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**Institutional Explanations for Local Diversification: A Historical Analysis of the
Japanese Beer Industry, 1952-2017**

Abstract

Institutional isomorphism suggests that three forces (normative, coercive and mimetic) create strategic inertia within an institutional field and offers a perspective on firms' behavior when they are confronted with similar challenges. However, we know little about how these forces work over an extensive longitudinal period. This manuscript examines the extent to which factors that drive isomorphism shift over time and identifies the implications for the strategic behavior of firms. Our historical case study of the Japanese beer industry, spanning 60 years, demonstrates how domestic pressures led to homogeneity and convergence in a closed setting from the 1950s to the 1980s, while new industry pressures prompted by globalization resulted in strategic change favouring product differentiation and diversification between 1990 and 2017. Implications for theory and practice are discussed.

Keywords: institutional change, isomorphism, heterogeneity, Japan, beer

1.0 Introduction

Attempts to understand firm strategy within international business initially relied on either the industry-based view, building on the work of Porter (1980), or a resource-based view, following on from Barney (1991). Although these approaches generated many insights, both largely neglect the formal and informal institutional context providing the “rules of the game” (North, 1990) within which competition amongst industries and firms plays out (Kogut, 2003). Peng et al., (2008) trace this treatment of institutions as mere “background” back to the roots of the industry- and resource-based views in studies undertaken in the USA, a country with a relatively stable and market-based institutional framework. They argue that a more comprehensive understanding of international strategy requires the application of institutional theory as a third lens, and studies from a wider range of countries.

Institutional theory emerged from sociology to explain how institutional environments could shape social, economic, and political phenomena, including an organization's adaptation to its external environment (Selznick, 1957), or homogeneity in organizational patterns (DiMaggio and Powell, 1983) due to isomorphic pressures. By the 1990s, institutional theory was being applied to the study of international business, initially mostly relating to multi-national companies (MNCs), and how the institutional framework of host country environments (e.g. governments) tended to exert coercive isomorphic pressures on organizations (Bruton et al., 2004).

Kostova et al. (2008) review the application of institutional theory in the international management literature and identify six fundamental applications. One of these focuses on how national institutional environments shape business systems, particularly how isomorphism leads to similarities in organizational characteristics including strategies. A notable feature of Kostova et al's review is the dominance of studies of cross border strategies (e.g. market entry) or comparing national institutional contexts. What is less evident is research examining the evolution and dynamics of national institutional environments over time. Existing studies have largely concentrated on the opportunities and constraints that lead to conformity linked to present configuration and structures. They tend to ignore how institutional contexts evolve and are shaped by the past, focusing on institutionalization as an outcome rather than as a process (DiMaggio, 2008). Whilst, previous institutional scholarship has been fruitful in explaining similarities and differences within fields such as industries, they have not captured the different dynamics that shape industries over time.

Martínez-Ferrero, et al. (2017) highlight the importance of studying the effects of long term drivers within an institutional field through their seven year study on sustainability reporting. Their research showed the value of a longitudinal approach by capturing both the country and industry effects over time. The seven year assessment period was important, both for our understanding of reporting structures and the cultural and political forces behind them, and for explaining why reporting structures might differ within and across markets.

This paper also seeks to demonstrate the value of more longitudinal approaches for understanding the isomorphic behavior of organizations by tackling the over-arching question: how do the factors that drive institutional isomorphism change over time and how do these translate into the behavior of firms within a sector? It addresses this question and contributes to existing scholarship in the area in three ways. Firstly, by presenting a case analysis of the Japanese beer industry focusing on its leaders (Kirin, Asahi, Sapporo and Suntory) over six decades (1952-2017), to show the ways in which different periods of time and combinations of forces informed the strategic behavior of firms within an institutional isomorphism framework. Secondly, we evaluate the isomorphic forces that promoted conformity within that industry, and explore the pressures that led to relative product homogeneity and convergence in a closed domestic setting in the early period (1952 to the 1980s). We then explain the isomorphic forces that encouraged greater product differentiation and diversification in a global setting in the later years (1990-2017). Thirdly, we show how local and global pressures can inform decision making processes and we show how this created isomorphic behavior within the field over time, but for different reasons and with different consequences for strategy. The paper concludes with a discussion of the findings, outlining their theoretical and practical implications.

2.0 Literature Review

At the core of institutional theory is the notion that every organization's strategies and actions are shaped by both its own internal institutional environment, including all the structures, systems and practices established in the past (Meyer and Rowan, 1977), and an external institutional environment shared with other organizations including its competitors (Granovetter, 1985). A major theme in institutional theory based studies is the search to

explain how environmental factors translate into isomorphic behavior. DiMaggio and Powell (1983, p149) define isomorphism as “a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions”. Therefore the decision of a firm to adopt a new practice, or maintain an existing one, will be strongly determined by the institutional forces within the environment (Zucker, 1987) including economic pressures, legal and regulatory frameworks, and socio-cultural norms. Together these factors create an organization field, defined by DiMaggio and Powell (1983, p148) as "those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies and other organizations that produce similar services or products”.

The seminal paper by DiMaggio and Powell (1983) considering the mechanism of institutional isomorphism identifies three sets of environmental forces or pressures that determine how organizations seek to establish social acceptance and legitimacy, and whether they adopt common practices: "normative", "coercive", and "mimetic". The normative forces in an organizational field derive from both industry and cultural norms. The former are transmitted through professional membership, network structures and in-group socialization (Larson, 1991). DiMaggio and Powell suggest these forces are mandatory because they are related to compliance structures required for business, either as part of their professional engagement/standards or as part of the normative environment at industry and country level. The associations brought about through group membership create norms and expectations within an organizational field and are therefore important drivers of behavior. More broadly, normative pressures derive from national cultures and institutions such as education systems and professional practice.

Coercive pressures are brought about by governments or other powerful entities implementing actions that favor certain groups over others, and thereby changing the rules of conducting business (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Scott, 2008). Governments can coerce firms directly, particularly through legislation, or indirectly through policies that make access to necessary resources dependent on compliance, both potentially creating isomorphic behavior (Rodrigues and Craig, 2007; Bjorkman, Fey, & Park, 2007; Chiang, Chow, and Birtch, 2010; Brandau, Endenich, Trapp and Hoffjan, 2013). Key to the coercive argument is that formal and informal pressures create convergence of structures and practices within an organizational field as firms adjust what they do to remain competitive and to ensure their survival.

The third force, “mimetic,” creates standardized reactions to uncertainty. This force drives imitation, and research suggests that in times of uncertainty, managers imitate the best practices of their competitors in the search for legitimacy within their organizational field. For example, when companies implement merger and acquisition strategies, a wave of industry consolidation often emerges with strategic behavior tending to mirror that of leaders within a sector. Mimicking behavior can affect various types of strategic decision, such as expansion, procurement, employee training and recruitment, and reward mechanisms (Brown, 2011; Heugens & Lander, 2009; Guler et al., 2002; Mizruchi & Fein, 1999; Haveman, 1993).

Set against the consideration of isomorphism, is research that seeks to understand ongoing heterogeneity in the face of isomorphic pressures. In discussing diverse forms of institutional

change, Meyer and Rowan (1977) suggest that heterogeneity is related to organizations "decoupling" themselves from their environment. Seidman (1993) develops this argument, showing that decoupling happens when institutions experience coercive pressures to implement new practices, arguing that organizations decouple from normal practices and respond by resisting pressures to conform if they lack the infrastructure and resources to achieve the efficiencies sought, or if changes in the environment do not match capabilities. Beckett (2010) goes further by suggesting that the same mechanisms identified as sources of isomorphic change can also potentially drive processes of divergent change as well, but that more research is required to understand the conditions under which forces believed to drive isomorphism may instead promote divergence.

With the application of institutional theory to the international business arena, the implications of firms working within and across the boundaries of particular nations and regions became the focus of studies considering MNCs or conducting cross-country comparisons (Kostova et al., 2008). An international dimension clearly complicates the consideration of isomorphic pressures on a firm. For example, in international contexts which laws are applicable to companies operating across borders may become contested, and cultural pressures may include those associated with national as well as institutional identities (Blasco and Zølner, 2010, García-Sánchez et al, 2013; García-Sánchez et al, 2016). Kostova et al., (2008) go so far as to offer a set of "provocations" regarding institutional theory, specifically arguing that clearly defined organizational fields and the operation of isomorphic processes may not exist for a MNC as they do for companies operating only in a domestic market.

Whilst the literature acknowledges that environmental forces lead to isomorphic behaviors, far less is known about the extent to which one force may be more influential than another, and if so, why? Also under-researched is the question of how key environmental forces evolve over time, and how this can lead to different types of strategic behavior. In this respect, our research revisits isomorphic behavior in order to generate greater understanding from a long-term study. By adopting a longitudinal case analysis approach, this paper contributes to the literature by considering isomorphism as the focal theme, with the historical analysis providing an opportunity to follow the evolution of the isomorphic drivers and institutionalization in action across both a domestic (closed) and global (open) market setting. By following the different drivers over six decades, we can assess the relative impact of the forces in creating institutional effects, such as whether normative effects are stronger in a domestic as opposed to a global setting. Three key research questions are addressed through the case. First, how did the different institutional processes that characterized the Japanese beer industry lead to convergence or divergence over time? Second, to what extent were the sources of change exogenous/transnational or endogenous/local to the organizational field? Third, what are the wider implications of these findings to theory and practice for industries in a globalized world economy?

3.0 Materials and Methods

This paper explores the drivers of isomorphism within an industry under different environmental conditions. We explored two settings: a closed domestic and regulated setting, contrasted against a deregulated and global setting. These two settings were conducive to answering the research questions since both would be subject to economic, regulatory,

cultural and political effects, differences in which, under the theory of institutional isomorphism, should lead to conformity within the institutional field but in different ways and for different reasons

The beer industry was chosen because we wished to capture the complex issues that inform and explain the strategic decisions made by firms in the context of institutional theory without the additional complexity of a multitude of products. Japan's beer industry offers an ideal forum for this because, prior to deregulation, the market was domestically-oriented and therefore Japanese management strategy was informed more by national context. Studying the Japanese beer industry enabled us to examine the patterns and sources of institutional change, as it was largely protected from transnational pressures until the 1980s, but was increasingly exposed to global competition thereafter. The industry was largely insulated until the bursting of the Japanese "bubble" in 1989, but was then exposed to transnational pressures following regulatory reforms and reorganization.

A longitudinal approach to institutional theory was taken as this enabled us to take a strategic view of the different isomorphic forces that shaped Japanese management practice over time. Longitudinal research offered an opportunity to address the shortcomings of earlier works in two ways: first, by enabling us to capture the isomorphic behaviors created in the two different time periods; second, in terms of considering the local and transnational factors that were instrumental in generating strategic inertia within an institutional field.

The paper examines the four beer companies that have dominated the industry since the 1960s: Asahi, Kirin, Sapporo and Suntory. A comparative case study approach was taken because this methodology enables us to build theory (Eisenhardt, 1989) by exploring how the dynamics of a particular setting created conformity within a field using the institutional framework. The approach enabled an in-depth analysis of the way institutional pressures affected the strategies deployed by a small number of large firms within an industry over the

six decades between 1952 and 2017. Our study is conducted over two periods: 1952 to 1989 and 1990 to 2017. The reason for this division lies in our aim to examine closely the behavior of the companies whilst the industry was relatively protected and primarily domestic (until 1989), then followed by a period of globalization, prompted by deregulation and the re-organization of the industry during the country's so-called Lost Decades.

3.1 Research design

We sought to develop a longitudinal case study that delivers insights into how regulatory, political, cultural and economical forces led to varying isomorphic responses within a single setting (i.e. the Japanese beer industry) by collecting data from a range of sources. Printed historical secondary sources were relied upon rather than interviews since human memory can be prone to selectivity and error (Kansteiner, 2002, Reimer and Mattes, 2007). Multiple data collection methods enable a rigorous assessment of the different perspectives from a range of observers (Pettigrew, 1988). Next we incorporated source criticism (to control for bias and to evaluate the trustworthiness of the source), triangulation, and hermeneutics to interpret a wide range of historical data to analyze the reflections of time and context reported so as to link sources to context. This approach, often used by business historians (Decker 2013; Kipping, Wadhvani and Bucheli 2014), not only enables us to counter source bias inherent in primary sources, but also allows us to confirm our interpretation of the historical sources, relate the sources to the original historical context and arrive at a more balanced and precise understanding of isomorphism and diversity in the institutional environment.

The four companies were chosen because they account for 91% of the Japanese beer market (Euromonitor International, 2015), and, whilst Suntory only entered the beer market in 1963, the four firms have remained the dominant players in Japan. The reason for the comparative

approach is to examine potential differences in responses as well as to enhance generalizability (Eisenhardt 1989; Ekman et al 2014). We examine the isomorphic behavior of the four firms over six decades to enable us to identify the overall patterns and changes in the industry and capture the different drivers of isomorphism over time (Birkinshaw, Brannen, and Tung, 2011). By looking at changes over time, this paper aims, in particular, to elucidate and ascertain trends in institutional homogeneity or divergence.

For both of the periods studied, we used data from the beer companies' annual reports and *Yūka Shōken Hōkokusho*, or annual security filings, supplemented by magazines and newspapers for company level information. The annual reports and security filings were useful in obtaining information about company activities and industry pressures in a given year, including contemporary information regarding sales, profits, employment trends and overseas activities, whether in terms of expanding exports, establishing foreign offices, or acquiring foreign firms. Most Japanese firms have also published several corporate histories over the decades, written by in-house committees. These included, among others, Kirin's *Bīru no rekishi* (1999) and Asahi's *Asahi Bīru 120 nen Sono Kandō o Wakachi Au* (2010). We also analyzed the corporate histories published by the four firms to consider their stated pressures and rationale behind past business activities, and to gain insight into the trajectory of the companies over time.

For industry-wide statistics, we consulted information made available from a range of official sources published by the Japanese government. These included market share data from the Fair Trade Commission of Japan, beer price data from the Retail Price Survey and Consumer Price Index at the Statistics Bureau, and consumption trends from the National Tax Agency. In addition, we also consulted data from inter-governmental agencies, such as the United Nations, to gain international comparisons on trade data concerning beer.

The information that was collected from these sources was triangulated with other publicly available information, including newspapers and magazines so that different viewpoints were captured and validated. Newspapers included the major broadsheets such as the *Asahi Shimbun* and *Yomiuri Shimbun*, and were used to follow the companies' activities.

4.0 Results, empirical case and discussion of evidence

In the following section we analyze the case of the Japanese beer industry through its leaders (Kirin, Asahi, Sapporo and Suntory) over six decades (1952-2017) and report our findings. We start by briefly mentioning the origins of Japan's beer industry and then focus on our two periods of study. The structure of the case analysis is as follows: first, we outline the foundations of Japan's beer industry. We then identify the different types of local pressures that created homogenous institutions in the early period (1952-1980s), followed by the hybrid of local and international pressures that generated strategic change after 1990, examining the interplay of normative, coercive and mimetic pressures at local and transnational levels, so as to gain a deeper, more precise understanding of institutional change over time. Finally, we discuss the findings of the research and outline the management implications.

4.1 The early origins of the beer industry in Japan

The Japanese beer industry emerged in the late 19th century. Early reporting suggests beer was introduced in Japan between 1869 and 1908 by foreign entrepreneurs and that the main beer drinkers were foreigners. Historically, *sake* was the traditional drink associated with Japan and the taste for beer took time to develop. Alexander (2014a; 2014b) discusses the early origins in the context of first, how the industry involved and second, the structural advantages of the early period. During the first few decades of its existence, the industry – as

in many other industries – developed via the importation of foreign products and technologies (based primarily on Dutch and German beers), the hiring of foreign advisors and the sending of Japanese apprentices overseas. The growth of the industry at the turn of the 20th century was led by various private initiatives, and more than 100 breweries were operating (Kirin Brewery 1957).

Whilst our longitudinal analysis begins in 1952, we note here that three of the four major Japanese beer companies originated in the late 19th century. Kirin originated from Spring Valley Breweries, later the foreign-owned Japan Brewing Company, while Asahi and Sapporo originated from the Osaka and Kaitakushi breweries, respectively. These two were merged into the Dai-Nippon Beer Company in 1906, but de-merged in 1949. Since the interwar period, the industry was dominated by the three large brewers (Kirin, Asahi, Sapporo) – along with Suntory, a serious competitor from the 1960s. Thus, as in other Japanese industries (Johnson, 1982), a large part of the oligopolistic post-1952 structure of the beer industry was established in the inter-war period. In the aftermath of the Second World War, government actions were instrumental in shaping the institutional environment and the normative, coercive and mimetic mandates that emerged within the institutional field. In line with institutional theory (DiMaggio and Powell, 1983) isomorphic behaviors resulted as Japanese beer companies behaved in ways that showed high levels of conformity so as to achieve legitimacy. For example, the coercive pressures arising from a rationing system – in which each household received monthly beer and *sake* rations until 1949 – had important implications beyond cultivating a popular taste for beer. It also supported the growth of a large domestic market that expanded beyond urban areas. Further, in the early period, government policy and the rationing of beer ingredients created normative expectations

around taste. Consequently, as we will show in the following section, Japanese brewers developed largely homogenous products to serve a large and growing domestic consumer base.

4.1.1 Institutional pressures 1950's to 1990's and a closed domestic setting

Between the 1950s and 1980s, the normative pressures promoting institutional isomorphism in the beer industry were strong. They were often of domestic origin and were brought about from the “in-group” co-operation and collaboration among firms. One form of institutional isomorphism manifested in the business groups featuring cross-shareholding relationships known as *keiretsu*. These business groups held presidents’ meetings; shared the same main bank and trading companies; and transacted with member firms. *Keiretsu* generated normative pressures to adhere to shared in-group practices to focus on long-term growth in a protected, domestic market and these actions led to conformity within the institutional field. Keiretsu membership was an instrumental driver in shaping the way things got done within both Japanese business and society within this earlier period. The affiliations that existed for the major beer companies are outlined in Table 1. In addition to these horizontal linkages, the major Japanese brewers belonged to vertical, distribution keiretsu.

Table 1. *Keiretsu* affiliation among the major beer companies before the Lost Decades

Beer company	Kirin	Asahi	Sapporo	Suntory
Keiretsu	<i>Dai ichi</i> <i>Kangyo</i>	<i>Sumitomo</i>	<i>Fuyo</i>	<i>Sanwa</i>
Main Bank	Dai Ichi Kangyo Bank	Sumitomo Bank	Fuji Bank	Sanwa Bank
Presidents’ club	Sankin kai	Hakusui kai	Fuyo kai	Sansui kai
Trading house	Itochu	Sumitomo Trading	Marubeni	Nissho Iwai

Member firms	Kawasaki Heavy Industries, Asahi Life Insurance, Seibu Department Stores, Isuzu	Sumitomo Chemicals, Sumitomo Life Insurance, Sumitomo Cement, Panasonic	Nissan, Canon, Kureha Chemicals, Yasuda Life Insurance	Kyocera, Orix, Tanabe Pharmaceuticals, Ito Ham, Sharp
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Source: Ohsono 1991

Note; The table does not distinguish the strength of affiliation of individual firms to the *keiretsu*. These vary across *keiretsu* member firms.

These business groups generated pressures among their members to transact with each other; making Japanese organizations mutually dependent and creating strong antecedents for conformity. Such in-group transactions were manifest in the loyalty of *keiretsu* member firms in their source of catering for beverage at corporate gatherings (Gerlach 1992). Whilst the degree to which *keiretsu* firms adhered to purchases from member breweries remains difficult to identify, such segmentation nevertheless formed barriers to entry for new entrants.

In addition, to the *keiretsu* affiliations, Keidanren (the Japanese Business Federation), the voice of Japanese big business, offered an additional steer in the co-ordination of economic policy. The four major brewers have long been a part of this body which is considered to be a major mechanism behind coercive and mimetic pressures (Uchida 1996, *Nikkei Business* 2012). In effect it acts as an agency to coordinate corporate strategies of big business in alignment with policymakers and the major banks.

Government regulation in the post war era – from capital restrictions to product standards – created an environment that protected Japan’s leading beer companies and generated coercive

pressures. Whilst this was true in other Japanese industries, in the beer industry it was not simply the high capital costs and licensing requirement that erected barriers to entry and coercive pressures. Exemptions to the antimonopoly act also enabled the proliferation of strong vertical ties between existing producers and suppliers as well as distributors and generated pressures to transact with group members – making it intensely difficult for new entrants to compete. For instance, Takara Shuzo’s beer business operated between 1957 and 1967 but failed because wholesalers repeatedly refused to handle their products out of loyalty to existing brewers. Acutely aware of Takara’s struggles, when Suntory entered the beer business in 1963, the company further found that beer ingredients could only be obtained by allocations; even barley producers had formed dedicated relationships. In addition, most wholesalers outside the Tokyo metropolitan area were designated as exclusive distributors of one of the major brewers. Beer distributors were under the control of such wholesalers (Suntory 1999, 41). In a heavily regulated and protected industry, firms’ quest for organizational legitimacy manifested in isomorphism across the leading firms.

Normative pressures for isomorphism were not only located in inter-firm relations, but also in intra-firm relations. For example, at firm level Japanese employment practices encouraged conformity within Japanese management. Long-term employment (*shūshin koyō*), seniority based pay (*nenkō joretsu*), and company unions (*kigyō kumiai*), endorsed the collective approaches of Japanese management (Asahi 2010; Kirin 1957, 1999; Suntory, 1969) and acted as country specific drivers of isomorphism in the early period. (Orrú, Biggart and Hamilton 1991, Lu 2002)

Normative pressures to re-employ retired bureaucrats (known as *amakudari*) in companies, encouraged “coercive” collusion within and across industries. In the beer industry, the practice of *amakudari* became publicly visible when ailing firms received support. For example, when Asahi Breweries’ market share continued to decline over the 1970s and 80s, leading positions were filled by appointees from Sumitomo Bank (such as ex presidents Tsutomu Murai and Hirotaro Higuchi) and the National Tax Agency (such as board member Takemasa Yoneyama) (Nihon Keizai Shimbun 1983; Jameson 1988) to guide the firm to recovery. Suntory received officials from the Ministry of Finance, Fujio Yoshida and Tsunaaki Oyama into directorship positions (Yomiuri Shimbun 1990).

In the 1950s and 1960s, the leading breweries adopted several “mimetic” strategies as they competed with each other. They continued to import brewing technologies from abroad, often Germany, to enhance the quality of their products; generally similar types of light lagers that were distributed through dedicated distribution networks. Japanese beer's share of alcohol consumption increased between 1955 and 1965 from 18% to 41% in value terms while sake fell from 55% to 44% (Figure 1). Yet as the growth of the domestic beer market slowed in the 1960s, brewers gradually diversified into other businesses, beginning with other alcoholic beverages and soft drinks, often in collaboration with foreign companies (e.g. Kirin and Seagram; Asahi and Cadbury Schweppes). Japanese brewers also adopted strategies to expand their sales through dedicated bars and restaurants, as in Sapporo’s Ginza Lion chain of restaurants.

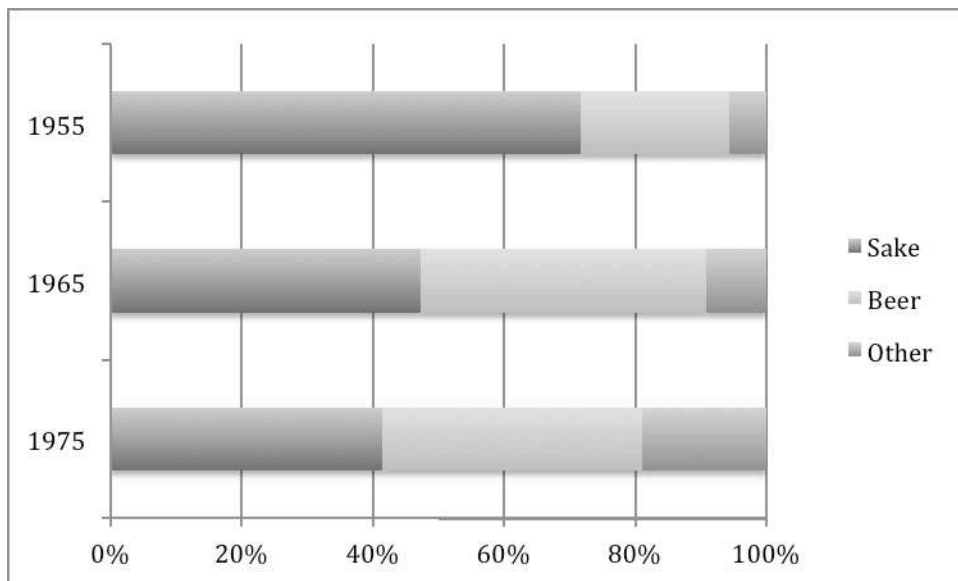


Figure 1. Shifts in alcoholic consumption preferences, 1955-1975

Nikkan Keizai Tsushin, *Sakerui shokuhin tōkei nenpō*, various years.

In the 1970s, the industry leader Kirin had managed to take over 50% of the domestic beer market, even as it had begun to sell other types of beverages. As the pressures of antitrust legislation threatened the company with potential division, Kirin limited its production volumes and explored a range of diversification strategies to generate additional revenue such as pharmaceuticals and agricultural biotechnology (Kirin 1999, 175-181). Rival beer companies similarly explored expansion into overseas markets. All the major brewers had begun to diversify into a range of businesses from the 1960s, from pharmaceuticals, and non-alcoholic beverages to real estate. (Sapporo 1996, p. 708; Suntory 1999, p. 190; Asahi 2010, p. 162).

Mizukawa (2002, p. 52) noted that while regulation of beer prices shifted to free prices in 1964, ‘coercive’ forces, such as ‘administrative guidance’, effectively fixed Japanese beer

prices until 1990. As a result, Japanese beer companies competed, not so much on price, but by selling similar products differentiated largely by marketing efforts. At the same time, as frequent warnings issued by the Fair Trade Commission attest, retail beer prices were notoriously non-transparent, often considered unfair in practice to small retailers. While beer prices changed over the years (Table 3), they did not differ significantly across companies. As Tomita (2004, 142) noted, however, these pressures for isomorphism dissipated after deregulation of the beer sector in 1994 (ie. reforms to the Liquor Tax Act).

The 1950's witnessed a change in beer consumption as both men and women started to acquire a taste for beer (Alexander, 2014b). As Table 2 shows, the growing prosperity of domestic consumers provided a fertile ground for the growth of mass consumption well into the 1990s. Beer companies' growing sales were also supported by the increasing affordability of beer prices over time, as indicated earlier in Table 3.

Table 2. Beer consumption patterns Japan 1955-2014

	Volume (1,000 kl)
1955	367
1965	1,922
1975	3,736
1985	4,725
1995	6,744
2005	3,408
2014	2,596

Nikkan Keizai Tsushin, *Sakerui shokuhin tōkei nenpō*, various years

Table 3. Average prices of beer, 1955-1995

Source: Statistical Survey Department, Ministry of Internal Affairs and Communications.

	Nominal prices	Real prices (in 2014 yen)
1955	¥125	¥732
1965	¥116	¥471
1975	¥180	¥324
1985	¥310	¥355
1995	¥218	¥221
2005	¥203	¥210
2014	¥187	¥187

Statistics Bureau, Japan, *Retail price survey and consumer price index*, various years.

Capital restrictions, initially acted as both barriers to entry and as coercive pressures, protecting Japanese players from foreign competition until they were gradually lifted between 1967 and 1973. In the meanwhile, observers noted how Japan’s leading brewers sold beers with similar tastes that would appeal to a large consumer base. In fact, given the lack of difference between beers, Japanese brewers engaged in intense “mimetic” competition to differentiate their products through repeated bouts of “container wars” from the 1960s into the 1980s (Nihon Keizai Shimbun 1982, 3). Companies competed by developing novel beer containers, whether it was Asahi’s *nama tokkuri* featuring small aluminum cans shaped like a sake flask or Kirin’s *beer shuttle*, whose shape was inspired by the space shuttle (Asahi Shimbun 1984, 3).



Image of Asahi Beer, *nama tokkuri* and Kirin Beer *beer shuttle*, copyright permission granted by Kage Tsuyoshi and Japan Food Packaging Association.

Container-based competition amongst brewers lessened in the mid-1980s, as Japanese beer companies focused their attention on competing more on the basis of quality and taste (Asahi Shimbun, 1984, 1985). In the mid-1980s, changes in strategy were observed as brewers began to diversify the taste among their product offerings. In 1986, Suntory's launch of *Malts*, a deep-flavoured beer made from 100% barley, proved successful with over 2 million cases sold in the first year. Asahi's 1987 launch of *SuperDry*, a new type of dry beer was an even greater hit, reaching sales of over 13.5 million cases in the first year (Nikkei Ryūtsū Shimbun 1988, 5). *SuperDry*'s phenomenal record not only reversed the firm's sluggish sales, but also sparked a "dry beer" war amongst rival brewers. For the most part, Japanese firms exhibited high levels of institutional isomorphism within a largely stable environment until the 1990s. Indeed, until the 1990s, Japanese beer – along with most other Japanese industries – existed as a highly

domestically focused industry. As Figure 2 and 3 illustrate, few foreign beers were imported into Japan and few Japanese beers were available overseas. Furthermore, as Figure 4 shows, for decades, Japan's large and protected market was dominated by the leading four brewers, and the industry was characterized by institutional isomorphism; and by stability with limited change.

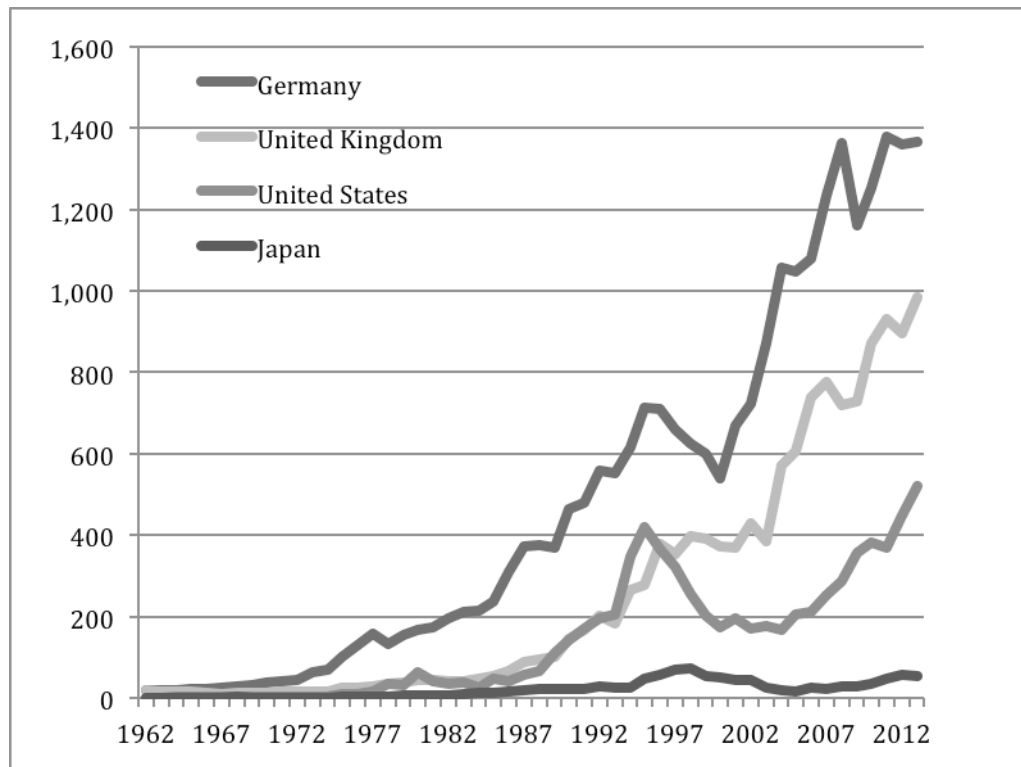


Figure 2. Japanese exports of beer in comparative context, in millions of US dollars

UN Comtrade

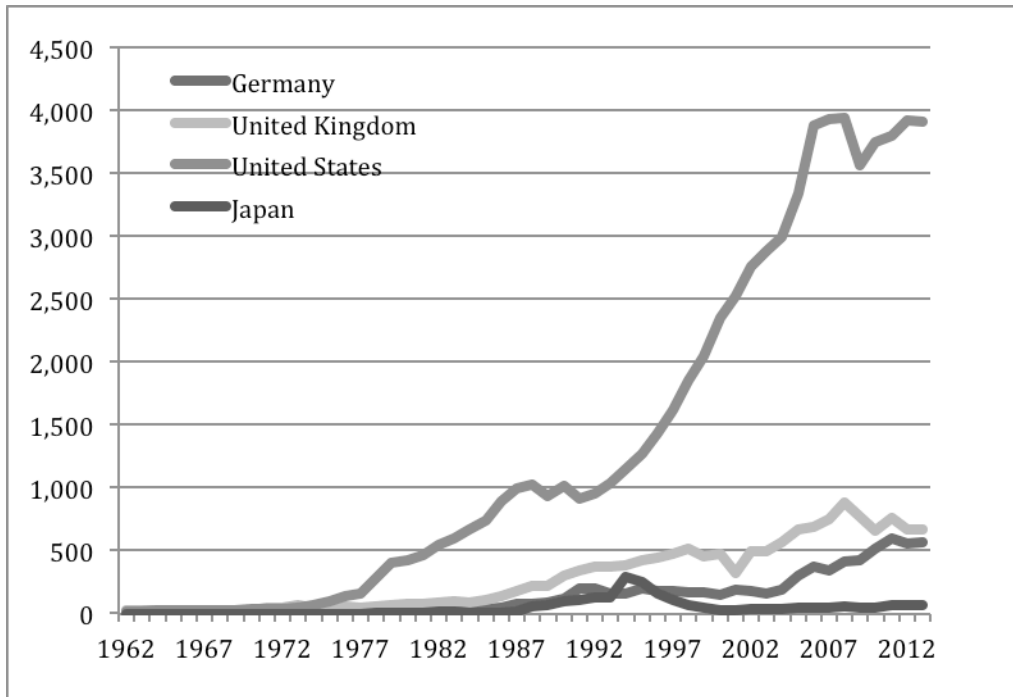


Figure 3. Japanese imports of beer in comparative context, in millions of US dollars

UN Comtrade

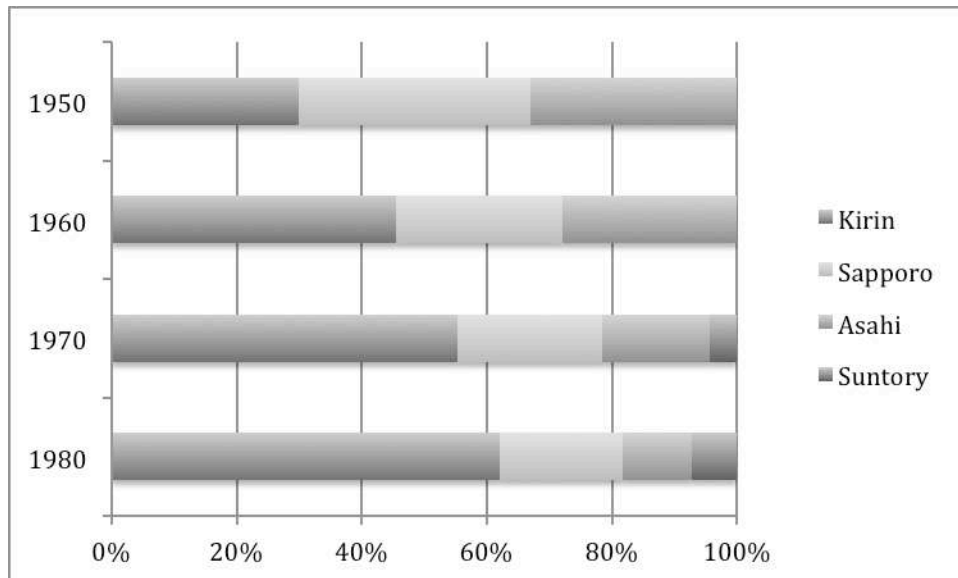


Figure 4. Market share of Japan's leading four breweries, 1950-1980

Japan Fair Trade Commission of Japan, various years.

4.1.2 Institutional pressures 1990's to 2017 and the strategic shifts amongst Japanese brewers

A change in strategy by Japanese beer companies took place in the 1990s as Japan's beer industry underwent deregulation in 1994. This created a range of institutional pressures. Coercive pressures were brought about by the mandatory compliance that Japanese firms were required to adhere to as part of the deregulation process that followed in response to the erosion of stable shareholder practices and government policy. A number of factors spurred the shift from strategies of relative product homogeneity towards strategies of differentiation in the beer industry. These included the restructuring of the beer industry worldwide and offered a source of mimetic pressure. Changes in global consumer tastes created a demand for diversification and differentiation. Domestically the liberalization of beer regulation, through reforms to the Liquor Tax Act in 1994 and the lifting of licensing requirements for liquor retailers in 1998 created coercive pressures to conform. As shown in Table 4, this internationalization increased the transnational pressures on the Japanese beer industry from the 1990s.

Table 4. Local vs transnational pressures that informed institutional change over two phases, c.1952-1989 and c.1990-2017

	Local pressures	Transnational pressures
	largely during first phase (c. 1952-1989)	increasingly during second phase (c.1990-present)
Normative	<i>keiretsu</i> , Japanese employment system, <i>nemawashi</i> , <i>amakudari</i>	active pursuit of M&A, business restructuring
Coercive	domestic beer regulation, <i>keidanren</i>	beer regulation in overseas markets
Mimetic	company strategies regarding product offerings (containers, flavours), diversification of business areas, overseas expansion	company strategies involving product offerings of craft beer, acquisition of local beer brands, overseas expansion

Japanese brewers' pursuit of international market share for their products, and deregulation in the home market meant that Japan's big four were confronted with both the challenges of the global and local market. In the global brewing industry, mergers and acquisitions such as those by SAB Miller, Molson Coors (2002) or Anheuser-Busch-Inbev (2008) were intended to achieve economies of scale, offer attractive export products and access broader markets. At the time, the global beer industry saw heightened emphasis on branding and advertising, which contributed to pressures to attain economies of scale and scope. In the meanwhile, the growing diversity among Japanese consumer tastes and the weaker *keiretsu* links, led to a growing variety of distribution routes: from convenience stores to large discounters; as wholesalers and retailers expanded beyond handling the brands of a single beer company (Asahi Shimbun 1997; Michael, 2008; Financial Times, 2017).

In the early 1990s, beer was still the alcoholic beverage of choice in Japan. While beer accounted for well over 70% of Japanese alcohol consumption, *sake* accounted for well under 20% (National Tax Agency, various years). By the mid-1990s, however, a growing number of consumers developed tastes for alternative choices, from *happoshu* to wine and liquors. As Figure 5 shows, institutional change in the beer industry gained pace in the mid-1990s, as Japanese beer companies engaged in diversification into *happoshu*, a Japanese beer alternative. In response to the uncertainty emerging from the mid-1990s Japanese beer companies adopted mimetic behaviours and created a range of products in pursuit of the new consumers and in an effort to retain existing ones. For example, Suntory's successful launch of *Hops* (1994) was followed by the successes of Sapporo's *Drafty* (1995), Kirin's *Kirin Tanrei nama* (1998) and Asahi's *Honnama* (2001). Following Suntory, who had long offered spirits before beers, other major brewers started to offer a variety of alcoholic beverages,

from wines, whiskies and liquors. For instance, many brewers entered the wine business, often through acquisitions of domestic wine companies, from Asahi's acquisition of Mercian (Asahl, 2006) or Kirin's acquisition of Enoteca (Kirin, 2015). The shrinking domestic market for beer also pushed Japanese breweries to seek new markets overseas, which placed firms under different pressures toward institutional change.

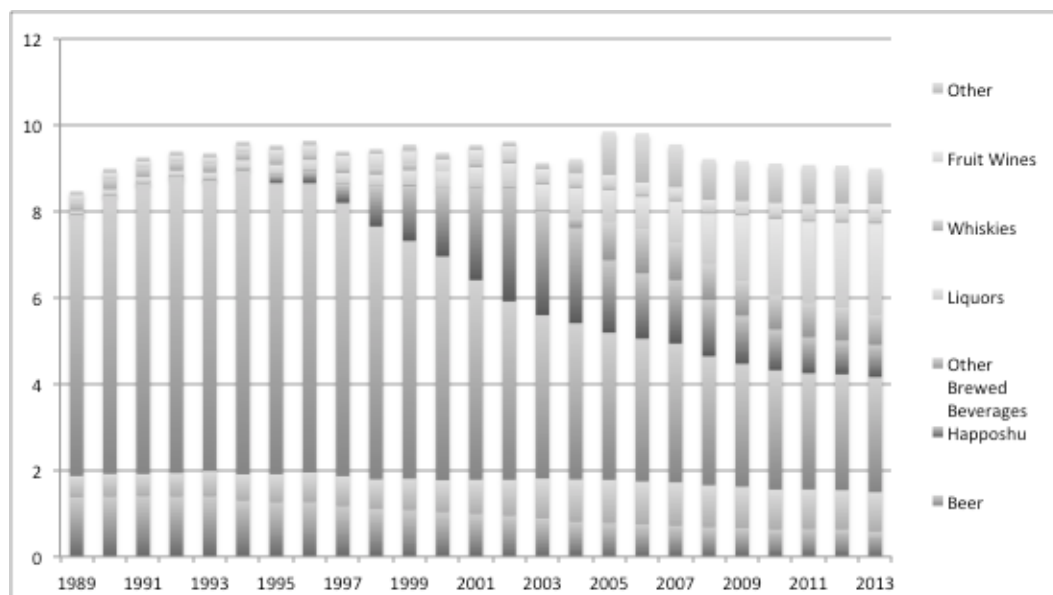


Figure 5. Consumption trends in alcoholic beverages, in millions of kl

National Tax Agency, *Tōkei nenpō* [National tax annual statistics], various years.

The liberalization of beer regulation, and the pressures on firms to internationalize as a means of survival, accelerated the momentum toward institutional heterogeneity in the sense that, although these firms shifted towards diversification strategies in their attempts to internationalize, they did so in different ways. Deregulation in the 1990s reduced the pressures toward institutional isomorphism from domestic sources and exposed firms to the global pressures of organizational selection. In addition to growing global competition and a

shrinking domestic market, the rise of numerous distribution channels – from discount alcohol retailers, convenience stores, to online retailers intensified the impetus to seek markets overseas.

As in the United States and in Britain, regulatory change also prompted the rise of microbreweries in Japan. In 1994, the Japanese government lowered the minimum production levels required for a beer license, from 2 million litres to 60,000 litres (Liquor Tax Act 1994), sowing the seeds of a subsequent microbrewery boom. The new products brought about by microbrewers generated ‘mimetic’ pressures among existing Japanese brewers towards differentiation and diversification.

Against this new competition and emerging norms, Japanese brewers have adopted a range of ‘mimetic’, strategies, including the offering of craft beers, such as Sapporo’s *Craft* Label, Asahi’s *Craftmanship* range, as well as Kirin Breweries’ investment in the American craft brewer, Brooklyn Brewery (Asahi Breweries 2015, Sapporo Breweries 2015, Yomiuri Shimbun 2017, p. 8).

Much of the resulting expansion was in Asia. Sapporo had begun to export beer into China from the 1970s, and engaged in other business such as restaurants, hotels, and agribusiness. Companies such as Asahi and Kirin expanded into the fast-growing Chinese beer market in the 1990s through joint ventures. Beyond China, too, Sapporo entered the Vietnamese beer market in 2010. Kirin, in the meanwhile, acquired the leading Brazilian brewery Grupo Schincariol in 2011, followed by Myanmar Breweries in 2015 (Asahi Shimbun 2016).

Firms also diversified their overseas operations. For instance, Suntory’s expansion into Asia – whether in Singapore, Thailand, Malaysia Indonesia, China – was largely based on food and spirits. Asahi Breweries, too, expanded their soft drink offerings in Malaysia (Suntory, Annual Report, various years; Sapporo Breweries. (1996); Kirin Breweries, 1999; Asahi Breweries, 2010).

Firms’ greater exposure to global pressures of institutional change did not necessarily make domestic pressures obsolete. For example, even after inter-firm relations weakened after the 1990s, beer prices did not diverge significantly across firms (Table 5). After all, beer prices have long been the result of a complex rebate system negotiated between producers and large retailers, in which such retailers would stock large volumes of beer products – often as “loss leaders” – in exchange for significant rebates. Until the mid-1990s, many Japanese industries, including beer, determined – or “adjusted” their final retail prices after initial agreement and shipment, known as *jigo chōsei* (Nikkei Sangyo Shimbun, 1994). As a result, beer prices have often been non-transparent and lower than the official or desired price of brewers (Sakaguchi 2017). What emerged was a variety of beer prices according to the growing diversity of retail outlets, with varying degrees of power with producers – from convenience stores, drug stores, department stores, large discounters, to online retailers (Table 6).

Table 5. Beer prices of leading brands in 1992 and 2007

	Asahi Super Dry	Kirin Lager	Sapporo Black Label	Suntory Malt
1992	219.01	219.04	219.08	218.97
2007	209	208		

Source: Ministry of Internal Affairs and Communications, *National Price Index Survey*, 1992, 2007.

Table 6. Average beer prices by retailer in 1997 and 2002, in yen (pack of 24 350 ml cans)

	1997	2002
Total	4600	4,398
Ordinary retailer	4688	4,287
Supermarket	4538	4,367
Large beer retailers	4339	4,174
Department Stores	5232	5,174
Coop	4641	4,567
Other	4436	4,751

Source: Ministry of Internal Affairs and Communications, *National Price Index Survey*, 1997, 2002.

In addition, many Japanese brewers in the 1990s took advantage of the difference in Japanese tax levels for hop composition to develop the *happōshu* beer alternative. Whilst lighter in taste, *happōshu* offered Japanese consumers a more affordable beer-like beverage. For instance, while the government imposed taxes of 222 yen per litre for beer, defined as an alcoholic beverage with more than 67% hops; taxes on *happōshu* were only 152.7 yen per litre for a beverage containing less than 67% hops, and only 105.0 yen for those containing less than 25% hops (National Tax Agency, 1995, 12). Companies such as Suntory launched *Hops* in 1994, while Sapporo launched a beer alternative, *Draft One*, based on peas. The recent craft beer boom has ridden on the same tax benefits as *happōshu*, as ingredients such as fruit disqualify the products from being labelled as beer in Japan. As a result, recent policy

discussion have suggested at reform, with a uniform tax on alcoholic beverages of 55yen/350ml by 2026 (Yomiuri Shimbun 2016, 11).

Our case study confirms DiMaggio and Powell’s (1983) seminal piece, which argues that three forces (normative, coercive and mimetic) create strategic inertia within an institutional field and offers a perspective on firms’ behaviour when they are confronted with similar challenges. As Table 7 also illustrates, the findings also endorse the later work of Beckert (2010) and Kostava et al (2008) on convergence and divergence, building theory by showing that when Japan’s 4 beer companies entered the more global context (phase 2) a “split duality response” is observed with continuing isomorphism in domestic strategy, but more decoupling in their efforts to compete abroad

Table 7. Changes to strategies arising from changes across two phases

	1952-1989 domestic and closed	1990-2017 global and open
Strategy	Beer companies’ domestic strategy was isomorphic and heavily influenced by all 3 forces but heavily weighted by the normative pressures of the domestic environment	Beer companies’ split duality reflected in continuing isomorphism in domestic strategy and decoupling in their efforts to compete abroad

5.0 Discussion and conclusions

Our study contributes to existing scholarship by using an extended period of analysis (60 years) so as to capture isomorphism under very different sets of environmental forces. Our research question asked the extent to which the sources of change were exogenous/transnational or endogenous/local to the organizational field. The findings

suggests that even during a period of globalization and growing pressures from international competition, the local behavior of Japanese firms was more isomorphic, or convergent, rather than divergent. Whilst the sources of institutional change were both endogenous and exogenous, Japanese beer companies were more similar to each other than to international competitors. Our longitudinal analysis was advantageous because it enabled us to compare the isomorphic patterns and institutional drivers in closed domestic settings and in times of heightened globalization. This has a number of advantages. First, it enables us to show the role of time and place in informing the strategic decisions that were made and the isomorphic patterns of behavior that emerged in response to the different government, regulatory, cultural and economic drivers. Second, the longitudinal approach facilitated an analysis of the overarching comparisons among company, strategy and year. In so doing we identified the local pressures that gave rise to a high degree of product homogeneity until 1989 and contrast this with the hybrid of local and international pressures that moved the industry towards greater differentiation and diversification after 1990. The different ‘coercive’, ‘mimetic’, and ‘normative’ forces from 1952 to the 1980s were domestic in the early period, whereas, the increasingly global exposure of the industry in the period after 1990 led to considerable product differentiation and diversification. The historical data, presented in the case shows that, even in a period of globalization, organizational behavior is more convergent than divergent, and that the pressures of the sources of change are both endogenous and exogenous. Firms diverged, for instance, in the types of M&A undertaken, and in the varied forms and locations for overseas expansion, as well as downsizing.

Institutional isomorphism provides a fruitful lens through which to explore the mechanisms of change. Moving the literature forward, the research contributes to earlier extant works in

three ways: first, by exploring the long-term behavior of firms over six decades; second, by identifying the processes that led to convergence or divergence over time; third, by considering the degree to which the sources of change, exogenous/transnational or endogenous/local to the organizational field, informed the strategy of Japanese firms. The longitudinal approach was also important because the effects of coercive, mimetic, and normative pressures are not always immediate. Firms operating in globalized markets are exposed to endogenous as well as to exogenous pressures and so, whilst isomorphic behaviors are observed, they are created and informed by different factors and for different reasons. In the first phase, the sources of change were largely endogenous. In the second phase, the sources of change were due to a combination of endogenous and exogenous pressures. Since the Lost Decade, Japanese companies have adapted their operations to survive by expanding into overseas markets, as their home market began to shrink amid changes in consumer tastes and a shrinking population. Whilst Japanese beer companies began to operate on a more global terrain, the isomorphic behavior observed was driven by domestic rather than international competition – and remained similar amongst Japanese firms.

This is interesting given the findings from the work of Beckert (2010) and Kostava et al. (2008). Beckert's findings revealed that the same forces that promote isomorphism can, under different circumstances, promote decoupling/divergence. Kostava et al's work suggests that isomorphism does not work the same way for an MNC (in a global context) as it does in a purely domestic context. Combining these findings our research exposes, when in phase two when the beer companies entered global markets, we observe a split response of continued isomorphism in domestic strategy, but visible decoupling in their efforts to compete abroad.

6.0 Managerial relevance

Our findings are important, since isomorphic pressures influence internationalization as firms pursue global reach. Mapping past events using an institutional framework has implications for managers and practitioners since it enables us to see and evaluate if any of these forces were more influential than others in determining the strategic direction pursued by firms.

Hollingsworth and Boyer, (1997) noted how firms are embedded at multiple levels: subnational, national and supranational. Research by Brewster, Wood and Brookes (2008) used the case of HRM policies at a MNC's parent organization and its subsidiaries to examine how institutional change results from a range of pressures at local and international levels. The research presented in this manuscript concurs with Brewster *et al's* (2008) perspective on 'duality', namely that institutional change occurs in response to the relative strength of various pressures at both local and international levels.

The research is relevant for managers for a number of reasons. First, it highlights the strategic response of close competitors to the array of national and global forces that shaped industry structure over six decades. The coherent reactions of the big Japanese firms illustrate both inertia and collective response, with implications for potential competitors from both home and abroad. Second, the research shows, for policymakers, that protectionism can lead to institutional conventions which create strategic inertia within an institutional field. Strategic inertia can then lead to vulnerability to external competition. Such findings are applicable

beyond the Japanese beer industry, as they suggest that, even in a period of global expansion and international competition, domestic rivals may remain far more isomorphic with respect to each other than compared to international rivals. Whilst the competitive playing field may have expanded beyond national borders, if most oligopolistic firms' business is located within national borders, the market-leading domestic firms are likely to take similar defensive positions, limiting their scope to develop international competitiveness, as they attempt to ward off new competition in home markets.

7.0 Limitations

A single case study, however, has its limitations for broader generalization. Future research could explore further case studies and different time periods, to explore shifts in the dynamics of institutional homogeneity and heterogeneity over time. Such studies would also help further clarify changes in the patterns of interaction of normative, coercive and mimetic pressures from local and international sources. We hope that we have made one step in this direction.

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