, 2010).

[...]the final chapter in one of Japan's biggest business scandals [...] also shows how, in the end, the scandal actually did little to disturb Japan's cloistered corporate culture (Osawa & Inagaki, 2012).

As seen on the quotes on this page, the discourse on Japanese corporate governance describes the nature of the problems more as structural than as a question of personal greed. Therefore structural reforms are required (Osawa & Inagaki, 2012; The Economist, 2010; Pollack, 1997; Soble & Nakamoto, 2011), even though structural reforms have already been implemented (West, 2006: 124; Tanimura & Okamoto, 2013:40). In essence orientalism is maintained by not acknowledging that Japan is capable of change and assuming that this is due to cultural patterns that cannot be changed from the inside. But the Japanese business system is not static as it has been experiencing an ongoing transformation from a bank centred corporate governance system into a system with two models of which at least one resembles the Anglo-American system (Nakamura, 2006: 254-255; Yoshikawa, Tsui-Auch & McGuire, 2007: 982-985; Yoshikawa et al, 2006: 548-551). That change has indeed happened in Japan should not

be a surprise, as the type of corporate governance most appropriate for a country is varies over time (Mueller, 2006). Reforming corporate governance is an absolute requirement in this figured world: the question becomes *how* Japanese corporate governance should be reformed, not *if* further reforms are necessary.

4.5 Social consciousness

Scandals in Japan irritate the English-language mass media into generating news content within already familiar topics based on orientalist simplification, thereby creating a consistency in the reporting. Scandals become therefore framed and understood as a result of a broken Japanese system. It is necessary to make a distinction here as different language-groups effectively comprise different mass media systems even though they are connected (Czarniawska, 2011: 73-77; Luhmann, 2000: 88-94). As seen in the Olympus case, for example, it was the English-language mass media system and not the Japanese that was first to run the news that Woodford had been fired from Olympus for asking uncomfortable questions (Soble, 2011; Soble, 2012). Even though the various systems are language based and interconnected they are still very much their own systems and governed by a specific inner logic (Luhmann, 2000: 88-94).

It is the logic of the mass media as a system that leads to this recreation of familiar orientalist frames in the guise of a new topic. This produces inconsistencies and hypocrisy in the reporting such as claims that Japan should learn from the west in order to prevent future scandals, almost as if there were no corporate scandals in a supposedly so transparent and outsider-controlled west. The rhetorical features and narrative phenomena are characteristic of orientalism, but the manner in which they are reproduced within the discourse is dependent on the logic of how the mass media function. By referencing previous topics the mass media ensures a continued communality between itself and the rest of society, thereby ensuring that a coherent social memory will continue to exist (Luhmann, 2000: 95-102). The function of the mass media is therefore not to provide factual information, even though the mass media likes to portray this as so, but rather to be a repository for social memory. This is what journalists do when they frame information so as to provide an angle or context to a story. In the case of Japan this memory includes a hefty amount of orientalism (Said, 2003; Morris, 2013), illustrating how the mass media acts more as a social consciousness than as a provider of factual information.

5.0 Conclusions & Discussion

This thesis has analysed and problematized the discourse on Japanese corporate governance within English-language mass media with regard to orientalism. Doing so the thesis looked at how said mass media cover corporate scandals in Japan and what images of business practices and corporate governance they disseminate. This means that the primary audience of the studied mass-media stories is not in Japan at all, but rather in what I, admittedly somewhat simplified, have termed ‘the west’.

While there are structural connections between mass media systems, and this has been taken into account, this thesis does not analyse the Japanese mass media system itself. The same can be said of the social domain of politics. While this discourse is about Japan, it is mostly conducted outside of Japan. Although corporate governance reform has recurred several times, I certainly cannot conclude that such reforms were originally inspired by the discourse in English-language mass media. Correlation is not causation. A more probable reason for the alterations in laws governing corporate governance lies in fundamental changes in capital flows and market structures, but this is something that lies outside of the purview of this thesis.

Furthermore, this thesis has operated from the understanding that the mass media construct news as a system and thereby create discourses. This goes beyond merely conveying factual information. As an observer, one is struck by the similarity in the role of oral traditions among more primitive peoples, with the role mass media fill when it comes to the reiteration of information to the masses and thereby the creation of social cohesion. Fundamental to this practice is the role of gatekeepers, such as journalists. This is because they are the ones actually creating the stories as they combine existing information within the system with a context. In effect, what matters is that the topics used by the mass media become accepted.

English-language mass media disseminate what can only be termed as orientalist images of Japanese business practices and corporate governance. An assumption that forms a basis for these arguments is that Japan’s economy remains stagnant for inherently cultural reasons. A clear case of orientalism’s more Japan-focused cousin, Japan-bashing, can be discerned throughout the discourse. The images conveyed are to the effect that Japan “is” introvert and secretive, such characterizations supposedly explaining Japanese companies as a reflection of

Japanese culture, effectively the polar opposite of the west. There are two broad types of arguments in use for corporate governance reform, the first I call the ‘efficiency argument’ and the second the ‘reform or face a scandal argument’. What Japanese companies do to create a reputation, or image, appears not to matter particularly much as the fact that they are Japanese.

Either Japanese companies are described as inefficient, or they are portrayed as inherently corrupt due to a corporate governance system that rewards secretive insider activities. While I have focused on these arguments separately in order to show how they differ from each other, it is not unusual for both arguments to be used simultaneously by the English-language mass media in the context of a particular news article. Either way, a fundamental notion is that corporate scandals in Japan necessitate reform of corporate governance; the one cannot be discussed without involving the other. Japanese business practices are inherently corrupt because of the many insiders there.

There is a notion that outsiders will be more objectively interested in running the company as efficiently as possible compared to insiders because they do not have a connection to previous mistakes. There is a need for outside intervention because Japan and Japanese companies, it is argued, are incapable of changing on their own. The solution to this problem is that Japan must become more like the west when it comes to its corporate governance model.

This discourse could hardly exist in its current iteration if there were no obvious problems in Japanese companies, problems that Japan (in this context considered as a politico-economic and social unit) has been trying to come to terms with ever since the bubble burst. An ongoing restructuring of the economy, with the accompanying friction that this produces in the form of scandal, has therefore been necessary to feed the discourse with new information. The reason I bring this up is that it is necessary to acknowledge that, of course, no mass media system is completely devoid from what happens in the rest of society. What this thesis takes issue with is not the idea that there are differences between countries (of course there are) but rather how these differences are systematically depicted. Just because there are differences between countries, that does not mean that such differences are necessarily cultural or that one party in the comparison can be legitimately assumed incapable of affecting change within itself due to whatever cultural particularities.

I made considerable effort to show how the English-language mass media treat Woodford, the Olympus scandal the whistleblower, as well as Benes, the director of the BDTI, because of their high-profile roles within the discourse. Based on the theory chapter within this thesis, they as individuals are completely interchangeable from the point of view of the mass media. This is because they only serve a structural function as ‘fountains of information’ within an established discourse, a discourse that in turn already feeds on long-established topics infused with orientalism. If the two were to become unavailable to reporters, then the English-language mass media system would, in all likelihood, simply find other sources of information to replace them.

It is the mass media’s function as a repository of social memory that results in new iterations of orientalism and Japan-bashing to be produced within the discourse on Japanese corporate governance. Similar observations can probably be discovered in other discourses where the English-language mass media, or other types of western sources, attribute certain behaviour to innate cultural differences. This means that any comparisons between countries must be considered with care as the English-language mass media is one of the primary sources of information on Japan for western audiences. Sound Judgement cannot be based on accounts, that are first produced with orientalist assumptions and then presented in a context that is clearly meant to push a preconceived angle. Accusing the mass media of not being connected to some preconceived notion of reality entails the assumption that the mass media is not a reflection of the society in which it operates but a social domain onto itself. Stories are a reflection of underlying thought currents within society. Understandings of Japan remain distorted if the basic underlying assumption is that because Japan is Japanese, something is rotten in the state of Japan.

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