



Legal Departments of Japanese Corporations in the United States : A Study on Organizational Adaptation to Multiple Environments

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Legal Departments of Japanese Corporations in the United States: A Study on Organizational Adaptation to Multiple Environments

Setsuo MIYAZAWA*

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LEGENDS FOR INTERVIEW DATA

We will quote from our interviews with legal personnel of both U.S. subsidiaries and their parent corporations in Japan. Each quotation will be accompanied by the legends that identify the subsidiary, field of industry, type of legal department, and the respondent who made the given statement. The subsidiary number of Table 5 will be used to identify the subsidiary. Other legends will include the following:

Field of industry:

GT =general trading.

TE =transportation equipment (automobiles and motorcycles).

EE =electric and electronic equipment, appliances, and parts.

Type of legal department:

A=a U.S. in-house lawyer is the head of the legal department (including Subsidiary 26 that employed its first in-house lawyer in 1981).

B=U.S. in-house lawyers work under the supervision of a Japanese non-lawyer head (including Subsidiary 19 that employed its first in-house lawyer in 1981).

C=a unit specializing in legal matters or called "law" or "legal,"

without having a U.S. in-house lawyer (including Subsidiaries 4 and 6 that employed their first in-house lawyer in 1981 after the interviews in the U.S. had ended).

Respondent :

J =a Japanese member of the subsidiary.

UL =a U.S. in-house lawyer of the subsidiary.

P =a member of the parent corporation.

These legends will be presented in the following format at the end of quotations: (I, GT, B, J). This means, for instance, that the quotation is from statements made by a Japanese member of Subsidiary 1, which is a subsidiary of a general trading company, and places U.S. in-house lawyers under the supervision of a Japanese non-lawyer head of the legal department.

I. THE AIM OF THIS INVESTIGATION

This investigation combines interests in the sociology of law and the sociology of organizations, and explores factors that determine the structure of the legal department of U.S. subsidiaries of Japanese trading and manufacturing corporations as a consequence of simultaneous adaptation to both the host (U.S.) and home (Japanese) environments. The focal organizations are the 36 largest subsidiaries. Individual subsidiaries are units of analysis. We expect that our investigation will illustrate the potential fruitfulness of studies in organizational adaptation in geographically separate, culturally diverse, multiple environments.

We use the term "legal department" as a generic term that denotes any unit or personnel that is assigned to legal matters, either solely or in conjunction with other matters. We also use the terms "legal personnel" or "legal employees" to mean individual members of the subsidiary who are working mainly or solely on legal matters, excluding supporting members such as secretaries.

Business corporations occupy a central place in our legal life. They are customers of the best legal services, targets of ever-increasing regulatory legislation, and most resourceful members of society influencing all branches of government. They are themselves creatures of law. Corporate behavior with regard to law should be an important subject of the sociology of law.

Sociological analysis of corporate legal behavior has so far focused on its illegal forms. We now have a substantial amount of knowledge in corporate crime or illegalities, and new studies are constantly coming out. However, the other side, that of corporate legal behavior, has been largely ignored.

While an increasing number of organizational scholars recognize law as an important environmental constraint on corporate structure and behavior (Aldrich, 1979: 21, 186-187, 301; Hall, 1982: 24, 218-219, 233; Pfeffer and Salancik, 1978: 71, 189), and the corporate legal department may be conceptualized as a boundary-spanning role of the business corporation to cope with its legal environment (Aldrich and Herker, 1980: 322, 324;

Pfeffer and Salancik, 1978: 78), legal as well as organizational sociologists seem to have failed to recognize as their research subject the development of the legal department and other forms of corporate behavior to comply with law, prevent legal problems, and handle legal matters. Pfeffer (1972: 24) reports a positive correlation between national regulation of the organization and percentage of attorneys on the corporate board of directors, and Donnell (1970) analyzes role conflicts experienced by individual in-house lawyers. Otherwise, it is difficult to find a relevant study (*cf.*, Abel, 1980: 352).

We wish to remedy this want of empirical research by presenting an analysis of corporate adaptation to the legal environment in a situation in which adaptation problems can be expected to be most serious, namely, the situation in which the corporation not only has to adapt itself to the alien legal environment of the host country, but also has to accommodate itself to the demands from the home country. This is a special case of organizational adaptation to geographically separate, culturally diverse, multiple environments.

We regard the selection of certain structural forms of the legal department as part of adaptive behavior of the corporation, and try to explain structural variations among legal departments of U.S. subsidiaries of Japanese corporations. There are several structural dimensions, including differentiation as a specialized unit, status, and size of the legal department. In this paper we focus on professionalization of the legal department.

We mean by "professionalization" the employment of U.S. licensed lawyers as in-house lawyers and, in a more developed form, the placing of a U.S. in-house lawyer at the head of the legal department. We focus on professionalization because indigenous corporations in Japan and the U.S. differ from each other most clearly in this regard, and we may expect to find most interesting variations among U.S. subsidiaries of Japanese corporations with regard to this aspect.

We analyze structural variations among individual organizations as results of different environmental conditions and draw upon the resource dependence model (Pfeffer and Salancik, 1978) as a theoretical framework to derive hypotheses. We modify the resource dependence model by incorporating the culture of environmental elements that control resources of the focal organization, as well as the culture of members of the focal organization who internally affect the structure of the organization. Our investigation not only draws upon organizational sociology, but also contributes to organizational sociology itself.

Several scholars have applied organizational theories to studies in law-related institutions (*e.g.*, as an early example, Reiss and Bordua, 1967; as more recent examples, Champagne *et al.*, 1981; Jacob, 1983; Feeley and Lazerson, 1983). We extend application of organizational theories from studies in public law enforcement institutions to those in private business organizations.

Data were collected in 1979 through 1981. We combine information obtained through questionnaire surveys, interviews, and archival research. The research design is discussed in the Appendix. The small size of our final sample precludes us from more powerful statistical analysis. Each hypothesis is examined individually, and interaction effects and relative contributions of independent variables cannot be assessed. This mode of analysis nonetheless serves the exploratory nature of our investigation.

II. JAPANESE CORPORATIONS AND PROFESSIONALIZATION OF THE LEGAL DEPARTMENT

U.S. subsidiaries of Japanese corporations can be expected to provide a particularly appropriate subject for our interest in corporate adaptation to the legal environment. The basis of this expectation lies in the contrasting reputation of Japan and the U.S. regarding the significance of law in business, with the U.S. being regarded as more legalistic than Japan. This contrasting reputation is reflected in the following opinions of practitioners who are well-versed in the business-related legal matters in both countries.

Business considerations often carry more weight among Japanese businessmen even in deciding on legal matters (Stevens, 1978: 39-40). Lawyers are to be avoided as much as possible in business transactions in Japan (Mori, 1978: 48). This attitude toward lawyers creates an enormous problem for lawyers who advise Japanese businessmen in the U.S. (Zaloom, 1978: 42). Japanese businessmen rely less on contract-based, legalistic relationships and, when a dispute arises out of business relationships, rely less on formal, legalistic proceedings (Zaloom, 1978: 45).

We should, of course, guard ourselves against oversimplification. Macaulay (1963) reports that, even among U.S. businessmen, courts are rarely used for breaches of contract in routine business transactions, and Ross (1970) and Rosenthal (1974) describe how rarely courts are used in negligence cases.

Relatively speaking, however, we may still assume that the difference between Japan and the U.S. with regard to the role of law in business is significant enough to make adaptation to the U.S. legal environment a challenging task for U.S. subsidiaries of Japanese corporations. An indirect indication of Japanese businessmen's concern about the U.S. legal environment is a growing body of literature in Japan regarding various aspects of the U.S. legal environment which is aimed at the general business readership (e.g., Ito, 1984; Oba, 1984; as more scholarly works, Doi, 1978; Matsushita, 1982; 1983; Takada, 1982). There is even a monthly journal specializing in business-related foreign and international law, *Kokusai Shoji Homu* (International Business Law), which often carries articles and case notes regarding legal issues in the U.S.

Japan and the U.S. are said to differ from each other, not only in terms of the role of law in business, but also with regard to the modal structure of the corporate legal department. The most apparent difference is the professionalization of staff members. While legal departments of U.S.

corporations in the U.S. are staffed with licensed lawyers and headed by one of them who usually has the status of corporate officer, those of Japanese corporations are rarely so (Stevens, 1978: 35).

Keiei Hoyukai (Society for Business Law), an organization of corporate legal departments in Japan, conducted a mailed questionnaire survey of 2,750 corporations in Japan in 1980 requesting information about their internal legal preparations. 398 corporations returned questionnaires, and the results were presented for 350 corporations (*Bessatsu NBL*, No. 8, 1982: 109-148). Among those 350 corporations, only five departments, including one subsidiary of a foreign corporation, had in-house lawyers. Moreover, as to the need in the future, only 53 departments (15%) replied that they want to hire in-house lawyers if possible, and 244 (70%) replied negatively.

The legal department most typical in Japanese indigenous corporations as found by the above survey is a part of a general affairs department (*somu-bu*) that handles both legal and nonlegal matters with, on the average, only three lay persons actually working mainly or solely on legal matters. The status of the head is, therefore, not higher than that of *buchō* (department chief). He can be neither a corporate officer, nor a member of the board. Table 1 indicates that there are large or specialized legal departments, but none of them are staffed with licensed lawyers.

The situation in the U.S. is quite different. Our survey of U.S. electric and electronics corporations indicates (Table 2) that all corporations with annual sales exceeding 200 million dollars have legal departments staffed with in-house lawyers, and that such a department appears even among corporations with annual sales of 55 to 60 million dollars. Comparison of Table 3 and Table 4 suggests that the relationship between the corporation size and the appearance and size of the professionalized legal department is roughly the same irrespective of the field of industry.

We can find some possible explanations for the Japanese practice not to staff the legal department with in-house lawyers. One is the importance of business considerations even in decisions regarding legal matters. Business expertise can be acquired more easily through working in corporations, so that there should be no wonder when non-lawyer staff members become more sophisticated than a majority of outside lawyers as far as the kind of expertise required for members of the legal department of the Japanese corporation is concerned (Stevens, 1978: 35). Technical legal expertise may be an important, but secondary, consideration. If so, there is no need for the Japanese corporation to compete with others to recruit expensive members of the extremely small Japanese bar with only some 12,000 members (*cf.*, Haley, 1978b), and it may be more efficient to recruit better members of an enormous number of students of undergraduate law faculties of Japanese universities and educate them on the job. In short, Japanese corporations *do not need to hire* licensed lawyers as their own employees.

There exists another factor, however, that suggests that most Japanese corporations *cannot hire* licensed lawyers even when they want to do so.

Table 1 Legal Departments of Japanese Corporations (1979~1982)

Corporation	Legal Department		Corporation Data			
	Name	No. of Male Members Working Mainly on Legal Matters	Source Data (Note 1)	Year of the Data (Note 2)	Entire Personnel (In Hundred) (Note 3)	Proportion of Int'l Trade (T) or Export (E) to Annual Sales (%) (Note 4)
Mitsui & Co.	Archive Dept. (Note 5)	38	1	'82	97	56(T)
Mitsubishi Corp.	Legal Office	24	2	'80	97	58(T)
C. Itoh & Co.	Legal Dept.	49	2	'80	76	52(T)
	Int'l Legal Dept.					
Marubeni Corp.	Legal Dept.	28	2	'80	76	59(T)
Sumitomo Corp.	Legal Dept.	26	2.3	'80	57	46(T)
Nippon Steel Corp.	Legal Office.	12	2	'80	716	33(E)
Toyota Motor Co.	Legal Dept.	41	1	'80	448	39(E)
Nippon Oil Co.	Legal Section	16	2	'80	29	3(E)
Matsushita Electric Industrial Co.	Legal Dept. (Note 6)	18	1	'81	344	25(E)
Mitsubishi Heavy Industries	Legal Section	14	2	'80	595	35(E)
Sumitomo Metal Industries	Legal Section	9	2	'80	299	39(E)
Mitsubishi Electric Corp.	Legal Dept.	12	1	'81	478	19(E)
Kawasaki Steel Corp.	Legal Office	6	2	'80	350	35(E)
Kobe Steel	Legal Office (Note 7)	9	1	'81	312	23(E)
Honda Motor Co.	Legal Group	8	2	'80	208	69(E)
Kirin Brewery Co.	Legal Section	5	1	'81	77	0(E)
Mitsubishi Chemical Industries	Legal Group	9	1	'81	79	13(E)
NEC Corp.	Archive Section Legal Section	12	1	'80	334	33(E)
Isuzu Motors	Legal Group	11	2	'80	142	31(E)
Taiyo Fishery Co.	Archive Section	6	1	'80	60	8(E)

(to be continued)

Legal Departments of Japanese Corporations (1979~1982) (continued)

Corporation	Legal Department	Corporation Data				
Name	No. of Male Members Working Mainly on Legal Matters	Data Source (Note 1)	Year of the Data	Annual Sales (In 10 Billion Yen) (Note 2)	Entire Personnel (In Hundred) (Note 3)	Proportion of Int'l Trade (T) or Export (E) to Annual Sales (%) (Note 4)
Kawasaki Heavy Industries	Legal Research Group	8	2	'80	50	45(E)
Kubota	Legal Section (Note 8)	4	1	'79	48	11(E)
Toray Industries	Legal Office	10	2,3 (Note 9)	'80	48	25(E)
Asahi Glass Co.	Archive Section	6	1	'81	47	8(E)
Sony Corp.	Legal Dept.	10	2	'80	46	61(E)
Komatsu	Archive Section	4	3	'80	45	40(E)
Nippon Suisan Kaisha	Archive Section	5	1	'81	40	3(E)
Teijin	Legal Dept.	6	2	'80	40	20(E)
Ajinomoto Co.	Legal Section	7	1	'81	37	7(E)
Showa Denko	Legal Dept.	4	2	'80	37	9(E)
Dainippon Ink & Chemicals	Archive Section	5	1	'79	26	6(E)
Sapporo Breweries	General Affairs Dept.	4	3	'80	25	0(E)
Morinaga Milk Industry Co.	Archive Section	1	3	'80	25	1(E)
Hitachi Zosen Corp.	Legal Group	9	2	'80	24	41(E)
Kanebo	Legal Dept.	6	2	'80	24	16(E)
Lion Corp.	Legal Dept.	11	2,3	'80	21 (Note 10)	2(E)
Kyokuyo Co.	Archive Section	4	3	'80	20	6(E)
Mitsui Engineering & Shipbuilding Co.	Legal Group	3	3	'80	20	55(E)
Daishowa Paper Mfg. Co.	Legal Office	3	3	'80	19	2(E)
Canon	Legal Unit of the General Affairs Dept.	4	2	'80	18	72(E)

(to be continued)

Legal Departments of Japanese Corporations (1979~1982) (continued)

Corporation	Legal Department	Corporation Data					Proportion of Int'l Trade (T) or Export (E) to Annual Sales (%) (Note 4)
	Name	No. of Male Members Working Mainly on Legal Matters	Data Source (Note 1)	Year of the Data (Note 2)	Entire Personnel (In Hundred) (Note 3)		
Minolta Camera Co.	Legal & Affiliated Companies Group	4	2	'80	76	72(E)	
	Archive Section	0	3	'80	38	16(E)	
Nippon Kayaku	Legal Dept.	13	1	'79	29	6(E)	
Eisai Co.	General Affairs Section	1	3	'80	19	30(E)	
Chichibu Cement	Archive Section	3	3	'80	36	33(E)	
Toshiba Machine Co.	Legal Office	11	2	'80	28	10(E)	
Daiichi Seiyaku Co.	Legal Dept.	5	1	'80	12	16(T)	
Osawa & Co.	Legal Section	(Note 11)	3	'80	4	25(T)	
Daiichi Jitsugyo Co.	Legal Section	4	3	'80	13	1(E)	
SB Shokuhin	General Affairs Section	2	3	'80	10	6(E)	
Fujikura Rubber							

Note 1: 1=April, 1979 through January, 1982 issues of the monthly newsletter of *Keiei Honyukai*; 2=*Yomiuri*(1980); 3=*Bessatsu NBL*(1982: 109-148).

Note 2: If data source is "1", annual sales as of the time of publication; If "2" or "3", as of August, 1980.

Note 3: Corporation data are taken from relevant issues of *Kaisha Shikho* immediately preceding the time of data collection on the legal department.

Note 4: "International trade" includes not only import and export, but also off-shore trade between third countries.

Note 5: Despite the name, this is a specializing unit.

Note 6: With other units such as First Patent Dept., Second Patent Dept., International Contract Dept., this unit belongs to Legal Administration Division.

Note 7: In addition to this unit, Tokyo General Affairs Dept. and Technology Development Division also have units handling legal matters.

Note 8: In addition to this unit, Administration Dept. also has a unit handling legal matters.

Note 9: The two sources provide different figures, so that a larger figure is used.

Note 10: This company merged another company in January, 1980, so that corporation data are of December, 1980.

Note 11: This figure includes both male and female members.

Table 2 Distribution of U.S. Electric and Electronics Corporations
by Annual Sales and the Type of the Legal Department

<u>Annual Sales (1980)</u> (In Million Dollars)	<u>Whether the Corporation Has</u> <u>a Legal Department with</u> <u>In-House Lawyers (1981)</u>		
	Yes	No	Total
1,000 or More (Note 1)	9	0	9
300 — 1,000	11	0	11
200 — 300	5	1 (Note 2)	6
100 — 200	5	9	14
60 — 100	3	8	11
Less Than 60 (Note 3)	2 (Note 4)	2	4

Note 1 : 23,800 is the largest.

Note 2 : Annual sales of this corporation are 200 million dollars.

Note 3 : 30 is the smallest.

Note 4 : Annual sales of the smaller one of these two corporations are 55 million dollars.

That factor is their personnel practice.

Robbins (1983: 327-330) argues, for instance, that "The essence of the management of large Japanese organizations is its focus on human resources" and lists the three interrelated strategies of the Japanese personnel practice: long term employment in which employees are "hired fresh out of" school and the company "trains them"; an organizational philosophy that places "a heavy emphasis on cooperation and teamwork"; and, intensive socialization that prefers "moderate views and a harmonious personality," and in which employees are "socialized first and foremost to be committed to the organization" with technical skills being considered secondary. Because licensed lawyers are older than regular freshman employees and because, as members of the bar, they have acquired norms that can differ from those of an employing corporation, their employment will cause conflicts with several aspects of the personnel practice of most Japanese corporations.

Indeed, from his unique perspective as a Japanese lawyer working as General Counsel of I.B.M. Japan, Takaishi (1981: 24, 26) observes that Japanese corporations do not have in-house lawyers because they do not like to employ candidates for management positions in the middle of their careers, nor are they likely to apply a different pay scale even to professionals. His observations are supported by high-ranking members of legal departments of some leading Japanese corporations. The deputy chief of the Legal Department of Nissho-Iwai, one of the nine *sogo shosha* or general trading companies, says that unless a revolution happens to Japanese organizations, professionalization is impossible (Fujioka, 1981: 32; also, 1973: 36). Similar arguments have been presented by the deputy chief of the Archive Section of Mitsui & Co., another trading company (*Nikkei Sangyo Shinbun*, 1982), and the head of Toyota's Legal Department (*Nikkei Business*, 1980: 58).

We may argue, in short, that the practice of staffing the legal department with only non-professional members is a result of both the nature of the legal environment in Japan and internal organizational factors of Japanese corporations.

U.S. subsidiaries operate in a different legal environment, under which technical legal expertise may be more important. In the U.S., only people who possess practical expertise in U.S. law are licensed lawyers. Therefore, whenever a subsidiary contemplates acquiring in-house legal expertise, it may face the question of whether or not it should employ professional lawyers, against the practice of its parent corporation and clients in Japan, on whose support its survival more or less depends.

Professionalization of the legal department of the U.S. subsidiary of the Japanese corporation is, thus, a particularly appropriate subject for our interest in corporate adaptation to the legal environment.

Table 3 Legal Departments of U.S. Electric and Electronics Corporations (1981)

ID No.	Name of the Legal Dept.	Year Established	No. of Members	Handles		Total Personnel (In Hundred)
				Lawyer	Non-Legal Matters	
(Those Assigned to Headquarters in Parentheses)						
Annual Sales: \$ 1 Bil. to 23.8 Bil.						
1	Legal Dept.	'20	(69)	(33)	No	3,480
2	Legal, Patent & Regulatory Matters Div.	Early this century	277(218)	82 (54)	Yes	1,770
3	Legal Dept.		51 (22)	33 (15)	No	2,270
4	General Counsel		51 (31)	42 (16)	Yes	1,200
5	Office of the General Counsel	'48	52		No	700
6	Law Dept.	'51	58 (30)	32 (15)	No	715
7	Corporate Legal Dept.	'73	32 (20)	19 (12)	No	340
8	Legal Dept.	'68	10 (10)	5 (5)	Yes	220
9	Legal Dept.	'44	41 (24)	22 (14)	No	220
Annual Sales: \$ 200 Mil. to 1 Bil.						
10	Legal Dept.	'78	3 (3)	2 (2)	No	180
11	Legal Dept.	'70	12 (10)	7 (6)	No	110
12	Corporate Law Dept.		22 (17)	10 (6)	No	94
13	Legal Dept.	'69	12 (12)	7 (7)	Yes	90
14	Senior Vice President- Finance & Law	ca. '50	8 (8)	4 (4)	Yes	65
15	Law Dept.	'79	10 (10)	4 (4)	No	95
16	Corporate Law Dept.	'50	11 (7)	6 (4)	No	80
17	Legal Dept.	'74	10 (10)	5 (5)	No	140
18	Legal Dept.	'62	6 (6)	3 (3)	No	88
19	Law Dept.	'70	5 (5)	2 (2)	No	60
20	Law & Patent Dept.	'77		3 (3)	No	97
(to be continued)						

(to be continued)

Legal Departments of U.S. Electric and Electronics Corporations (1981) (continued)

I.D. No.	Name of the Legal Dept.	Year Established	No. of Members	Handles		Total Personnel
				Lawyer	Non-Legal Matters	
<u>Annual Sales: \$ 200 Mil. to 1 Bil. (continued)</u>						
21	Corporate Counsel	'74	2 (2)	1 (1)	No	65
22	Legal Dept.	'77	2 (2)	1 (1)	No	21
23	Legal Dept.	'57	8 (8)	5 (5)	No	50
24	Office of General Counsel & Corporate Secretary	'78	7 (7)	3 (3)	Yes	40
25	Corporate Legal Dept.	ca. '60	5 (5)	3 (3)	No	34
<u>Annual Sales: \$ 55 Mil. to 200 Mil.</u>						
26	Legal Dept.	'57	5 (5)	3 (3)	No	35
27	Legal Dept.	'78	6 (6)	3 (3)	No	14
28	Legal Dept.	'80	2 (2)	1 (1)	No	30
29	Law Dept.	'70	6 (6)	2 (2)	No	20
30	Legal Dept.	'80	2 (2)	1 (1)	Yes	35
31	Legal Dept.	'62	4 (4)	2 (2)	No	20
32	Legal Dept.	'77	2 (2)	1 (1)	No	12
33	Legal Dept.	'73	2 (2)	1 (1)	Yes	18
34	Legal Dept.	'60	4 (4)	2 (2)	Yes	11
35	Legal Dept.	'60	5 (5)	2 (2)	No	9

**Table 4 Mean Number of Members of Legal Departments of U.S. Corporations
by the Field of Industry and Annual Sales**

Categories of Members		Annual Sales (1979) (In Dollars)				
		Less Than 200 Mil.	200-500 Mil.	500 Mil. to 1 Bil.	1-2 Bil.	2-5 Bil.
<u>Manufacturing</u>						5 Bil. or More
(No. of Corporations)	(19)	(25)	(17)	(18)	(26)	(14)
Lawyer	1.9	3.9	7.5	14.0	27.1	52.9
Other Professional	0.1	0.4	0.5	2.9	3.8	10.9
Para-Legal	0.5	0.6	0.7	1.8	3.3	2.6
Clerk and Secretary	1.6	3.5	5.3	11.8	23.3	51.7
Total	4.1	8.4	14.0	30.5	57.5	118.1
<u>Non-Manufacturing and Non-Financial</u>						
(No. of Corporations)	(12)	(26)	(9)	(17)	(19)	(8)
Lawyer	3.1	6.0	7.8	13.0	27.2	51.0
Other Professional	0.2	0.8	1.7	2.0	4.8	5.4
Para-Legal	0.3	0.6	2.2	2.0	2.3	9.6
Clerk and Secretary	2.2	6.4	9.1	10.8	27.0	43.3
Total	5.8	13.8	20.8	27.8	61.3	109.3

Source : Committee on Corporate Law Departments (1980: 3, 45).

III. HYPOTHESES

1. STRUCTURAL VARIATIONS AND MULTIPLE ENVIRONMENTS

Our hypotheses can be divided into three general categories: the U.S. environment, the Japanese environment, and the focal organization's internal factors. Probably because of the much publicized uniqueness of Japanese organizations and increasingly visible presence of Japanese corporations in the U.S., U.S. subsidiaries of Japanese corporations have become subjects of organizational scholars (*e.g.*, Lincoln *et al.*, 1978; Ouchi and Jeager, 1978; Ouchi and Johnson, 1978; Pascale, 1978). A common problem with previous studies is that, even when they analyze differences among subsidiaries, they usually use only internal factors as independent variables and fail to pay attention to possible impacts of different environmental conditions, which exist not only in Japan, but also in the U.S. Our investigation widens the scope of crosscultural analysis of U.S. subsidiaries of Japanese corporations by taking into consideration different environmental conditions in both countries as independent variables.

More generally, in doing so, our investigation tries to illustrate the potential of a multiple-environmental perspective in organizational-environmental relations. Organizational scholars discuss "competing" and "conflicting demands" from environments (Pfeffer and Salancik, 1978: 27-29, 82-83), environmental "homogeneity-heterogeneity" (Aldrich, 1979: 63-70; Scott, 1981: 168), or the "simple-complex" dimension of environmental structures (Hall, 1982: 152-153). However, their scope is basically limited to one nation or, more often, one region, and they do not explicitly deal with conflicts, heterogeneity, or complexity of environmental demands caused by simultaneous exposure to multinational or multicultural environments in their theory construction.

2. RESOURCE DEPENDENCE MODEL AND CULTURE

We have already stated that whenever a subsidiary contemplates acquiring in-house legal expertise, it may face the question of whether or not it should employ professional lawyers against the practice of its parent corporation and clients in Japan, on whose support its survival more or less depends. If the practice to staff the legal department with non-professional members is so established in Japan that there is a culture that considers it the most legitimate and effective structure of the legal department and the parent corporation and clients in Japan evaluate the subsidiary's internal handling of legal matters according to that culture, such a culture will work as a factor that mitigates the subsidiary's effort to professionalize its legal department.

We, thus, need to introduce "culture" into our consideration. Various definitions of culture have been proposed (*e.g.*, Ouchi, 1981: 41; Deal and Kennedy, 1982: 4; Schall, 1983: 557), and all of them present essentially the same definition: Culture is a system of relatively well-shared and enduring values, beliefs, and assumptions that make possible concerted activities of

interacting actors. Cultures "identify 'should' behavior" (Schall, 1983: 561). If so, we may talk about "should" structures and practices.

However, cultural explanations in organizational studies have been criticized that culture has been introduced merely as a convenient variable to take care of anything left unexplained by other factors (e.g., Sorge, 1977: 67-68; Lammers and Hickson, 1979: 399). We wish to avoid that pitfall by *anchoring culture to a theoretical framework on organizational-environmental relations*, although leading scholars in this field such as Aldrich and Pfeffer do not pay much attention to culture (Aldrich and Pfeffer, 1976; Pfeffer and Salancik, 1978; but on cultural traditions as constraints on organizational innovations, Aldrich, 1979: 22).

Pfeffer and Salancik argue (1978: 2) that "organizations survive to the extent that they are effective" and that "Their effectiveness derives from the management of demands, particularly the demands of interest groups upon which the organizations depend for resources and support." If so, some of those demands on the part of the resource-controlling organization may be based on cultures. Therefore, the concept of culture may be introduced into the resource dependence model, first of all, as the *culture of the resource-controlling external organizations*.

Culture in this sense, however, may be unnecessary with respect to the U.S. environment for the present investigation. External organizations in the U.S. such as government agencies, competitors, and dealers would certainly judge the legality of the subsidiary's business activities partly based on their own culture with regard to proper corporate behavior, but the structure of the legal department itself is not likely to become the subject of their legal attacks.

Culture seems to become critical when we analyze the impacts of the external organizations located in the Japanese environment. The most obvious of such organizations are the parent corporation and the clients in Japan. We must focus our attention on the possibility that such *resource-controlling external organizations expect the focal organization to take a certain form of action or structure that fits the former's culturally shaped expectations*.

Pfeffer and Salancik (1978: 2) maintain that "organizations survive to the extent they are effective. Their effectiveness derives from the management of demands, particularly of the demands of interest groups upon which the organizations depend for resources and support." This argument would apply also to the relationship between the organizational unit and the other internal units upon which the former depends for its survival.

The most obvious example may be the relationship between the unit performing staff functions and the top management or profit centers. Units such as accounting and legal cannot support themselves by their own profits. They can survive only to the extent that they satisfy the expectations of the top management and profit centers so that the latter are willing to take their advice and support them both financially and morally.

In such a situation, the unit performing staff functions will have to adapt itself to the culture of the top management and other units. In other words, when the unit of analysis is an internal unit, the concept of culture can be introduced into the resource dependence model in terms of the *culture of the resource-controlling internal units*.

The resource dependence model emphasizes the proactive role of the managers as the agents who connect the environment and the structure by enacting the environment and selecting the strategies to deal with it. We may expect, likewise, that the structure of the legal department of the subsidiary changes because someone in charge of legal matters in it perceives the characteristics of the environment as requiring a certain structural change. His perception of the environment and selection of the structural change may be affected by his own beliefs and preferences formed under certain cultural influences. Therefore, still another way to introduce culture into the resource dependence model is to do so in terms of the *culture of the internal initiator of the structural change*.

We have thus arrived at a formulation very similar to the scheme presented by Lammers and Hickson (1979: 432). A difference is that we anchor the concept of culture to a specific theoretical framework on organizational-environmental relations. Most of our hypotheses regarding the impacts of the Japanese environment and internal factors are applications of this analytical framework.

3. EXPOSURE TO THE LEGAL RISKS IN THE U.S.

Legal attacks can deprive the organization of a critical resource in terms of *legality* of its activities and, in case the organization is originated in a foreign country, of its entry into the host country. Once declared illegal, the organization must either stop activities of entry or, at least, change its practices. Any change can be costly to the organization.

Like legitimacy (Pfeffer and Salancik, 1978: 194), legality is a status conferred by other organizations and individuals. The value of legality as a resource may be perceived most clearly when the organization loses it by being judged illegal. An organization's environment is full of those who are potentially capable of mobilizing law against it.

The basic requirement for organizational adaptation to the legal environment, therefore, may be to acquire expertise to collect information about potentially threatening elements of the legal environment, to prevent the organization from involvement with situations that invite legal challenge, and to defend the organization in case it becomes involved in such situations. This requirement in turn requires the organization to adopt a certain form of technology, *i.e., a knowledge technology* (Hickson *et al.*, 1969) *in terms of practical legal expertise*.

Knowledge is a resource controlled by possession (Pfeffer and Salancik, 1978: 48) and licensed lawyers are prime examples of such knowledge possessors. In order to acquire knowledge technology in the form of legal expertise, the organization simply has to acquire them. The

professionalized legal department thus appears (*cf.*, Scott, 1975: 14).

Organizational adaptation to the legal environment need not be defensive or reactive. As Pfeffer and Salancik argue (1978: 114-126, 152-161, 161-175, 175-182), some organizations may be capable of actively manipulating the environment by mobilizing legal measures for their advantage. Our intention to emphasize more defensive and preventive adaptation here is simply to isolate for consideration the basic functions any corporate legal department must carry out.

The internal legal department is not the only adaptive mechanism vis-a-vis the legal environment. An alternative is the use of outside lawyers. One must recognize, however, that increased reliance on outside lawyers itself has been a major cause of the development of corporate legal departments (Carruth, 1973; *Business Week*, 1980; Hayes, 1980). Because the cost of outside lawyers has increased rapidly, it is more efficient to handle routine matters internally and rely on outside lawyers only for litigation or matters that require specialists. Moreover, having access to internal information and being close to the top management, in-house lawyers are considered to be able to provide better preventive legal services. Selection and supervision of outside lawyers is another function of the corporate legal department. The use of outside lawyers still remains a way to cope with the legal environment. But the legal department has its own functions as another adaptive mechanism.

We can construct hypotheses regarding the impact of exposure to the legal risks in the U.S. for both its quantitative aspect and qualitative aspect. The quantitative aspect or the amount of exposure to the legal risks may be related to the size of the legal department. But the need for professionalization of the legal department, *i.e.*, the need for hiring U.S. lawyers as in-house lawyers seems to be more related to the qualitative aspect of the legal risks the subsidiary encounters in the U.S.

Requirements to employ U.S. lawyers may be stronger if the subsidiary's major legal matters are in the fields in which rules themselves are significantly different from their Japanese counterparts and adversaries are likely to take more legalistic approaches than disputants in Japan. Our *Hypothesis 1* is, therefore, that *the more involved the subsidiary is in matters that require expertise in legal issues perceived as peculiar to the U.S., the more likely the subsidiary will be to professionalize its legal department.*

There is a field in which U.S. subsidiaries of Japanese corporations are frequently involved due to their very character as subsidiaries, namely, antidumping and other international trade laws (*e.g.*, *Michigan Yearbook of International Legal Studies*, 1979). Most of the administrative proceedings regarding international trade laws are initiated by U.S. competitors, and it might be expected that the involvement with trade law issues will also make the subsidiary professionalize its legal department. However, our hypothesis is to the contrary.

The focus of international trade cases is always the marketing policy of the parent corporation or the Japanese client, and the purpose behind taking

legal actions in this field is to block the entry of a Japanese competitor into the U.S. market itself, rather than challenging the legality of domestic business activities of the subsidiary. We may expect that communications and joint decision making with the parent corporation or the Japanese client are essential in handling such cases, and such communications and joint decision making are more likely to be handled by Japanese expatriate members who are possessors of knowledge technologies regarding business practices in Japan. Our *Hypothesis 2* is that *the more involved the subsidiary is in matters that concern trade between Japan and the U.S., the less likely the subsidiary will be to professionalize its legal department.*

4. CULTURE OF THE RESOURCE-CONTROLLING ORGANIZATIONS IN JAPAN

(1) CULTURE OF THE PARENT CORPORATION REGARDING COMMUNICATIONS AND DECISION MAKING

Organizational boundary may be conceptualized relative to the unit of analysis under consideration. Though a subsidiary is established as part of the parent corporation's world-wide strategies, they may be considered separate organization when the subsidiary is the unit of analysis (*cf.*, DiMaggio and Powell, 1983: 151).

The subsidiary is maintained and, hence, can survive to the extent that it serves the interests of the parent corporation (Yoshino, 1976: 168-169). The need to constantly satisfy the expectations of the parent corporation through frequent interactions seems to be especially high for the foreign subsidiary of the Japanese corporation (Mori, 1978: 49; Yoshino, 1976: 169). We may expect that a similar situation exists as to the handling of legal matters. Only those who can intuitively understand which matters need consultation with the parent company, fit managerial positions at the foreign subsidiary of Japanese corporations (Yoshino, 1976: 170). Furthermore, many Japanese corporations regard a certain form of decision making, namely, the *ringi* system in which a proposal from one department is circulated among concerned departments and finally reaches the top management with comments from other departments attached to it, as the most effective and legitimate way to make decisions, and they have extended it to the decision making involving foreign subsidiaries (Yoshino, 1975: 160). These relationships with the parent corporation require the foreign subsidiary to rely on managers sent from the parent corporation and make it difficult for the subsidiary to localize its personnel (Yoshino, 1975: 164).

The implication of these arguments for the structure of legal departments of U.S. subsidiaries should be clear. Subsidiaries may need to professionalize their legal departments to cope with the technological requirements of the U.S. legal environment. But that need can be counterbalanced by the need to staff the legal department with Japanese expatriates to satisfy the demand of parent corporations which expect personnel in subsidiaries to interact with them according to their own

corporate cultures and through their own decision making systems. Our *Hypothesis 3* is that *the more the subsidiary needs to consult the parent corporation for handling legal matters, the less likely the subsidiary will be to professionalize its legal department.*

(2) CULTURE OF CLIENTS IN JAPAN REGARDING COMMUNICATIONS AND DECISION MAKING

Subsidiaries of trading companies must serve not only their parent corporations, but also other clients. Trading companies' profits come from the sales of the client's products (Young, 1979: 3). They provide clients with services including information, logistics, and even legal work (Young, 1979: 62, 66). One of the characteristics of business relationships in Japan is mutual, thorough understandings among parties, that are not limited to the matters of immediate concern (Mori, 1978: 47). Under such a culture, the subsidiary's legal department would be expected by the client in Japan to have a thorough understanding of itself, so that the legal department can contact the right people through the proper channel of communication in a language easily understandable in the particular context of the given client. Only Japanese expatriate members can be expected to have such an understanding.

This situation may be confounded by a recent development in which larger manufacturers discontinued their reliance on trading companies and left trading companies with less sophisticated, medium- or small-sized manufacturers (Yoshino, 1976: 131; Tsurumi, 1976: 141-144; Young, 1979: 100, 221). If so, it has become more important for the subsidiary's legal department to communicate with the Japanese client in a manner that satisfies the expectation of the client based on its own culture.

Our *Hypothesis 4* is that *the more the subsidiary needs to consult the client corporations in Japan for handling legal matters, the less likely the subsidiary will be to professionalize its legal department.*

5. SUPPORT AND CONTROL BY THE PARENT CORPORATION'S LEGAL DEPARTMENT

Pfeffer and Salancik (1978: 102) make the interesting point that "One of the easiest way to avoid being influenced is not to possess the capacity to comply with the demands being made." This argument may apply to the subsidiary's responses to the culture-based demands of the parent corporation and Japanese clients to maintain the conventional structure of the legal department by staffing it with Japanese expatriate members. The subsidiary cannot comply with their demands if its parent corporation does not have a legal department large enough to send some of its members to the subsidiary.

In other words, the subsidiary does not need to be innovative in structuring its legal department if its parent corporation can supply it with legal personnel; it is forced to be innovative, however, when the parent corporation cannot do so. Our *Hypothesis 5* is that *the more the subsidiary*

can depend on the supply of legal personnel from the parent corporation, the less likely the subsidiary will be to professionalize its legal department.

There is another mechanism in which the legal department of the parent corporation possibly inhibits professionalization. Pfeffer and Salancik (1978: 82) cite an episode in foreign services in which home office officials who had vested interests in the status quo resisted a change at an embassy the ambassador there tried to implement. We may expect a similar problem with regard to legal personnel of Japanese corporations engaged in international trade, where a foreign assignment may have a certain degree of prestige.

Moreover, since virtually every employee remains in the same corporation until mandatory retirement, Japanese corporations have the problem of constantly maintaining a large number of managerial positions (Yoshino, 1968: 207). Promotion occurs usually in terms of assignment to a different unit, and, thus, Japanese corporations try to maintain job rotations as smoothly as possible.

We may expect, then, that the more developed the legal department is at the parent corporation, it not only becomes more capable of supplying legal personnel to foreign subsidiaries, but also develops a greater need of positions for its own personnel practices and presents more resistance to localization of the legal department at a subsidiary with professional lawyers. Our *Hypothesis 6* is that *the more the parent corporation needs positions in the subsidiary for personnel rotation, the less likely the subsidiary will be to professionalize its legal department.*

6. CULTURE OF THE RESOURCE-CONTROLLING INTERNAL GROUPS

At foreign subsidiaries of Japanese corporations, a large complement of Japanese are required for effective participation in the *ringi* system, and those Japanese nationals occupying top management and other key positions bring with them the culture of the parent corporation with respect to the ways in which different groups interact in the decision making process (Yoshino, 1975: 164). The senior managers sent from the parent corporation require that other people share certain, unwritten values, beliefs, and understandings and behave accordingly (Ouchi, 1981: 40-43). Managers in Japanese corporations are accustomed to delegate decision making to subordinates who share the same perspective, so that they may exhibit similar management behavior even in the foreign subsidiary (Yoshino, 1976: 168).

The reliance on Japanese managers makes it difficult to localize the subsidiary. One reason is, of course, language (Yoshino, 1976: 168). More fundamental is the lack of shared understanding (Yoshino, 1976: 173). The problem would be doubly serious with respect to the members of the legal department. Japanese members would rarely have the experience necessary to directly work with U.S. lawyers, while it would be rare to find U.S. lawyers who can translate technicalities of U.S. law into businessman's

Japanese. Our *Hypothesis 7* is, therefore, that *the more the subsidiary depends on Japanese expatriates, the less likely the subsidiary will be to professionalize its legal department.*

Recently the existence of the strong corporate culture has been linked to the success of the corporation (Peters and Waterman, 1982:75). A prime example is Japanese corporations (Deal and Kennedy, 1982: 5). But, such a strong culture creates problems in the multinational business operations (Yoshino, 1976: 173).

7. CULTURE OF THE INTERNAL INITIATORS OF THE STRUCTURAL CHANGE

The organization responds to the perceived environment (Pfeffer and Salancik, 1978: 73, 89). The relationships we have hypothesized between the environment and the structure would not necessarily appear if, for instance, people in charge of legal matters did not perceive that the nature of legal matters in the U.S. requires practical expertise in U.S. law, that the parent corporation expects them to follow its conventional ways of decision making, and so on.

Moreover, even when they perceive, for instance, a certain need to acquire U.S. in-house lawyers and the Japanese environment and the top management and other units allow them to professionalize the legal department, they may still think that U.S. lawyers do not possess proper qualifications required for managerial personnel in Japan-originated corporations. A "commitment to do things in a certain way" could be strong (Pfeffer and Salancik, 1978: 82).

The initiative for professionalization has to be taken by Japanese non-lawyers in charge of legal matters. They are the product of a culture that prefers to hire directly from colleges (Yoshino, 1976: 174), and lawyers do not fit this requirement. Japanese corporations expect of their employees total devotion to the interests of the corporation (Yoshino, 1976: 163). Lawyers belong to a larger outside group called the legal profession, and their loyalty may be looked at with much skepticism. U.S. lawyers tend to be aggressive and ambitious to develop their careers. Such aggressiveness may be unwelcome to Japanese employers (Yoshino, 1976: 164), and mobility may be seen as a sign of the lack of loyalty to the single employer (Tsurumi, 1978: 111).

We explore, therefore, (1) how the Japanese personnel in a position to initiate structural changes in legal function at the subsidiary actually perceived the U.S. and Japanese environments and the subsidiary's internal situations, and (2) how they personally evaluated the merits and demerits of professionalization. We shall leave the first issue of the congruence between the objective situations and the subjective perceptions as a totally exploratory one. We, however, construct a hypothesis regarding the second issue. Our *Hypothesis 8* is that *the more the parent corporation in Japan stresses the need for thorough socialization of its employees during the earliest years of their career immediately after graduating from school, the*

more likely the Japanese legal personnel of the subsidiary will be to bring that culture to the subsidiary and underestimate the merits and emphasize the demerits of professionalization of its legal department.

IV. GENERAL TREND OF INCREASING PROFESSIONALIZATION

A specialized legal department or in-house lawyer appears only when a subsidiary's annual sales reach 80 million dollars and its personnel size exceeds 140. The 36 subsidiaries that satisfy these conditions are chosen as the focus of our investigation because only they can be expected to provide variations relevant to our interest. Table 5 and Table 6 summarize the data. The data are presented mainly as of the close of 1980, but supplementary data are also provided when available.

The subsidiaries as a group present a clear difference from Japanese corporations in Japan with regard to professionalization of the legal department. 19 of the 36 subsidiaries have U.S. in-house lawyers (Table 5) and 11 of these 19 subsidiaries let a U.S. in-house lawyer head the department (Table 6).

Of course, there is still a wide gap between the subsidiaries and U.S. indigenous corporations. While Table 3 shows that all of the U.S. electric and electronics corporations with annual sales exceeding 200 million dollars have a legal department staffed with professional lawyers and headed by one of them, only 16 of the 27 subsidiaries with comparable annual sales employ in-house lawyers and only nine of these 16 subsidiaries let an in-house lawyer head the department. There is also a gap with regard to the number of in-house lawyers, and this gap widens among larger corporations.

We may conclude, however, that the subsidiaries as a group have departed from the practice in Japan and have been increasingly assimilating the practice common to U.S. corporations. Exposure to the U.S. legal environment has made an expected impact in this regard.

The aim of our investigation is to explain variations among the subsidiaries under this general trend. Not all the legal departments are staffed with U.S. in-house lawyers, and not all the legal departments staffed with U.S. in-house lawyers have one of them as the head. The number of in-house lawyers also varies from one to seven.

Table 5 Legal Departments of the 36 Largest Subsidiaries (1980) I

Legends:

Industry : GT=General trading; TE=Transportation equipment (automobiles and motorcycles) (Note 1); EE=Electric and electronic appliances and parts; OO=Optical and Office equipment; WC=Watches and clocks; ME=Metal; OP=Optical and photographic equipment; TR=Tires and rubber goods; MC=Machinery; AI=Aircraft and parts.

General : ND=No data; NA=Not applicable.

ID No.	Industry	Year the Corp. Established	State	Unit or Person Handling Legal Matters	Handles Non-Legal Matters	Year the Specialized Unit Established	No. of Legal Personnel (Note 2)		Year the First In-House Lawyer Employed	Interview with Legal Personnel		
							Total Japanese	U.S. In-House Lawyer		Japanese	U.S. In-House Lawyer	Parent Company
Annual Sales in '79=\$ 2 Bil. to 9 Bil.												
1	GT	'54	NY	Legal Dept.	No	'68	7	4	1	'77	Yes	Yes
							(Added 1 in-house lawyer in '81)					
2	GT	'51	NY	Legal Dept.	No	'76	3	1	0	NA	Yes	Yes
							(Employed 1 in-house lawyer in '82)					
3	GT	'66	NY	Legal Dept.	No	'69	6	3	1	'74	Yes	Yes
							(Added 2 in-house lawyers in '81)					
4	GT	'52	NY	Legal & Credit Dept. (Note 3)	Yes	NA	3	3	0	NA	Yes	Yes
							(Employed 1 in-house lawyer in '81)					
5	GT	'52	NY	Legal Dept.	No	'77	6	2	2	'73	Yes	Yes
6	GT	'52	NY	Legal Dept.	No	'77	4	3	0	NA	Yes	Yes
							(Employed 1 in-house lawyer in '81)					
7	TE	ND	CA	Legal Dept.	Yes	NA	13	1	7	'75	Yes	No
8	TE	'60	CA	Legal Dept.	No	'75	9	0	5	'75	NA	Yes
							(Note 4)					
9	TE	'59	CA	Product Claim Dept. (Product liability matters only)	Yes	NA	ND	1	5	'79	Yes	No
							(Note 5)					
Annual Sales in '79=\$ 1 Bil. to 2 Bil.												
10	GT	ND	NY	Legal Dept.	No	Before '73	2	0	1	Before '73	Yes	Yes
							(Outside the Legal Dept.)					
11	GT	'51	NY	Credit & Legal Dept.	Yes	NA	3	1	1	'73	Yes	Yes
12	GT	'52	NY	Credit Dept. (Changed to the Legal & Credit Dept. in '81)	Yes	NA	1	0	1	'75	Yes	Yes
							(Outside the Credit Dept.)					
13	EE	'59	NJ	Legal Div.	No	ND	13	1	7	'70	Yes	No
(to be continued)												

Legal Departments of the 36 Largest Subsidiaries (1980) I (continued)

ID No.	Industry	Year the Corp. Established	State	Unit or Person Handling Legal Matters	Handles Non-Legal Matters	Year the Specialized Unit Established	No. of Legal Personnel (Note 2)	Year the First In-House Lawyer Employed	Interview with Legal Personnel	Parent Company		
							Total Japanese	U.S. In-House Lawyer	Japanese	U.S. In-House Lawyer		
Annual Sales in '79=\$ 200Mil. to 1 Bil.												
14	EE	'60	NY	Law Dept.	No	ND	7	1	4	ND	Yes	Yes
15	EE	'60	NJ	Legal Dept.	No	ND	8	More than 1	2	ND	No	Yes
16	EE	'62	NJ	Legal Dept.	No	'79	2	0	1	'79	Yes	Yes
17	EE	'59	NY	Corporate Secretary's Office	Yes	NA	2	0	1	'79	(Outside the Legal Dept.)	Yes
18	EE	'64	NJ	(Changed to the Legal Group in '82) Legal Affairs Dept. (Abolished in '82)	No	'79	(3	1	2 in '82)	'79	(Inside the Secretary's Office)	Yes
19	EE	'65	NY	General Affairs Dept. (Established the Legal Dept. in '82)	Yes	NA	2	0	1	'79	NA	Yes
20	EE	ND	CA	Treasurer	Yes	NA	1	1	0	NA	Yes	Yes
21	EE	ND	NJ	Legal Dept.	Yes	NA	2	2	0	NA	Yes	Yes
22	TE	'69	CA	Legal Dept.	No	'74	8	0	4	'74	NA	Yes
23	TE	'75	FL	None internally	NA	NA	0	0	0	NA	No	No
24	TE	'63	CA	Product Liability Dept.	Yes	NA	2	ND	ND	ND	No	NA
25	OO	'59	NJ	None internally	NA	NA	0	0	0	NA	No	Yes
26	WC	'70	NY	Legal Dept.	No	ND	1	0	0	NA	Yes	Yes
27	ME	'65	NY	Personnel & Administration Dept.	Yes	NA	2	ND	0	NA	No	Yes
(Interviewed in '81)												

(to be continued)

Legal Departments of the 36 Largest Subsidiaries (1980) I (continued)

ID No.	Industry	Year the Corp. Established	State	Unit or Person Handling Legal Matters	Handles Non-Legal Matters	Year Unit Established	No. of Legal Personnel (Note 2)	Year the First In-House Lawyer Employed	Interview with Legal Personnel	Parent Company
Annual Sales in '79=\$ 80 Mil. to 200 Mil.										
28	EE	'68	NY	Legal Affairs Dept. (Changed to the Legal Dept. in '82)	No	'75	4 1 1 (5 1 1 in '82)	'79	Yes No	Yes
29	EE	'76	AR	Salary Employee Relations Manager	Yes	NA	1 0 0	NA	No NA	Yes
30	EE	ND	NY	Administration Manager, Marketing Manager, or Operations Manager depending on case	Yes	NA	3 ND 0	NA	No NA	No
31	EE	'74	CA	Legal Dept.	No	'79	2 0 1	'79	Yes Yes	Yes
32	OP	ND	NY	Administration Dept.	Yes	NA	1 1 0	NA	(Outside the Legal Dept.) Yes NA	No
33	OP	'76	CO	Director of Finance Administration	Yes	NA	1 ND 0	NA	No NA	Yes
34	TR	'67	CA	Office of the President	Yes	NA	1 1 0	NA	No NA	No
35	MC	'70	CA	Administration Dept.	Yes	NA	2 1 0	NA	No NA	Yes
36	AI	'67	TX	Legal Dept.	No	'80	2 0 1	'80	Yes No	Yes
(Telephone; outside)										

(Telephone: outside
the Legal Dept.)

Note 1 : Automobiles and motorcycles are not distinguished because only one subsidiary deals with both of them and can be easily identified.

Note 2 : Almost all the members are assigned to the headquarters, so that no separate figures are given.

Note 3 : Credit and legal functions have operated separately since '74.

Note 4 : A Japanese liaison is available for legal matters, but he is not a member of the Legal Dept.

Note 5 : The Washington Office also has one in-house lawyer.

Table 6 Legal Departments of the 36 Largest Subsidiaries (1980) II

Legends :

Industry : GT=General trading; TE=Transportation equipment (automobiles and motorcycles) (Note 1); EE=Electric and electronic appliances and parts; OO=Optical and office equipment; WC=Watches and clocks; ME=Metal; OP=Optical and photographic equipment; TR=Tires and rubber goods; MC=Machinery; AI=Aircrafts and parts.

Head of the legal dept. with U.S. in-house lawyers: UL=U.S. in-house lawyer; J=Japanese non-lawyer.

Head of the legal dept. handling both legal and non-legal matters: L=Person mainly working on legal matters;

N=Person mainly working on non-legal matters.

No. of employees: A=2,000 to 5,000+; B=1,000 to 1,999; C=500 to 999; D=148 to 499.

General: ND=No data; NA=Not applicable.

ID NO.	Industry	Unit or Person Handling Legal Matters	No. of U.S. In-House Lawyer	Head of the Legal Dept. with U.S. In-House Lawyer	Head of the Legal Dept. Handling both Legal and Non-Legal Matters	No. of Employees	Proportion of U.S. Citizens among Employees (%)
1	GT	Legal Dept.	1	J	NA	C	ca. 67
Annual Sales in '79=\$ 2 Bil. to 9 Bil.							
2	GT	Legal Dept.	0	NA	NA	C	68
(Added 1 in-house lawyer in '81)							
(1 in-house lawyer was elevated to a board member in '82 but works under the supervision of the Japanese head for daily matters)							
3	GT	Legal Dept.	1	J	NA	C	63
(Employed 1 in-house lawyer in '82; but the head is a Japanese)							
4	GT	Legal & Credit Dept.	0	NA	N(Note 2)	C	67
(Added 2 in-house lawyers in '82)							
5	GT	Legal Dept.	2	J	NA	C	ca. 65
(Employed 1 in-house lawyer in '81; but the head is a Japanese)							
6	GT	Legal Dept.	0	NA	NA	D	57
(Employed 1 in-house lawyer in '81; but the head is a Japanese)							
7	TE	Legal Dept.	7	UL	L	B	ca. 98
8	TE	Legal Dept.	5	UL	NA	B	ca. 98
9	TE	Product Claim Dept.	5 (Note 3)	UL	L	B	96
Annual Sales in '79=\$ 1 Bil. to 2 Bil.							
10	GT	Legal Dept.	1	UL	NA	D	60
11	GT	Credit & Legal Dept.	1	J	N	D	ca. 50
12	GT	Credit Dept.	1	J	N	D	ca. 68
(Changed to the Legal & Credit Dept. in '81)							
13	EE	Legal Div.	7	UL	NA	A	ca. 96

(to be continued)

Legal Departments of the 36 Largest Subsidiaries (1980) II (continued)

ID NO.	Industry	Unit or Person Handling Legal Matters	No. of U.S. In-House Lawyer	Head of the Legal Dept. with U.S. In-House Lawyer	Head of the Legal Dept. Handling both Legal and Non-Legal Matters	No. of Employees among U.S. Citizens	Proportion of Employees (%)
Annual Sales in '79=\$ 200 Mil. to Bil.							
14	EE	Law Dept.	4	UL	NA	A	Less than 96
15	EE	Legal Dept.	2	J	NA	A	89
16	EE	Legal Dept.	1	UL	NA	B	ca. 93
17	EE	Corporate Secretary's Office	1 (2 in '82)	J	N	D	78
(Changed to the Legal Group in '82)							
18	EE	Legal Affairs Dept. (Abolished in '82)	1 (0 in '82)	UL	NA	D	More than 90
19	EE	General Affairs Dept. (Established the Legal Dept. in '82)	0	NA	L	C	ca. 95
(Employed 1 in-house lawyer each in '81 and '82; but the head is a Japanese)							
20	EE	Treasurer	0	NA	NA	D	95
21	EE	Legal Dept.	0	NA	L	D	95
22	TE	Legal Dept.	4	UL	NA	B	98
23	TE	None internally	0	NA	NA	D	ND
24	TE	Product Liability Dept.	ND	NA	ND	D	96
25	OO	None internally	0	NA	NA	C	99
26	WC	Legal Dept.	0	NA	NA	C	99
(Employed 1 in-house lawyer in '81; he became the head)							
27	ME	Personnel & Administration Dept.	0	NA	ND	C	95
(to be continued)							

(to be continued)

Legal Departments of the 36 Largest Subsidiaries (1980) II (continued)

ID NO.	Industry	Unit or Person Handling Legal Matters	No. of U.S. In-House Lawyer	Head of the Legal Dept. with U.S. In-House Lawyer	Head of the Legal Dept. Handling both Legal and Non-Legal Matters	No. of Employees	Proportion of U.S. Citizens among Employees (%)
Annual Sales in '79=\$ 80 Mil. to 200 Mil.							
28	EE	Legal Affairs Dept. (Changed to the Legal Dept. in '82)	1	J	NA	C	91
29	EE	Salary Employee Relations Manager	0	NA	NA	A	99
30	EE	Administration Manager, Marketing Manager, or Operations Manager depending on case	0	NA	NA	D	ca. 86
31	EE	Legal Dept.	1	UL	NA	D	92
32	OP	Administration Dept.	0	NA	L	D	92
33	OP	Director of Finance Administration	0	NA	NA	D	93
34	TR	Office of the President	0	NA	N	D	93
35	MC	Administration Dept.	0	NA	L	D	87
36	AI	Legal Dept.	1	UL	NA	D	97

Note 1 : Automobiles and motorcycles are not distinguished. See Note 1 of Table 6.

Note 2 : A member handling legal matters uses the title of Manager, Legal Dept. outside the company.

Note 3 : The Washington Office also has one in-house lawyer.

V. U.S. ENVIRONMENT: EXPOSURE TO DIFFERENT TYPES OF LEGAL RISKS

1. FIELD OF INDUSTRY AND TYPES OF LEGAL MATTERS

Our *Hypothesis 1* and *Hypothesis 2* concern the impact of exposure to different types of legal matters in the U.S. Regarding *Hypothesis 1*, antitrust and product liability seem to be among the fields in which legal rules are perceived to be significantly different from their counterparts in Japan and plaintiffs are considered to take more legalistic actions than Japanese disputants. These two fields have been among the most frequently discussed issues in the journal, *Kokusai Shoji Homu* (International Business Law) and its predecessor, and our interviews with legal personnel of subsidiaries supported this observation. *Hypothesis 1* may be operationalized, therefore, as follows: The more the subsidiary is involved in matters involving *antitrust* and *product liability* issues, the more likely the subsidiary will be to professionalize its legal department. *Hypothesis 2* is straightforward, and we operationalize it as follows: The more the subsidiary is involved in *antidumping and other administrative proceedings concerning international trade*, the less likely the subsidiary will be to professionalize its legal department.

We decided to infer the dominant types of legal matters from the *published court cases and administrative proceedings* because they were the available best public information. We tried to find all of the published court cases and public files on administrative proceedings regarding international trade involving the 36 subsidiaries, and it has been found that *the dominant types of cases the subsidiaries experienced were identical within each field of industry* so that *the field of industry would be used as an indirect indicator of the dominant types of legal matters*.

We focus on following three fields of industry: *general trading* (GT), *transportation equipment* (TE), including both automobiles and motorcycles, and *electric and electronic equipment, appliances, and parts* (EE). Other fields are omitted because each field has only one or two subsidiaries, and it is difficult to make meaningful analyses with such a small number of cases.

It would violate the anonymity of the subsidiaries if the data were presented for all of the 36 subsidiaries. Therefore, we present the data for the subsidiary of the largest Japanese corporation of each of the following four fields: GT, automobiles, motorcycles, and EE. The field of TE is divided into two subfields to indicate that these sub-fields may be combined into one field. Because of the identical patterns within each field of industry, we would not lose much information by this limitation.

The following four subsidiaries are chosen: Mitsubishi International Corp. in the field of GT, Toyota Motor Sales, U.S.A., Inc. in the field of automobiles, American Honda Motor Co., Inc. in the field of motorcycles, and Matsushita Electric Corp. of America in the field of EE. Honda markets both automobiles and motorcycles, but its parent corporation is the largest motorcycle manufacturer in Japan. These four subsidiaries are all included in our 36 subsidiaries.

The published court cases involving Mitsubishi are found in Chart 1. It is apparent that antitrust is an important field for Mitsubishi. Case 4, for instance, involves one of the major fields of trading companies, steel. A U.S. steel maker charged Nippon Steel, the nine largest trading companies, their U.S. subsidiaries, and five smaller Japanese steel makers with a conspiracy to damage it by intentionally-lowered prices. We should note, however, that these antitrust cases are all related to marketing policies of Mitsubishi's clients in Japan. Mitsubishi has to consult its clients and the parent corporation, client's agent in Japan, to handle these cases.

Chart 2 shows that Mitsubishi has been involved in many international trade cases. The largest one is Case 8, in which U.S. complainants took both legal and political actions. Once they obtained a trigger price mechanism through political actions, they withdrew their petition in administrative proceedings. It did not mean, of course, that Mitsubishi could ignore administrative proceedings, and it is clear that Mitsubishi has been constantly involved in cases in which it has to coordinate with clients and the parent corporation in Japan.

The published court cases involving Toyota are found in Chart 3. Antitrust and product liability dominate. Most antitrust cases concern the relationship with U.S. dealers, on which Toyota has to depend to reach U.S. consumers, and plaintiffs are either the U.S. government or dealers. Plaintiffs of product liability cases are U.S. consumers, who are more likely to be litigious than are Japanese consumers. Chart 4 presents the published court cases involving Honda. The basic pattern is the same as that of Toyota.

The international trade cases involving Toyota and Honda are presented in Chart 5 and Chart 6. Case 2 of both charts is the only antidumping case involving automobiles, and the investigation was terminated. Although automobiles imported from Japan have been a major trade issue, the matter has been dealt with solely in the political forum. Case 3 of Chart 6 is the only antidumping case involving motorcycles. This case also ended without imposition of antidumping duties. International trade cases, which need consultation with Japan, do not seem to be a major concern for legal personnel at U.S. subsidiaries in the TE field.

Chart 7 presents the published court cases involving Matsushita. The situation appears to be more complicated than that of the three subsidiaries discussed above. For instance, Matsushita is already proactively mobilizing the U.S. legal system to protect or promote its interests. Cases in which Matsushita is involved as a plaintiff suggest that. Product liability does not seem to be a major field for Matsushita, and this situation may reflect the lower personal risk involved in EE goods compared to that of automobiles and motorcycles.

Most important is the antitrust cases. The largest one, Case 3, was still continuing when we collected data. In 1970 and in 1974, two U.S. television manufacturers filed similar suits alleging a conspiracy to drive all U.S. manufacturers out of business. The final defendants were 24

Chart 1 COURT CASES INVOLVING MITSUBISHI INTERNATIONAL CORP.
(MIC)

1. Federal Antitrust Cases with MIC as a Defendant

- 1) *United States v. R.P. Oldham Co.*, 1959 Trade Cases P69,455 (N.D.Ca. 1959), 1960 Trade Cases P69,763 (N.D.Ca. 1960) (Note)
- 2) *Bywater v. Matsushita Electric Industrial Co.*, 1971 Trade Cases P73,759 (S.D.N.Y. 1971)
- 3) *In re Japanese Electronic Products Antitrust Litigation*, 1980-2 Trade Cases P63,421 (3d Cir. 1980)
- 4) *Cascade Steel Rolling Mills, Inc. v. C. Itoh & Co., (America)*, 499 F.Supp. 829 (D.Or. 1980)

2. Federal Maritime Cases with MIC as a Plaintiff

- 5) *Marubeni-Iida (America), Inc. v. Nippon Yusen Kaisha*, 207 F.Supp. 418 (S.D.N.Y. 1962)
- 6) *Mitsubishi International Corp. v. S.S. Palmetto State*, 311 F.2d 382 (2d Cir. 1962)
- 7) *China Union Lines, Ltd. v. A.O. Anderson & Co.*, 364 F.2d 769 (5th Cir. 1966), cert. denied, 386 U.S. 933 (1976)
- 8) *Mitsubishi International Corp v. 12,000 Tons Steel Cargo Aboard M/V St. Nicholas*, 454 F.2d 1170 (5th Cir. 1972)
- 9) *American African Export Co. v. S.S. Export Champion*, 442 F.Supp. 715 (S.D.N.Y. 1977)

3. Other Federal Cases with MIC as a Defendant

- 10) *Oregon-Pacific Forest Products Corp. v. Welsh Panel Co.*, 248 F. Supp. 903 (D.Or. 1965)
- 11) *Peterson v. Fee International Ltd.*, 435 F.Supp. 938 (W.D.Okla. 1975)
- 12) *Rose v. Mitsubishi International Corp.*, 423 F. Supp. 1162 (E.D.Pa. 1976)
- 13) *Davison v. Pacific Inland Navigation Co.*, 569 F.2d 507 (9th Cir. 1978)
- 14) *Mott v. Mitsubishi International Corp.*, 636 F.2d 1073 (5th Cir. 1981)

4. Other Federal Case with MIC as a Plaintiff

- 15) *National Acceptance Co., of America v. Virginia Capital Bank*, 491 F.Supp. 1269 (E.D.Pa. 1980), 498 F.Supp. 1078 (E.D.Pa. 1980)

5. State Case with MIC as a Defendant

- 16) *Federal Steel of Pennsylvania Corp. v. Mitsubishi International Corp.*, 61 A. D. 2d 781 (1978)

6. State Cases with MIC as a Plaintiff

- 17) *Mitsubishi International Corp. v. Century Moving & Warehouse Co.*, 50 A.D.2d 788 (1975)
- 18) *Mitsubishi International Corp. v. A.W.G. Chemical Co.*, 55 A.D.2d 516 (1976)
- 19) *Georgia Port Authority v. Mitsubishi International Corp.*, 156 Ga. App. 304 (1980)

Note : In case there are more than two reports for a single case, at least the first and last reports are indicated.

Chart 2 INTERNATIONAL TRADE CASES INVOLVING MITSUBISHI
INTERNATIONAL CORP. (MIC)

Antidumping Cases

- 1) Sheet, Plate and Float Glass.
 * 34 Fed.Reg. 12454 (1969), 36 Fed.Reg. 9010 (1971). (Note 1)
 * Sales at LTFV; Injury.
- 2) Cadmium.
 * 36 Fed.Reg. 5144 (1971), 37 Fed.Reg. 12875 (1972).
 * Sales at LTFV; Injury. (Note 2) (Note 3)
- 3) Wool and Polyester/Wool Worsted Fabrics.
 * 36 Fed.Reg. 9031(1971), 37 Fed.Reg. 25269 (1972).
 * Sales at LTFV; No injury.
- 4) Calcium Pantothenate.
 * 37 Fed.Reg. 25959 (1972), 39 Fed.Reg. 2086 (1974).
 * Sales at LTFV; Injury.
- 5) Birch 3 Ply Doorskins.
 * 40 Fed.Reg. 2456 (1975), 41 Fed.Reg. 7389 (1976).
 * Sales at LTFV; Injury.
- 6) Acrylic Sheet.
 * 40 Fed.Reg. 30509 (1975), 41 Fed. Reg. 36497 (1976).
 * Sales at LTFV; Injury.
- 7) Clear Polymethyl Metacrylate of Pellet, Powder, Flake, Granular or Similar Forms.
 * 41 Fed.Reg. 12233 (1976).
 * Sales at LTFV; No injury.
- 8) Carbon Steel Sheets, Plates, Pipes and Tubes, and Structural Products.
 * 42 Fed.Reg. 56403 (1977), 43 Fed.Reg. 9212 (1978).
 * A trigger price mechanism was implemented, and the petition was withdrawn.
- 9) Pneumatic Marine Fenders.
 * 42 Fed.Reg. 56403 (1977), 43 Fed.Reg. 44952 (1978).
 * No sales at LTFV.
- 10) Photographic Color Papers.
 * 43 Fed.Reg. 15380, 27272 (1978).
 * Investigation was terminated.
- 11) Spun Acrylic yarn.
 * 44 Fed.Reg. 1238 (1978), 45 Fed.Reg. 24127 (1980)
 * Sales at LTFV; Injury

Note 1 : In case there are more than two notices in the *Federal Register* for a single case, at least the first and last notices are cited.

Note 2 : LTFV=Less than fair value.

Note 3 : Injury=Injury to a U.S. industry.

Chart 3 COURT CASES INVOLVING TOYOTA MOTOR SALES, U.S.A., INC.
(TOYOTA)

1. Federal Antitrust Cases with Toyota as a Defendant
 - 1) Junikki Imports, Inc. v. Tokyo Motor Co., Ltd., 335 F.Supp. 593 (N. D. Ill. 1971)
 - 2) Fox Keller, Inc. v. Toyota Motor Sales, U.S.A., Inc., 338 F.Supp. 812 (E.D.Pa. 1972)
 - 3) Sunrise Toyota, Ltd. v. Toyota Motor Co., 55 F.R.D. 519 (S.D.N.Y. 1972), 1973 Trade Cases P74,398 (S.D.N.Y. 1973) (Note)
 - 4) United States v. Toyota Motor Sales, U.S.A., Inc., 1975 Trade Cases P60, 199 (N.D.Cal. 1975), modified, 1975 Trade Cases P60,468 (N.D. Cal. 1975)
 - 5) Smith v. Toyota Motor Sales, U.S.A., Inc., 1977-1 Trade Cases P61,251 (N.D.Cal. 1977), vacated and remanded, 605 F.2d 563 (9th Cir. 1979)
 - 6) Evanston Motor Co. v. Mid-Southern Toyota Distributors, 436 F. Supp. 1370 (N. D. Ill. 1977)
2. Federal Product Liability Cases with Toyota as a Defendant
 - 7) Thornton v. Toyota Motor Sales, U.S.A., Inc., 397 F.Supp. 476 (N.D.Ga. 1975)
 - 8) Isaacson v. Toyota Motor Sales, U.S.A., Inc., 438 F.Supp. 1 (E.D.N.C. 1976)
3. Other Federal Case with Toyota as a Plaintiff
 - 9) Mitsubishi International Corp. v. 12,000 Tons Steel Cargo Aboard M/V St. Nicholas, 454 F.2d 1170 (5th Cir. 1972)
4. State Product Liability Cases with Toyota as a Defendant
 - 10) Brandeburger v. Toyota Motor Sales, U.S.A., Inc., 162 Mont. 506, P.2d 268 (1973)
 - 11) Oltz v. Toyota Motor Sales, U.S.A., Inc., 166 Mont. 217, 531 P.2d 1341 (1975)
 - 12) Automobile Club Insurance Co. v. Toyota Motor Sales, U.S.A., Inc., 166 Mont. 221, 531 P.2d 1337 (1975)
 - 13) Nelson v. Wilkins Dodge, Inc., 256 N.W.2d 472 (Minn. 1975)
 - 14) Vander Veer v. Toyota Motor Distributors, Inc., 282 Or. 135, 577 P.2d 1343 (1978)
 - 15) Snow v. Fikes, 570 S.W.2d 815 (Mo.Ct.App. 1978)
 - 16) Shapiro v. Toyota Motor Co., 38 N.C.App. 658 (1978)
5. Other State Cases with Toyota as a Defendant
 - 17) Meader v. Toyota of Jefferson, Inc., 332 So.2d 433 (La. 1976)
 - 18) Edelstein v. Toyota Motor Distributors, 176 N.J.Super. 57 (1980)

Note : In case there are more than two reports for a single case, at least the first and last reports are indicated.

Chart 4 COURT CASES INVOLVING AMERICAN HONDA MOTOR CO., INC.
(HONDA)

1. Federal Antitrust Cases with Honda as a Defendant
 - 1) *United States v. American Honda Motor Co.*, 271 F.Supp. 979 (N.D.Cal. 1967)
 - 2) *United States v. American Honda Motor Co.*, 273 F.Supp. 810 (N. D. Ill. 1967), 1967 Trade Cases P72,291 (N. D. Ill. 1967) (Note)
 - 3) *United States v. American Honda Motor Co.*, 289 F.Supp. 277 (S.D.Ohio 1968)
 - 4) *Hemley v. American Honda Motor Co.*, 1975-2 Trade Cases P60,457 (S.D.N.Y. 1975)
 - 5) *Smokey's of Tulsa, Inc. v. American Honda Motor Co.*, 453 F.Supp. 1265 (E.D.Okla. 1973)
2. Federal Product Liability Cases with Honda as a Defendant
 - 6) *Hetrick v. American Honda Motor Co.*, 429 F.Supp. 116 (D.Neb. 1976)
 - 7) *Stoehr v. American Honda Motor Co.*, 429 F.Supp. 763 (D.Neb. 1977)
 - 8) *Stueve v. American Honda Motor Co.*, 448 F.Supp. 167 (D.Kan. 1978), 457 F.Supp. 740 (D.Kan. 1978)
3. Other Federal Case with Honda as a Plaintiff
 - 9) *American Honda Motor Co., v. United States*, 363 F.Supp. 988 (S.D.N.Y. 1973)
4. Other Federal Case with Details Unknown
 - 10) *American Honda Motor Co., v. Local 585, International Union, United Automobile, Aerospace and Agricultural Implement Workers of America*, 615 F.2d 1352 (3d Cir. 1980)
5. State Product Liability Cases with Honda as a Defendant
 - 11) *Canter v. American Honda Motor Corp.*, 426 Pa. 38 (1967)
 - 12) *Bernal v. American Honda Motor Co.*, 11 Wash.App. 903, 527 P.2d 273 (1974), rev'd and remanded for trial, 87 Wash.2d 406, 553 P.2d 107 (1976), aff'd, 23 Wash.App. 1032 (1979)
 - 13) *American Honda Motor Co. v. Smith*, 21 Ariz.App. 255, 518 P.2d 131 (1974), rev'd and cause remanded for a new trial, 110 Ariz.593, 521 P.2d 1139 (1974)
 - 14) *Jett v. Honda Motor Co.*, 339 So.2d 66 (Ala. 1976)
 - 15) *Callicut v. American Honda Motor Co.*, 37 N.C.App. 210 (1978)
 - 16) *Filker v. Honda Motor Co.*, 87 Ill. App. 3d 865 (1980)
 - 17) *Sipes v. American Honda Motor Co.*, 608 S.W.2d 125 (Mo.Ct.App. 1980)
 - 18) *Coons v. Honda Motor Co.*, 176 N.J.Super. 575 (1980)
6. Other State Case with Honda as a Defendant
 - 19) *Smith's Cycles, Inc. v. American Honda Co.*, 26 N.C.App. 76 (1975)
7. Other State Case with Honda as a Plaintiff
 - 20) *City of Farmers Branch v. American Honda Co.*, 527 S.W.2d 776 (Tex.Ct.App. 1975), rev'd and judgment rendered, 537 S.W.2d 454 (Tex. 1976)
8. Other State Case with Details Unknown
 - 21) *O'Connor v. Honda Motor Co.*, 17 Wash.App. 1029 (1977), petition to renew denied, 90 Wash.2d 1003 (1978)

Note : In case there are more than two reports for a single case, at least the first and last reports are indicated.

Chart 5 INTERNATIONAL TRADE CASES INVOLVING TOYOTA MOTOR SALES, U.S.A., INC. (TOYOTA)

Antidumping Cases

- 1) Roller Chain, Other Than Bicycle.
 - * 37 Fed.Reg. 3770 (1972), 38 Fed.Reg. 9226 (1973). (Note 1)
 - * Sales at LTFV; Injury. (Note 2) (Note 3)
- 2) Automobiles
 - * 40 Fed. Reg. 33756 (1975).
 - * Investigation was terminated.

Note 1 : In case there are more than two notices in the *Federal Register* for a single case, at least the first and last notices are indicated.

Note 2 : LTFV=Less than fair value.

Note 3 : Injury=Injury to a U.S. industry.

Chart 6 INTERNATIONAL TRADE CASES INVOLVING AMERICAN HONDA MOTOR CO., INC. (HONDA)

Antidumping Cases

- 1) Roller Chain, Other Than Bicycles.
 - * 37 Fed.Reg. 3770 (1972), 38 Fed.Reg. 9226 (1973). (Note 1)
 - * Sales at LTFV; Injury. (Note 2) (Note 3)
- 2) Automobiles.
 - * 40 Fed.Reg. 33756 (1975), 41 Fed.Reg. 34986 (1976).
 - * Investigation was terminated.
- 3) Motorcycles.
 - * 42 Fed.Reg. 36586 (1977), 43 Fed.Reg. 52295 (1978).
 - * No sales at LTFV by Suzuki and Yamaha; Sales at LTFV by Honda and Kawasaki; No injury.

Note 1 : In case there are more than two notices in the *Federal Register* for a single case, at least the first and last notices are indicated.

Note 2 : LTFV=less than fair value.

Note 3 : Injury=Injury to a U.S. industry.

Chart 7 COURT CASES INVOLVING MATSUSHITA ELECTRIC CORP. OF AMERICA (MECA)

1. Federal Antitrust Cases with MECA as a Defendant
 - 1) *Bywater v. Matsushita Electric Industrial Co.*, 1971 Trade Cases P73,759 (S.D.N.Y. 1971)
 - 2) *O.L.T. Premium Distributors, Inc. v. Matsushita Electric Corp. of America*, 1972 Trade Cases P74,110 (S.D.N.Y. 1972)
 - 3) *In re Japanese Electronic Products Antitrust Litigation*, 1975 Trade Cases P60,105 (J.P.M.D.L. 1975), *Zenith Radio Corp. v. Matsushita Electric Industrial Co.*, 402 F. Supp. 244 (E.D.Pa. 1975), 513 E. Supp. 1100 (E.D.Pa. 1981), 513 E.Supp. 1334 (E.D.Pa. 1981) (Note)
2. Federal Labor Cases with MECA as a Defendant
 - 4) *Kapigian v. Matsushita Electric Corp. of America*, 54 LC P11,401 (S.D.N.Y. 1966)
 - 5) *Readmont v. Matsushita Electric Corp. of America*, 355 F. Supp. 1073 (E.D.Pa. 1973)
3. Other Federal Case with MECA as a Defendant
 - 6) *Horton v. W.T.Grant Co.*, 537 F.2d 1215 (4th Cir. 1976)
4. Other Federal Cases with MECA as a Plaintiff
 - 7) *Matsushita Electric Corp. of America v. Solar Sound Systems, Inc.*, 381 F.Supp. 64 (S.D.N.Y. 1974)
 - 8) *GTE Sylvania Inc. v. Consumer Product Safety Commission*, 404 F.Supp. 352 (D.Del. 1975), 598 F.2d 790 (3d Cir. 1979)
 - 9) *Matsushita Electric Corp. of America v. S.S. Aegis Spirit*, 414 F.Supp. 894 (W.D.Wash. 1976)
 - 10) *In re Federal's Inc.*, 402 F.Supp. 1357 (E.D.Mich. 1975), rev'd and remanded, 553 F.2d 509 (6th Cir. 1977)
5. State Cases with MECA as a Defendant
 - 11) *Wisconsin v. Ampex Corp.*, 1975 Trade Cases P60,150 (Wis.Cir.Ct. 1975)
 - 12) *GTE Leisure Products, Inc. v. Quaser Electronics Co.*, 72 A.D.2d 930 (1979)
 - 13) *Mori v. Matsushita Electric Corp. of America*, 380 So.2d 461 (Fla.Dist.Ct.App. 1980)
6. New York Fair Trade Law Cases with MECA as a Plaintiff
 - 14) *Matsushita Electric Corp. v. Weller*, 1973 Trade Cases P74,285 (N.Y.Sup.Ct. 1972)
 - 15) *Matsushita Electric Corp. of America v. Jamaica Gas & Electric of Great Neck, Inc.*, 1973 Trade Cases P74,589 (N.Y.Sup.Ct. 1973), rev'd and remanded, 44 A.D.2d 708 (1974), 1974 Trade Cases P75,229 (N.Y.Sup.Ct. 1974)
 - 16) *Matsushita Electric Corp. of America v. Alson Sales, Inc.*, 1973 Trade Cases P74,639 (N.Y.Sup.Ct. 1973)
 - 17) *Matsushita Electric Corp. v. Uneeda Home Appliance*, 1973 Trade Cases P74,706 (N.Y.Sup.Ct. 1973)
 - 18) *Matsushita Electric Corp. of America v. Joe's Radio & Television Service, Inc.*, 1973-2 Trade Cases P74,716 (N.Y.Sup.Ct. 1973)
 - 19) *Matsushita Electric Corp. of America v. Stone Appliance Corp.*, 1973-2 Trade Cases P74,717 (N.Y.Sup.Ct. 1973)
 - 20) *Matsushita Electric Corp. of America v. Pay-Less Camera Discount, Inc.*, 1973-2 Trade Cases P74,714 (N.Y.Sup.Ct. 1973)
 - 21) *Matsushita Electric Corp. of America v. Economy Buying Service*, 1973-2 Trade Cases P74,725 (N.Y.Sup.Ct. 1973)
 - 22) *Matsushita Electric Corp. of America v. Kaufman*, 1974 Trade Cases P75,044 (N.Y.Sup.Ct. 1973)
 - 23) *Matsushita Electric Corp. of America v. Fruchter*, 1974 Trade Cases P75,314 (N.Y.Sup.Ct. 1974)
 - 24) *Matsushita Electric Corp. of America v. JGE Appliance of Westchester, Inc.*, 1974 Trade Cases

P75,371 (N.Y.Sup.Ct. 1974)

7. Other State Cases with MECA as a Plaintiff

25) Matsushita Electric Corp. of America v. Sonus Corp., 362 Mass. 246 (1972)

26) City of Farmers Branch v. Matsushita Electric Corp. of America, 527 S.W.2d 768 (Tex.Ct.App. 1975)

8. Other State Case with Details Unknown

27) Superscope, Inc. v. Benjamin Co., 277 S.E.2d 596 (S.C. 1981)

Note : In case there are more than two reports for a single case, at least the first and last reports are indicated.

**Chart 8 INTERNATIONAL TRADE CASES INVOLVING MATSUSHITA
ELECTRIC CORP. OF AMERICA (MECA)**

1. Antidumping Cases

1) Monochrome and Color Television Receiving Sets.

* 33 Fed.Reg. 8851 (1968), 36 Fed.Reg. 4597 (1971) (Note 1)

* Sales at LTFV; Injury; Settled in 1980 on the amount of antidumping duties; the settlement was appealed to a U.S. Court of Appeals, but the Supreme Court dismissed the appeal in 1982. (Note 2) (Note 3)

2) Tuners.

* 33 Fed.Reg. 14330 (1968), 35 Fed.Reg. 18914 (1970).

* Sales at LTFV; Injury.

3) Bicycle Speedometers.

* 36 Fed.Reg. 13102 (1971), 37 Fed.Reg. 24826 (1972).

* Sales at LTFV; Injury.

4) Rechargeable Sealed Nickel Cadmium Batteries.

* 40 Fed.Reg. 3790,49803 (1975).

* No sales at LTFV.

5) Tantalum Electrolytic Fixed Capacitors.

* 40 Fed.Reg. 48702 (1975), 41 Fed.Reg. 47604 (1976).

* No sales at LTFV by Matsushita; Sales at LTFV by Matsuo Electric Co. and Nippon Electric Co.; No injury; The no-injury determination was appealed to the U.S. Customs Court, and the Court remanded the case to the U.S. International Trade Commission in 1980 for a new vote.

2. Countervailing Duty Case

6) Certain Electronic Products.

* 37 Fed.Reg. 10087 (1972), 41 Fed.Reg. 1298 (1976).

* No bounty or grant; The determination was appealed to the U.S. Customs Court, but the Supreme Court supported the determination in 1978.

3. Unfair Trade Practice Case

7) Television Receivers.

* 41 Fed.Reg. 14949 (1976), 42 Fed.Reg. 44323 (1977).

* Preliminary investigation was terminated.

Note 1 : In case there are more than two notices in the *Federal Register* for a single case, at least the first and last notices are indicated.

Note 2 : LTFV=Less than fair value.

Note 3 : Injury=Injury to a U.S. industry.

corporations, including most of the Japanese television manufacturers and their U.S. subsidiaries, and almost all conceivable laws were mobilized by the plaintiffs. Being the largest manufacturer in Japan, the Matsushita group must have been a major target of the plaintiffs. This case, however, is essentially an international trade case in which the major issue is the conspiracy in Japan.

The international trade cases involving Matsushita are found in Chart 8. Matsushita has obviously experienced more international trade cases than Toyota and Honda, and they cover all of the three fields of antidumping, countervailing duty, and unfair trade practices. The largest one is Case 1, which is a giant antidumping case that was already 14 years old at the time of data collection.

The situation at the U.S. subsidiaries in the EE field seems to be a mixture of the problems of the GT and TE fields. On the one hand, like those of the TE field, they must prepare for disputes with U.S. dealers and consumers for which practical expertise in U.S. domestic law may be more relevant. On the other hand, however, like those in the GT field, trade cases have been a constant concern. A difference from the GT field is that they do not need to consult Japanese companies other than their own parent corporations.

Then, using the field of industry as an indirect measure of the dominant types of legal matters, our two hypotheses may be operationalized and combined into one hypothesis: The subsidiaries in the TE field are most likely to professionalize the legal department, those in the EE field are less likely to do so, and those in the GT field are least likely to do so.

2. FIELD OF INDUSTRY AND THE DEGREE OF PROFESSIONALIZATION

Our dependent variable, the degree of professionalization of the legal department is measured in the following three ways: (1) *the number of U.S. in-house lawyers*, (2) *the proportion of U.S. in-house lawyers among legal personnel* (U.S. in-house lawyers plus Japanese expatriates working mainly or solely on legal matters in the department), and (3) *whether the head of the department is a U.S. in-house lawyer*. Table 7, Table 8, and Table 9 present these indicators of professionalization by the field of industry.

In Table 7, four of the five subsidiaries in the field of TE have three or more in-house lawyers, while only two of the 13 subsidiaries in the EE field have three or more in-house lawyers, and no trading subsidiary has three or more in-house lawyers. Comparison of the trading with other subsidiaries with comparable annual sales makes clearer the trading subsidiaries' reluctance to professionalize. Among the 13 subsidiaries with annual sales exceeding one billion dollars, none of the nine trading subsidiaries has three in-house lawyers, while all of the remaining subsidiaries have five to seven in-house lawyers (Table 5). Deleting the nine trading subsidiaries from Table 10, which presents the relationship between the volume of annual sales and the number of in-house lawyers, we get a clearer, positive

Table 7 Distribution of the 36 Largest Subsidiaries by the Field of Industry and the Number of In-House Lawyers

<u>Industry</u>	<u>No. of In-House Lawyers (1980)</u>				Total
	0	1-2	3-4	5-7	
General Trading	3	6	0	0	9
Transportation Equipment	1	0	1	3	5
Electric and Electronic	5	6	1	1	13

Note : Excludes the subsidiaries of other industries and Subsidiary 24.

Table 8 Distribution of the 36 Largest Subsidiaries by the Field of Industry and the Proportion of In-House Lawyers among Legal Personnel

(Note 1)

<u>Industry</u> (Note 2)	<u>Proportion of In-House Lawyers (1980)</u>				Total
	0%	50% or Less	Less Than 100%	100%	
General Trading	3	4	0	2	9
Transportation Equipment	0	0	2	2	4
Electric and Electronic	3	1	2	4	10

Note 1 : Legal personnel= U.S. in-house lawyers plus Japanese members working mainly on legal matters.

Note 2 : Excludes subsidiaries of other industries and Subsidiaries 15, 23, 24, 29, and 30.

Table 9 Distribution of the 36 Largest Subsidiaries by the Field of Industry and the Status of In-House Lawyers

<u>Industry</u>	<u>Is a U.S. In-House Lawyer at the Top of the Legal Department? (1980)</u>			<u>Total</u>
	<u>Yes</u>	<u>No</u>	<u>No In-House Lawyer</u>	
General Trading	1	5	3	9
Transportation Equipment	4	0	1	5
Electric and Electronic	5	3	5	13

Note : Excludes the subsidiaries of other industries and Subsidiary 24.

Table 10 Distribution of the 36 Largest Subsidiaries by the Field of Industry and the Status of In-House Lawyers

<u>Annual Sales (1979)</u>	<u>No. of In-House Lawyers (1980)</u>				
(In Million Dollars)	0	1-2	3-4	5-7	Total
	General Trading Subsidiaries				
2,000-9,000	3	3	0	3	9
1,000-2,000	0	3	0	1	4
200-1,000	7	4	2	0	13
80- 200	6	3	0	0	9

Note : Excludes Subsidiary 24.

relationship. This table further suggests how the trading subsidiaries behave differently from others.

Care must be exercised in interpreting Table 8 which includes eight subsidiaries that indicate total professionalization. Among them, the two trading subsidiaries and the four subsidiaries in the EE field have only one in-house lawyer as their sole legal employee, and it seems too early to conclude that they have an intention to totally professionalize their legal departments. When these six subsidiaries are excluded, it becomes clear that the legal departments in the TE field are generally most professionalized, those in the GT field are generally most dominated by Japanese members, and those in the EE field vary most widely.

The same pattern is found in Table 9. The TE subsidiaries always make a U.S. in-house lawyer the head of the department, while the trading subsidiaries generally try to maintain control by a Japanese member, and the EE subsidiaries exhibit mixed patterns.

Furthermore, comparison of the trading with other subsidiaries with comparable annual sales again makes clearer the reluctance of the trading subsidiaries to manage the legal department by a U.S. in-house lawyer. Among the 13 subsidiaries with annual sales exceeding one billion dollars, only one of the nine trading subsidiaries has a U.S. in-house lawyer as the head of the department, while four subsidiaries of manufacturers all let a U.S. in-house lawyer manage the department (Table 6).

The TE subsidiaries always staff the legal department with U.S. in-house lawyers and appoint one of them as its head. The trading subsidiaries prefer to staff the legal department with Japanese expatriate members and place one of them at the top of the department. Given that the field of industry is used here as an indicator of the type of legal matters that determines the type of knowledge technology for handling legal matters, these results sustain our hypotheses that the type of legal risks in the U.S. is a factor that determines the degree of professionalization.

3. PERCEPTIONS ABOUT THE NEED FOR EXPERTISE IN U.S. LAW

Interview data do not necessarily contain references to antitrust and product liability matters as the fields that particularly require hiring of U.S. in-house lawyers. But they at least indicate that domestic legal matters are generally perceived to be better handled by in-house lawyers. The following are examples of statements regarding the subsidiaries of manufacturers:

"In America, anyone other than lawyers is useless (8, TE, A, P)."

"We first hired an in-house lawyer in 1979, in order to better handle PL claims (9, TE, A, J)."

"It is better to handle domestic legal matters in America without Japanese (14, EE, A, J)."

Among the trading subsidiaries, a Japanese executive related to legal matters from outside the legal department at Subsidiary 2 insists that his

company does not have many problems unique to the U.S.:

"We can understand the need for in-house lawyers if we have blue collar workers or if situations like that of IBM [antitrust actions taken by the Federal government] occur. For trading companies, contracts are the only legal matters. (2, GT, C, J)."

Indeed, this subsidiary became the only trading subsidiary that did not have a U.S. in-house lawyer in 1981.

However, respondents at other trading subsidiaries generally recognize the need to have in-house lawyers:

"The American society is a regulated society. Legislation is constantly introduced to regulate corporations. ...Japanese cannot follow it (1, GT, B, J)."

"We need the face and the language of an American. For instance, he can talk briefly with the government and feel out [its policy]. Just to mention the *Federal Register*, an American lawyer can quickly pick up problems [which affect the company] (6, GT, C, J)."

In fact, by 1981, all the trading subsidiaries except Subsidiary 2 employed at least one in-house lawyer.

Therefore, in terms of the characteristics of the U.S. environment the subsidiaries face, the difference with regard to professionalization of the legal department between the trading subsidiaries and the subsidiaries of the manufacturers, especially the TE subsidiaries, may be attributed to the difference in the relative weight of domestic legal matters and international trade matters. *Hypotheses 1* and *2* are supported. However, we also expect that the characteristics of the Japanese environment and internal organizational factors also contribute to this result. We shall look at those other factors in the following sections.

VI JAPANESE ENVIRONMENT

1. EXPECTATIONS OF THE PARENT AND THE CLIENT CORPORATIONS IN JAPAN

(1) EXPECTATIONS OF THE PARENT CORPORATION

The parent corporations in the GT field unanimously expect the subsidiary to structure its legal department in such a way that a Japanese expatriate member supervises U.S. in-house lawyers, for the sake of smooth and effective communications, especially in handling international trade matters. Legal personnel at the parent corporations of the trading subsidiaries without U.S. in-house lawyers are clearest in this regard:

"Compared to makers, a trading company's job is more complex. Moreover, most of the work is related to Japan. It is impossible for anyone to handle them except for the people who know that system." "We do not think it good to handle matters in the American way (2, GT, C, P)."

"It is necessary to have Japanese staff who share the same knowledge on the American side. Otherwise, the American way of thinking of legal personnel and the Japanese way of thinking of sales people will directly

clash." "Ideas about contract and law are different. Telexes are also more often written in Japanese. ... In relation to antitrust matters, there is much secret information. If written in English, it can flow to American employees anytime (4, GT, C, P)."

"It depends on the person who becomes the in-house lawyer. But a Japanese will have to sit at the top, as far as no work can be finished by the subsidiary side only (6, GT, C, P)."

The parent corporations of the trading subsidiaries that have U.S. in-house lawyers under the supervision of a Japanese head seem to expect that the subsidiaries do not advance professionalization beyond that extent:

"If we are to do business as an American company, we will need American in-house lawyers. But we cannot yet adopt such a clear-cut solution." "Trading companies are always involved with Japan. Personal relationship is particularly important (1, GT, B, P)."

"A considerable portion of documents are still written in Japanese. Moreover, if one lacks an understanding of the real situation in Japan, he will overlook something in the business which flows from the Japanese client to America via Tokyo (3, GT, B, P)."

"70 to 80% of the business is still related to the parent corporation in Japan. Relationships with trade associations and makers in Japan and personal connections are also important. The head of the legal department must have an understanding of Japanese business practices and Japanese ways of thinking (5, GT, B, P)."

"We cannot understand them even if American concepts are directly presented to us. There is a need to communicate through a Japanese employer (12, GT, B, P)."

Indeed, the head of the legal department of one subsidiary has had this experience.:

"Once the American in-house lawyer contacted Japan directly and we received protests from the parent company and the makers in Japan. Our relationship with them became quite jerky and we had a hard time to adjust to it (5, GT, B, J)."

Interestingly, even the parent corporation of Subsidiary 10, the only trading subsidiary with the legal department headed by a U.S. in-house lawyer, still appears to prefer to control the subsidiary's legal department by a Japanese member:

"We are not sure if a U.S. in-house lawyer is desirable from the viewpoint of the company as a whole... Think about the case, for instance, if the present in-house lawyer left and a new in-house lawyer inquires something of the parent corporation without having much knowledge about the situation in Japan (10, GT, A, P)."

This subsidiary seems to have been forced to be innovative for some reasons against the preference of the parent corporation. We shall explore those reasons.

Legal personnel at the parent corporations in the TE field do not regard the subsidiary's professionalized legal department as an obstacle from their

viewpoint. The head of the parent legal department of Subsidiary 7, for instance, does not hesitate to directly contact the subsidiary's in-house lawyers:

"I discipline in-house lawyers of the American subsidiary. I often argue with them (7, TE, A, P)."

They only mention the benefit of having in-house lawyers or the independence of the subsidiary:

"We can understand correctly the cases in America by having in-house lawyers there (9, TE, A, P)."

"There are more than 100 PL cases a year, but we let X [the subsidiary] handle them 'at water's edge' (22, TE, A, P)."

Expectations at the parent corporations in the EE field vary most widely. Parent legal personnel of the subsidiaries with the legal department headed by a U.S. in-house lawyer express most positive attitudes toward professionalization:

"We Americanized the legal functions only to follow the practice there, the notion that a Corporate Secretary is to be placed and that a lawyer is to take that job (13, EE, A, P)."

"There is no need to attach Japanese staff to in-house lawyers in America. The Japanese cannot substitute for them (16, EE, A, J)."

Parent legal personnel of other EE subsidiaries prefer to have the subsidiary manage its legal department by a Japanese member. Emphasis on the use of Japanese language is noteworthy:

"[As an in-house lawyer at the subsidiary] we prefer someone who understands the unique character of the Japanese corporation and works with non-lawyers from Japan (19, EE, B, P)."

"It is extremely difficult to communicate [technical matters] to them [Americans at the subsidiary] in English. Therefore, we communicate in Japanese to Japanese members there and, then, make them communicate to the Americans in English (17, EE, B, P)."

Some Japanese legal personnel at the subsidiaries talk about the involvement of the parent corporation with the subsidiary's legal matters and describe the parent corporation as "the problem" discouraging localization:

"Tokyo is involved in most cases of antitrust, product liability, breach of contract, and so on (19, EE, B, J)."

"Americanization and localization remains at the surface, only the top. To localize, the relationship with the parent corporation is the problem (28, EE, B, J)."

We should note that the parent corporation's expectations carry less cultural tones than is the case in the GT field. Yet, it is at least clear that many parent corporations in the EE field expect the subsidiaries to maintain the control of the legal department by a Japanese head.

These results indicate that expectations of the parent corporation differ by the field of industry in such a way that is compatible with the patterns of professionalizations expressed in Tables 7, 8, and 9. We may conclude that expectations of the parent corporations is a factor that influences the

degree of professionalization of the legal department at the subsidiary, and that our *Hypothesis 3* is sustained.

(2) SUBSIDIARY'S PERCEPTIONS OF THE RELATIONSHIPS WITH CLIENT CORPORATIONS IN JAPAN

Interviews were not conducted with client corporations in Japan. However, we have interview data about perceptions of legal personnel at the subsidiaries about the relationships with client corporations in Japan, and the result is so consistent from one subsidiary to another that we may conclude that expectations of client corporations is a consideration of the trading subsidiary for its decision on professionalization of the legal department.

Some Japanese heads of the legal departments bitterly complain of how their companies' Japanese clients have caused them troubles:

"We are irritated by the response of makers. ... Like using a 'bamboo spear' against an atomic bomb. They have no knowledge about what impact an investigation by the executive branch [of the U.S. government] will have. First, we get responses such as 'Outrageous! Unthinkable!' or 'What is wrong to sell cheaply and make them happy?' Then, come responses like 'I understand. But I will not disclose data. They will not be able to do anything if we do not present any data.' On the contrary, the American side [complainant] is not at all embarrassed. It is enough to use the available data, and we will be killed by the complainant's data. Some smaller makers have reckless top management, and we do not know what to do with certain small steel companies (6, GT, C, J)."

"Worse are export associations [of manufacturers]. With the same concept as in Japan, they try to bid as a consortium. There is MITI's guidance behind it. Trading companies get a by-blow (2, GT, C, J)."

Yet, when one subsidiary hired its first U.S. in-house lawyer, it placed him under the supervision of a Japanese head to adapt itself to the reality of its Japanese clients:

"Trading companies will need Japanese employees however far they go. because of the relationship with clients in Japan. The capable employee of the trading company is such a person to whom the face, character, and the way of thinking of the other company's executive quickly occur in examination of a dealing. No American can be expected to become such a person (6, GT, C, J)."

Same perceptions are presented at other trading subsidiaries, suggesting their intention not to advance professionalization beyond the present practice to place U.S. in-house lawyers under the supervision of the Japanese head:

"It depends on the extent to which we can move away from Japan and Tokyo for the company as a whole. When Japanese clients are considered, there is a need to have a Japanese head (1, GT, B, J)."

"Smaller makers, rather than larger ones, are clients of trading companies now. Smaller makers do not understand the message even if

American in-house lawyers contact them directly." "Complete Americanization is impossible at trading companies. Japanese makers are our clients, and no language other than Japanese is usable. You cannot succeed if you do not have a Japanese way of thinking (5, GT, B, J)."

"Subsidiaries of trading companies ...have to think about the clients on the other side of the ocean. American lawyers do not know international trade and the reality of Japanese business (11, GT, B, P)."

The need of effective communications of Japanese client corporations discourages the trading subsidiaries at the least to place a U.S. in-house lawyer at the top of the legal department. This result, of course, fits the results of Tables 7, 8, and 9 and sustains *Hypothesis 4*.

2. SUPPORT AND CONTROL BY THE PARENT LEGAL DEPARTMENT

(1) PERSONNEL SUPPORT BY THE PARENT LEGAL DEPARTMENT

Among the trading subsidiaries, the shortage of personnel at the parent corporation seems to be more serious at smaller trading companies. The head of the parent legal department of the only trading subsidiary with a legal department headed by a U.S. in-house lawyer (Subsidiary 10) laments:

"The position of the head of the legal department [at the subsidiary] is extremely desired at other companies [because they have many members in legal departments]. But we are short of personnel. Our company is in an emergency, and we cannot get a new member. We want to send someone to America. But, at present, ... our international legal functions are weak and poor (10, GT, A, P)."

A similar situation is also observed at another trading subsidiary which has a U.S. in-house lawyer as its sole employee working mainly on legal matters, albeit under the supervision of a Japanese member whose major responsibility is not in legal matters:

"I think it necessary to have someone like a bridge between the Japanese and the in-house lawyer. But we do not have enough personnel to employ someone solely for liaison (12, GT, B, J)."

Examination of the nature of the legal risks in the U.S. and the expectations of the parent and the client corporations has already indicated that the trading subsidiaries need to have Japanese legal personnel, especially at the top of the legal department. These statements indicate that when the parent corporation is unable to supply legal personnel in such a situation, the subsidiary is forced to staff the legal department with only in-house lawyers. Such a subsidiary's apparent innovativeness is not a result of its choice.

In the TE field, one parent corporation shows an interest in sending its legal personnel to the subsidiary and gives the shortage in legal personnel as a reason to let the subsidiary have a completely professionalized legal department:

"It is desirable to do so [send legal personnel to the subsidiary] in the future. ... But, in terms of the absolute number of staff members in Tokyo, we have not yet reached that point (22, TE, A, P)."

A more general response, however, is to send legal personnel to the subsidiary only for training:

"We send Japanese only from the viewpoint of education (7, TE, A, P)."
Since neither the major types of legal matters in the U.S. nor the relationship with the parent corporation require the TE subsidiaries to have a large number of Japanese legal personnel, supply of legal personnel from the parent corporation is not an issue for them.

In the EE field, the lack of legal personnel in the late 1960s and early 1970s seems to have forced larger subsidiaries to professionalize their legal departments from the very beginning:

"The Japanese employee who was involved in legal matters in the Corporate Planning Department in America had not studied law. ... In earlier days, everything was handled by himself. ... As you can see, we lacked personnel [in legal matters in those days] (13, EE, A, P)."

This parent corporation recently began to send its members to the subsidiary, but its main purpose is educational:

"The present liaison is the first person sent from the Legal Department [of the parent corporation]." "We agreed to train members of the Legal Department of the parent corporation (13, EE, A, J)."
Personnel support by the parent corporation is not an issue anymore.

However, at other EE subsidiaries which prefer to manage the legal department by a Japanese head, it is a major concern:

"The headquarter's legal department does not have sufficient personnel so as to transfer them to other units (19, EE, B, P)."

"Because of the nature of products [communications equipment], we have a need to send people from Tokyo." "But we cannot spare any person from Tokyo (28, EE, B, P)."

Selection of the policy to staff and control the legal department with Japanese members may be a result of the types of legal risks and the need to accommodate the legal department to expectations of the parent and client corporations. When that policy is adopted, however, the availability of legal personnel from the parent corporation affects the actual structure of the legal department. Its impact is most clearly seen in the legal department of Subsidiary 10. This result sustains *Hypothesis 5*.

(2) CONTROL OF POSITIONS AT THE SUBSIDIARY BY THE PARENT LEGAL DEPARTMENT

The parent corporations in the GT field generally use positions at the subsidiary's legal department for their personnel rotation:

"The legal department in America is included in the corporate-basis personnel rotation (1, GT, B, P)."

"The ideal image of an employee of a trading company is life in foreign countries. If there is a possibility that a person without experience of

foreign countries is considered incompetent by people outside the company, there may be a need to keep positions in foreign subsidiaries in order to give Japanese employees an opportunity to work in foreign countries (3, GT, B, P)."

"It is a fact that we use positions in America from the viewpoint of personnel rotation (5, GT, B, P)."

"The convenience for rotation may be a consideration [for staffing the subsidiary's legal department with Japanese members] (6, GT, C, P)."

"When managerial positions become scarce, we assign people to marginal positions... Otherwise, we send them to foreign countries (11, GT, B, P)."

No parent corporation in manufacturing indicates an interest in using positions at the subsidiary for its personnel rotation. What legal personnel at most of the parent corporations mention is only a requirement of reporting or seeking an approval for hiring or promoting in-house lawyers:

"When a new in-house lawyer is to be employed, for instance, a report comes [from the subsidiary] giving their opinions (14, EE, A, P)."

Some subsidiaries even have no requirement for reporting:

"They do not report to us how many they hired (8, TE, A, P)."

"It was the subsidiary's own decision to hire an in-house lawyer (31, EE, A, P)."

Even when some parent corporations express an interest in maintaining the Japanese head at the subsidiary's legal department, it has nothing to do with personnel rotation.

Control of positions at the subsidiary clearly differs by the field of industry, and the result is compatible with Tables 7, 8, and 9 and sustains *Hypothesis 6*.

VII. INTERNAL FACTORS

1. EXPECTATIONS OF THE TOP MANAGEMENT AND OTHER UNITS IN THE SUBSIDIARY

(1) FIELD OF INDUSTRY AND THE DEGREE OF RELIANCE ON JAPANESE EXPATRIATE MEMBERS

Hypothesis 7 concerns the impact of the degree of reliance on Japanese expatriates at the subsidiary. We found that all the chairmen and the presidents were Japanese and that the proportion of Japanese expatriates was invariably high among corporate officers. Therefore, we may simply use the proportion of Japanese expatriates among the entire personnel as the operationalization of the independent variable. However, since we are interested in professionalization, we actually use the *proportion of U.S. citizens* for our analysis.

Table 11 and Table 12 indicate the relationship between the proportion of U.S. citizens and the number of in-house lawyers and their status. Table 11

shows that the legal department with three or more in-house lawyers appears only among subsidiaries that are more than 90% "Americanized," while Table 13 indicates that at these subsidiaries, once hired, a U.S. in-house lawyer is likely to become the head of the department. This result fits *Hypothesis 7*.

Table 13 indicates, however, that there is a strong correlation between the degree of "Americanization" and the field of industry. The subsidiaries that are more than 90% "Americanized" are all subsidiaries of manufacturers, while the subsidiaries that are less than 70% "Americanized" are all trading subsidiaries. The correlation between the field of industry and the degree of reliance on Japanese expatriates is so strong that we can make an almost identical prediction by the former.

(2) PERCEPTIONS ABOUT THE RELATIONSHIPS WITH THE TOP MANAGEMENT AND OTHER UNITS

We did not collect data from top management executives and managers themselves about their expectation to the legal department. We have information only on the perceptions of legal personnel about their expectations. The data, however, are so consistent among legal personnel at trading subsidiaries that we may conclude that those perceptions reflect the reality of the top management and other high-ranking Japanese officers there.

They generally appear to lack the capability to directly deal with U.S. legal personnel, and depend heavily on the Japanese legal personnel, whom they can expect to share with them both a common language and certain unwritten understandings:

"The President is more comfortable to use Japanese. ... I once reported to the President in English, but finally I had to explain in Japanese (1, GT, B, J)."

"[Professionalization will depend on] whether there is a person who can mediate between the Japanese top management [and U.S. in-house lawyers] (2, GT, C, J)."

"The top management is totally ignorant [about legal matters] and completely dependent [on the Legal Department]. If I [the Manager] am out for a business trip, they do not decide." "The problem is the ability of the Japanese top management (5, GT, B, J)."

"The condition for the [in-house] lawyer is that he must be a person who can make friends in the company. Personality is more important than ability." "We have unwritten rules and common sense that have developed out of the traditions of some three hundred years. Even if a lawyer speaks something, no one will listen to anything he says against the traditions (6, GT, C, J)."

"Japanese employees come to America without having any concept about American law. They remain ignorant for three or four years and return as ignorant as when they came (11, GT, B, UL)."

"We want to hear opinions from someone we trust as much as possible

Table 11 Distribution of the 36 Largest Subsidiaries by the Proportion of U.S. Citizens among Entire Personnel and the Number of In-House Lawyers

<u>% of U.S. Citizens (1980)</u>	<u>No. of In-House Lawyers (1980)</u>				Total
	0	1—2	3—4	5—7	
90 or More	10	5	2	4	21
70—90	2	2	0	0	4
Less Than 70	3	6	0	0	9

Note : Excludes Subsidiaries 23 and 24.

Table 12 Distribution of the 36 Largest Subsidiaries by the Proportion of U.S. Citizens among Entire Personnel and the Status of In-House Lawyers

<u>% of U.S. Citizens (1980)</u>	<u>Is a U.S. In-House Lawyer at Top of the Legal Department? (1980)</u>			Total
	Yes	No	No In-House Lawyer	
90 or More	10	1	10	21
70—90	0	2	2	4
Less Than 70	1	5	3	9

Note : Excludes Subsidiaries 23 and 24.

Table 13 Distribution of the 36 Largest Subsidiaries by the Field of Industry and the Proportion of U.S. Citizens among Entire Personnel

<u>Industry</u>	<u>% of U.S. Citizens (1980)</u>			Total
	Less Than 70	70—90	90 or More	
General Trading	9	0	0	9
Transportation Equipment	0	0	5	5
Electric and Electronic	0	3	10	13
Other	0	1	7	8

Note : Excludes Subsidiary 23.

even when professional opinions are concerned. It is a common sense in Japan that good opinions are not always accepted (12, GT, B, J)."

Most trading subsidiaries not only rely heavily on Japanese expatriates, but also seem to have executives and managers who cannot directly deal with U.S. professional lawyers and who insist on maintaining their culture in Japan even in the foreign subsidiary. They really appear to be "the problem" prohibiting professionalization of the legal department.

Subsidiary 10, the only trading subsidiary with the legal department headed by a U.S. in-house lawyer, is again the exception. We have already found that it had to professionalize the legal department because it could not rely on the supply of legal personnel from the parent corporation. At the same time, however, it also happened to have a strong proponent of localization as its president:

"Our President thought that ... a Japanese will need ten years to become able to head the legal department... and that it is more reasonable to let an American handle legal matters (10, GT, A, J)."

"The President's policy had a big weight (10, GT, A, UL)."

In contrast to the trading subsidiaries, the relationship with the top management and other Japanese officers is hardly perceived as a serious problem at the TE subsidiaries. We find few statements on this matter.

Interviews with the EE subsidiaries contain many relevant statements, and the perceived need of communications with Japanese executives in a manner acceptable and understandable to them varies among the EE subsidiaries. Communication problem is perceived even at the subsidiaries where the legal department is headed by a U.S. in-house lawyer. But the problem is not serious enough to control the legal department with a Japanese member. A liaison can perform intermediary functions:

"Japanese executives do not have that capacity [to directly contact U.S. lawyers]. Therefore, we let him [General Counsel] report to the American Executive Vice President and Treasurer [who in turn reports to the Japanese President] (13, EE, A, J)."

"The liaison here tries to utilize the professional knowledge of the in-house lawyer like a *kuroko* [in *kabuki* plays] (14, EE, A, J)."

"I do not feel any difficulty in communicating with the Japanese. I slow down the speed of speech very much (14, EE, A, UL)."

"I feel some problems regarding communications. I use the Assistant to the President as a liaison (16, EE, A, UL)."

"There is a problem with new Japanese employees. But there are no problems with superiors (18, EE, A, UL)."

However, there are other subsidiaries where effective communications with Japanese executives seems to be a more serious problem, and such subsidiaries have the legal department either staffed solely with Japanese members or headed by a Japanese member:

"There are General Managers who never come to me." "They do not understand at all the responsibilities of a professional (17, EE, B, UL)."

"Because the background of the Japanese top management is in sales, a

Japanese coordinator will always be needed. The in-house lawyer will cause trouble if he directly contacts the top by 'flying over' the Japanese (19, EE, B, J)."

Consideration of communications in the manner acceptable and understandable to the top management and other Japanese officers generally has greater significance for the trading subsidiaries than for the subsidiaries of manufacturers. This result fits the patterns in Tables 11, 12, and 13, and supports *Hypothesis 7*. Among the subsidiaries of manufactures, consideration of effective communications appears to be more important for the EE subsidiaries than for the TE subsidiaries. This result also fits the difference between the two fields with regard to professionalization of the legal department.

2. EVALUATIONS ABOUT ACCEPTABILITY OF U.S. PROFESSIONAL LAWYERS BY JAPANESE LEGAL PERSONNEL

Our *Hypothesis 8* concerns the impact of cultural beliefs that Japanese legal personnel may bring with them to the subsidiary and according to which they may perceive environmental and internal conditions and evaluate relative merits of professionalization of the legal department. We have found that their subjective perceptions of environmental and internal conditions are generally in accordance with objective characteristics of those conditions. We focus in the following, therefore, on their evaluations of acceptability of U.S. professional lawyers as employees of the subsidiary of the Japanese corporation.

The basic finding from analyses of interview data is general skepticism about loyalty of U.S. in-house lawyers. They are perceived as being interested in their individual career, eager to leave for a better offer, and bound by norms of the profession. These suspicions seem to be most prevalent among Japanese legal personnel of the trading subsidiaries:

"We have to hide unfavorable situations (1, GT, B, J)."

"[In-house lawyers] do not know that life-time employment is given only in exchange for loyalty." "As lawyers licensed in New York, they are bound by the code of ethics. Japanese companies frequently engage in behavior which is illegal from the viewpoint of an American standard. For instance, price agreements and conspiracies. As a professional, an in-house lawyer cannot say anything other than sticking to the rules (5, GT, B, J)."

"[American lawyers] have notions different from ordinary 'salaried men,' closer to artisans in Japan. Moreover, because they are conscious of their future, new posts must be advantageous to their plans (6, GT, C, J)."

Japanese legal personnel's suspicions about the loyalty of U.S. in-house lawyers may be considered to reflect the emphasis placed on thorough socialization of employees at trading companies. At trading companies, manpower is the most critical resource (Young, 1979: 68). They attach

enormous importance to the training of personnel. "Training focuses on the nature and objectives of the firm's business, the company's values ..., and the company's organizational structure ... Once trained, ... [employees will] act and react automatically to attain company objectives (Young, 1979: 70)." Even legal personnel are products of this corporate culture that emphasizes socialization. No U.S. lawyer will ever have received such training and, hence, be genuinely acceptable to them.

Subsidiary 10 is, again, the exception. The lawyer head seems to have gained the trust of Japanese executives through his long association with the subsidiary from the time when he was working in his father's law firm:

"His father's law firm handled our company's legal matters." "He understands what a Japanese company is. The company treats him accordingly (10, GT, A, J)."

Interviews with the TE subsidiaries contain few references to the loyalty of in-house lawyers. This fact itself may be regarded as an indication of their general acceptance of U.S. in-house lawyers:

"It is possible for Corporate Counsel to become Vice President." "It is contradictory to criticize [in-house lawyers] while not giving them authority (7, TE, A, J)."

Suspicious about loyalty are expressed at the EE subsidiaries. The subsidiaries that express such suspicions tend to place U.S. in-house lawyers under the supervision of a Japanese head:

"Because the turnover is quick for Americans, there is also a problem of loyalty." "We chose a person who is not the type who is likely to leave the subsidiary for his own career." "However capable, he [the in-house lawyer] will cause us trouble if he leaves soon. Because he has access to information at the center of the company, he will be a trouble if he takes it to his advantage. Indeed, there was a man among applicants who really looked like Nixon (19, EE, B, J)."

Suspicious about the loyalty of U.S. in-house lawyers and their acceptability as employees are, thus, strongest at the trading subsidiaries, vary more among the EE subsidiaries, and are weakest at the TE subsidiaries. This result fits the patterns found in Tables 7, 8, and 9, and sustains *Hypothesis 8*.

An interesting additional finding is the generally low rating of the quality of the subsidiaries' own in-house lawyers or lawyers likely to be attracted to them. The quality of lawyers is perceived as unsatisfactory not only with regard to the mastery of the Japanese language and understandings about Japanese business practices, but also in terms of competency regarding U.S. law. This perception is most pervasive at the trading subsidiaries, excluding Subsidiary 10:

"We doubt the quality of those lawyers who do come to our company."

"If ... only the worst will come, it is better to be scolding young lawyers of good law firms (2, GT, C, J)."

"Good lawyers do not come to Japanese companies." "Lawyers who come to our company do not have any specialty, do not know about the

American judicial system. I must tell him 'Why don't you take such and such actions?' They will not attract any clients even when they go to law firms. It is safer for them to work in this company (5, GT, B, J)."

"We cannot trust those lawyers who try to sell themselves... They exaggerate in describing their career. A career of only five years or so is laughable (6, GT, C, J)."

"I have confidence in myself that I know more than American in-house lawyers do. ... He [the present in-house lawyer] is useful only as an interpreter with some understanding of legal terms or for pre-drafting (12, GT, B, J)."

Among the two groups of subsidiaries of manufacturing corporations, similar evaluations are found only at the EE subsidiaries. Yet, the EE subsidiaries present wider variations than the trading subsidiaries. While expressing concern about the quality of in-house lawyers, Japanese legal personnel of some EE subsidiaries still accept the necessity to let a U.S. in-house lawyer head the legal department:

"Because he is young and his status in the law firm was low, the present General Counsel has a habit of handling everything himself... For the moment, we evaluate him somewhere between good and fair." "It may be sufficient to have a Japanese as the head of the Legal Department if his only function is management of overall activities. But, in order to work with bright lawyers as his subordinates, there may be a serious obstacle [because no lawyer wants to work under a non-lawyer] (14, EE, A, J)."

At other EE subsidiaries, Japanese legal personnel express more negative evaluations and try to control legal functions by themselves:

"Even if we pick one from 300 applicants, no decent one will come. Though we have an in-house lawyer, he is not doing anything significant. I am brighter than low-degree lawyers (28, EE, B, J)."

It is clear that negative evaluations of the quality exist along with suspicions about the loyalty. Furthermore, while complaining about the quality of lawyers, some trading subsidiaries do not want, either, to pay a competitive salary to attract better lawyers:

"When we can use 75 to 100 lawyers [of outside law firms] for only 500,000 dollars, it is meaningless to hire one in-house lawyer by spending as much as 50,000 dollars." "It may be cheap enough if a lawyer does come for 27,000 dollars or so. We can hire three lawyers with my salary (2, GT, C, J)."

Coupling a preference to hire lawyers who are unlikely to soon leave for a better position even when placed under the supervision of a Japanese non-lawyer head, with unwillingness to pay competitive salaries, there is no wonder that the subsidiaries have failed to attract lawyers who are considered first-rate in the context of the U.S. legal profession. Some subsidiaries seem to have begun to realize this relationship. Those who most recently employed their first in-house lawyers consciously sought less aggressive lawyers and, because the lower quality is the result of their deliberate choice, they do not express dissatisfaction with their own

lawyers:

"We have recently lowered the level of expectation in hiring an in-house lawyer. [Which means] in short, that we have learned a little [from experience]." "It will be a tremendous success for a Japanese company if it can hire a better one among second-rate lawyers (6, GT, C, J)."

"He [the first in-house lawyer] is not a type of person who works like blazes." "This may look like praising myself. But I think he has a good personality. He is not a schemer (19, EE, B, J)."

VIII. CONCLUSION

1. FINDINGS

The professionalization of the legal department varies by the industrial specialization of the subsidiary. The *general trading* subsidiaries have the largest average volume of annual sales among the 36 largest subsidiaries, but the dominant form of structure of the legal department is to professionalize it only to the extent of placing U.S. in-house lawyers under the supervision of a Japanese non-lawyer head. For the trading subsidiaries, generally, adaptation to the legal risks in the U.S. environment does not necessarily require total professionalization of the legal department because of domination by international trade matters, while adaptation to the Japanese environment strongly requires them to maintain conventional Japanese corporate practices. Their parent corporations are generally willing to support them in maintaining these conventional practices and have a vested interest in keeping them that way. Moreover, there is resistance against deviation from conventional practices from within the subsidiaries themselves, both inside and outside of the legal department. *The U.S. environment, the Japanese environment, and internal factors all make them prefer and possible to staff and control the legal department with Japanese expatriate members.*

In contrast, although the subsidiaries in the field of *transportation equipment* varied more widely in terms of annual sales, those with the largest annual sales had the most professionalized legal departments among the 36 subsidiaries, in terms of the number of in-house lawyers, proportion of in-house lawyers among legal personnel, and control of the legal department by an in-house lawyer. The environmental and internal situations are also almost the opposite. The legal risks in the U.S. require them to acquire holders of practical expertise in U.S. domestic law because of the importance of domestic legal matters such as antitrust and product liability, while the Japanese environment does not require them to maintain many conventional practices about handling legal matters. Their parent corporations do not have the capability to support the maintenance of conventional Japanese practices, nor do they have much interest in keeping them that way. Moreover, their internal resistance to professionalization is almost nil. *The legal risks of the U.S. environment makes them need to professionalize their legal department, and the Japanese environment and internal factors do not inhibit it.*

The subsidiaries in the field of *electric and electronic equipment, appliances, and parts* vary most widely in terms of annual sales. They also exhibit the *widest variation in professionalization* of the legal department, ranging from the largest legal department staffed with in-house lawyers and headed by one of them to those without any in-house lawyer. *The environmental and internal factors vary most widely, too.* Some of them resemble the trading subsidiaries, while others look more like the largest subsidiaries in the field of transportation equipment. Hence, there is larger variation among them in the degree of professionalization of the legal department.

What, then, will happen in the future? It seems safe to expect that as business expands in the U.S., exposure to U.S. domestic legal risks will also increase, irrespective of the field of industry. Therefore, more subsidiaries will employ U.S. in-house lawyers and those that already have some will add more. The remaining issue is whether or not to let an in-house lawyer manage the legal department. One factor that can be expected to contribute to the increasing homogeneity among organizations is "legitimacy," the very fact that the given structure is already accepted by a majority of similar organizations (Meyer, 1978: 356; Tolbert and Zucker, 1983). At present, however, such a "legitimate" form of professionalization does not exist for subsidiaries as a whole. Rather, two forms of professionalization, each of which may have already gained "legitimacy" among trading subsidiaries and among transportation-equipment subsidiaries, respectively, are competing with each other.

One possibility regarding the Japanese environment is that increasing capability of the parent legal department at a manufacturer or a smaller general trading company eventually replaces the lawyer head of the subsidiary's legal department with a Japanese expatriate member:

"We want to send people eventually from the Legal Group (9, TE, A,P)."

However, we may expect the opposite scenario with regard to internal factors. Japanese personnel at the subsidiary bring with them the corporate culture of the parent corporation, and part of it is to honor seniority. Therefore, if U.S. in-house lawyers have stayed longer than Japanese expatriates who usually return to the parent company after a few years, and if some of them have become older than Japanese legal personnel, Japanese management of subsidiaries with most conventional corporate cultures may feel obliged to make a U.S. in-house lawyer the head of the legal department:

"The treatment of in-house lawyers will become an issue when they become older than Japanese members. We are wondering whether money is enough as an incentive to retain them or if [higher] status and [more important] functions are necessary (3, GT, B, P)."

However, dominant types of legal matters in the U.S. and the relationship with the parent and client corporations in Japan are not likely to change drastically. If so, the two forms of professionalization will continue to co-exist for the near future. In any event, a followup survey is under way.

2. MULTIPLE-ENVIRONMENTAL PERSPECTIVE IN ORGANIZATIONAL STUDIES

This investigation is unique among studies in organizational structure because (1) it considers impacts of both environmental and internal factors, (2) it considers conditions of more than one environment and (3) it tries to introduce culture as an integral part of organizational-environmental relations. Unfortunately, serious multicollinearity among the independent variables prevents us from presenting a stronger case for the potential of the multiple environmental perspective of organizational-environmental relations. We found an almost complete correlation between conditions in the U.S. and those in the Japanese environment. Involvement in domestic legal matters correlated positively with weak expectations, support, and control from the parent corporation; involvement in international trade matters correlated positively with stronger expectations from the parent and the client corporations as well as stronger support and control by the parent corporation. Moreover, similarly strong correlations were also found between environmental factors and internal factors. The same predictions can be obtained from any one factor for each combination of factors, especially for the subsidiaries in the fields of general trading and transportation equipment.

One subsidiary, Subsidiary 10, however, offers an exception. Like other trading subsidiaries, importance of international trade matters requires it to staff the legal department with Japanese expatriate members. But, unlike other trading subsidiaries, it cannot rely on supply of legal personnel from the parent corporation, its top management executives support professionalization of the legal department, and the in-house lawyer is trusted by Japanese members related to legal matters for his loyalty to the company. Were we to limit our attention to adaptation to legal risks in the U.S., we would not be able to make sense of this case.

In more likely research settings in which we are interested in organizational behavior and structure only in relation to, say, domestic legal issues, we, of course, do not need to pay attention to geographically separate, multinational environments. Nevertheless, even when we focus on domestic factors, a fuller analysis of organizational responses should include conflicting environmental demands as well as internal factors in its scope. The resource dependence model of organizational-environmental relations appears to be applicable, with proper modifications, to many of such research interests.

3. DIVERSITY OR HOMOGENITY?

DiMaggio and Powell (1983) recently challenged a dominant tendency among organizational theories to assume diversity and differentiation of organizations and presented a set of hypotheses that explain differences among U.S. subsidiaries of Japanese corporations. It seems appropriate to place our argument in a wider context through discussing its relationship with their argument.

In doing so, the basic compatibility of two approaches becomes clear. Consider, for instance, DiMaggio's and Powell's concept of "organizational field," which means organizations, which "in the aggregate, constitute a recognized area of institutional life" (DiMaggio and Powell, 1983: 148). They are interested in explaining isomorphism within each "organizational field." Translated into empirical terms, an "organizational field" seems to include our "field of industry" as one of its empirical forms. *We analyzed overall heterogeneity as an aggregate of different forms of homogeneity of different "organizational fields,"* and our investigation supports the usefulness of the concept.

Furthermore, two of DiMaggio's and Powell's hypotheses at the level of individual organizations deal with what they call "coercive isomorphism," and we have derived directly relevant findings from our investigation. Their first hypothesis posits a positive relationship between inter-organizational dependency and structural, cultural, and behavioral similarity (DiMaggio and Powell, 1983: 154). Our hypothesis about the impact of the parent and the client corporations in Japan are special cases of this hypothesis and our findings support it at least to that extent.

Their second hypothesis expects a positive relationship between the centralization of the focal organization's resource supply and the resemblance of the focal organization to the resource-supplying organizations (DiMaggio and Powell, 1983: 154). Our hypotheses regarding the personnel support by the parent corporation's legal department and the subsidiary's corporate-wide dependence on Japanese expatriate members are special cases of this hypothesis. Our data support it.

There is, however, an important difference at the conceptual level. DiMaggio's and Powell's formulation lacks explicit reference to the problem of multiple environment. Consider their first hypothesis that an organization comes to resemble another organization on which it depends. It is possible that the focal organization depends on other organizations located in separate environment, including different nations, for crucial resources. It will face the difficult need of simultaneous adaptation to, say, both the host and the home country environments. Whose expectations will the focal organization reflect more? The issues of coping with and adaptation to multiple environments remain as a problem for students of organizational-environmental relations.

4. DIRECTIONS OF FUTURE RESEARCH

Substantively, this investigation marks a starting point of two directions of future research. One is to deepen the analysis by probing internal processes of decision making on selection of both legal and illegal responses to the different conditions of the legal department. The other is to broaden the scope of analysis by introducing multinational corporations that are headquartered in countries other than Japan and subsidiaries established in countries other than the United States. We should combine these two

directions in a single project in the future.

APPENDIX: RESEARCH DESIGN

1. DATA COLLECTION FROM THE U.S. SUBSIDIARIES

We conducted two waves of mailed questionnaire surveys in late August and in early November, 1980. 592 subsidiaries of Japanese trading or manufacturing corporations that were engaged in sales or manufacturing were found in a directory of Japanese firms in the U.S. prepared by the Japan External Trade Organization (JETRO, 1978). The first questionnaire tried to capture an outline of the legal department, and the second survey included three questionnaires each of which asked more detailed questions for each type of the legal department. The questionnaires were addressed to the president of the subsidiary. When respondents preferred to answer by interview, an effort was made to interview them as far as they were located in the states of New York, New Jersey and California. By the end of 1980, usable information was collected for 233 subsidiaries, which was 39.4% of the population. The 36 largest subsidiaries were chosen as the focus of our investigation for the reason described in Section IV of the text.

We also made an attempt to interview legal personnel from the largest subsidiaries, and from those subsidiaries that showed in their responses to the questionnaires a relatively more developed structure in their legal department. Interviews were conducted during the periods of December, 1979, through March, 1981, and August through September, 1981. 57 interviews were conducted with respondents in 32 subsidiaries, 26 of which belonged to the 36 subsidiaries we later chose as the focus of our analysis. When the given subsidiary had both U.S. in-house lawyers and Japanese legal employees, we attempted to interview at least one member of each category.

2. DATA COLLECTION REGARDING COURT AND ADMINISTRATIVE CASES

Searching for the published court cases was done for all of the 233 subsidiaries by using LEXIS at Yale Law School, for the period from the end of World War II to the summer of 1981.

Antidumping and other administrative proceedings regarding imports from Japan begin when a complaint is filed and a notice is published in the *Federal Register*. Therefore, the search for such administrative cases was begun by examining notices indicating that Japanese goods were at issue. 132 notices were found for the period between October, 1958 and June, 1980. The Freedom of Information Act was then used to get access to the public files of the U.S. Department of Commerce. Files were found for 44 of the 82 cases filed after 1968. The files were examined and a record was made of every indication of contact with the subsidiaries in this study.

3. DATA COLLECTION FROM PARENT CORPORATIONS

Interviews with legal personnel of parent corporations were conducted in Japan in the two periods from June through July, 1981, and from October through December, 1981. Legal personnel were interviewed in 43 corporations. They included the parent corporations of 31 of the 36 largest subsidiaries.

4. DATA COLLECTION REGARDING LEGAL DEPARTMENTS OF U.S. CORPORATIONS

Due to financial and time limitations, it was impossible to select a large sample representing a wide range of U.S. industries. Because the largest industrial group among U.S. subsidiaries of Japanese corporations was the field of electric and electronic equipment, appliances, and parts (17% of the final respondents), the comparable group of U.S. corporations (S.I.C. 361 through 369) was selected for the mailed questionnaire survey. On the basis of the 50,000 largest U.S. corporations (News Front/Business Trends, 1980), questionnaires were mailed in February, 1981, to presidents of the 207 largest U.S. corporations in that field. Usable questionnaires were returned from 55 corporations.

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