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Framing From Afar: External Agents and the Construction of the Japanese Ji-Biru Industry

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ABSTRACT

This paper explores how “framing from afar,” in other words, the construction of categories by external agents—policy makers, regulators, local governments, consulting firms and other actors—influences the establishment and subsequent evolution of a new industry. We use the case of the Japanese microbrewery industry to demonstrate how initial external category-setters shape the evolution of the industry by influencing the type of producers that enter and what they produce. We show that external agents used the pre-existing term “jibiru” – meaning regional or local beer – to define the new industry in terms of regional economic growth. This broad category framing served to legitimate entry by producers from a diverse range of backgrounds, and invited extreme experimentation around local and regional ingredients; it also made it difficult for the industry to reach a shared consensus on the taste and characteristics of the products. Our findings contribute to the literature on industry emergence by demonstrating how early category framing by external actors – whose interests may diverge from those of consumers and producers – may impact the nature of entrants, their product development choices, as well as the long-run legitimacy of the industry itself.

INTRODUCTION

The birth and growth of new industries requires not only novel technologies, resources and markets; it also crucially depends on the creation of common meanings and identities through category construction (Jones, Maoret, Massa & Svejenova, 2012; Negro, Kocak, & Hsu, 2010; Ruef & Patterson, 2009). By gathering actors around a common set of traits, organizational forms and technologies, category construction helps organize and structure market transactions (Espeland & Stevens, 1998). By creating shared meaning and identities, categorization processes also help to cement the socio-political legitimacy of the new industry (Aldrich & Fiol, 1994; Rao, Monin & Durand, 2003).

While several studies have documented categorization processes, (McKendrick & Carroll, 2001; Kocak, Hannan & Hsu, 2010; Jones *et al*, 2012), they have generally focused on producers, consumers and experts, i.e. actors that have considerable knowledge of the emergent industry. An emphasis on such actors makes sense, given that new categories often emerge through institutional entrepreneurship of leading producers (Rao, Monin & Durand, 2003; Santos & Eisenhardt, 2009) or grass-roots social movements (Carroll & Swaminathan, 2001; Lounsbury, Ventresca & Hirsch, 2003).

Not all industries, however, are created in this way. New industry categories can also arise from political processes, including regime change and regulatory shifts (Dobbin & Dowd, 2001; Greve, Pozner & Rao, 2006; Russo, 2001). In such cases, new categories may be defined not by activists, enthusiasts, producers and consumers, but by what we call *external actors*, i.e. regulators, politicians and policy-makers. These external actors are unique in that they have significant power to create new industries and categories, yet their interests may differ from those of producers and consumers directly involved in the

industry. Despite their important role in the evolution of new industries, extant research remains largely silent about the processes by which external actors shape categories, and the way they subsequently impact the growth and evolution of new industries.

We explore these questions using an archival case study of the Japanese microbrewery industry's first 15-years. The Japanese microbrewery industry is particularly suitable for our interests because it was originally created through deregulation as part of a larger policy agenda. The prospect of deregulation caught the attention of a large number of external actors, including businesses, free-market activists, tour operators, and local political assemblies, who hoped to capitalize on the new industry. These actors took the lead in defining the new industry as *ji-biru* – or regional brewing – with a specific emphasis on regional economic growth and community revival. This externally assigned framing influenced the identity of entrants, their product strategies, and the evolution of common industry norms and standards.

Our research contributes to the literature on categorization processes in the formation of new industries by identifying external actors as an important element in category creation. We show how external actors' divergent interests and lack of in-depth industry knowledge result in the creation of *empty categories*, i.e. categories with broad identities but no specific traits, forms or technologies. We show how empty categories have direct economic consequences by influencing the nature of entrants, their product strategies and the long-term socio-political legitimacy of the industry.

BACKGROUND

Categories constitute agreed upon meanings and schemata that bring order to the wide palette of organizational practices and products that populate markets (Negro *et al.*, 2010).

In contrast to general industry classifications, categorical order is distinctive in its “focus on meaning, rather than structure” (Schneiberg & Berk, 2010) Given this emphasis on meaning, language and discourse are central to categorization processes (Kocak, Hannan & Hsu, 2010). Rao, Monin & Durand (2003) for example show how French chefs seeking to create a new culinary category sought to organize their burgeoning identity through the use of particular expressions and labels. Similarly, Jones *et al* (2012) show how competing logics over the meaning of the “modern architecture” category were expressed through the use of different vocabularies. Categories hence come into being as agents coalesce around a common terminology and its underlying meanings.

Notably, categories are more than just sorting devices; the meanings and terminology assigned to categories have very real economic effects because they aid producers in identifying suitable technologies and strategies, while acting as guides for potential consumers (Porac, Rosa & Saxon, 2001; Rosa & Spanjol, 2005). Such information is particularly important during the initial stages of market evolution, hence a number of studies have explored how categories emerge over time (Jones *et al*, 2012; Lounsbury & Rao, 2004; Ruef & Patterson, 2009). These studies emphasize in particular how consumer and producers operating close to the core practices of the industry – including its technologies, organizational forms and industry-specific norms – are critical in category construction processes (Greve *et al*, 2006). For example, small-batch brewers and beer aficionados were largely responsible for defining the U.S. microbrewery category (Carroll & Swaminathan, 2000) while distinct product categories on E-Bay were generated by active buyers and sellers (Kocak, Hannan & Hsu, 2010).

A unifying insight among these studies is that category “labels and schemas

emerge and get elaborated through *day-to-day interactions among market actors...* [and] *...extensive engagement in the activities* that relate to a (potential) category.” (Kocak, Hannan & Hsu, 2010:2, emphasis added). From this perspective, category construction is a bottom-up process (Schneiberg & Berk, 2010), whereby the language and vocabulary actors use to define categories emerges naturally from pre-existing practices (Lounsbury & Rao, 2004). In this bottom-up process, *discourse follows practice*, i.e. actors assign meanings to artifacts and elements that already exist in their immediate realm. Notably, these meanings are often constructed by insiders, i.e. producers, consumers, experts and vanguard aficionados, who have deep insights into the industry.

Category construction by external agents

Consumer and producers are, however, not the only source of category construction. New categories may also evolve in a top-down process, driven by policy (Dobbin & Dowd, 2000) or shifts in regulatory regimes (Russo, 2001; Wade, Swaminathan & Saxon, 1998). While such edicts often originate with local or national governments, they can also arise as a result of entry into regional trade agreements and common markets, or membership in transnational organizations, such as the WTO or the UN. In these top-down processes, categories thus originate in *external agents*, including policy-makers, public servants and regulators, but also private enterprise such as consultancies, businesses and the media.

A number of studies have highlighted the role of external actors in various industries, including finance (Zuckerman, 1999), wine (Zhao, 2005) and film (Zuckerman & Kim, 2003; Hsu et al, 2005). These works, however, largely emphasize external actors as regulators in already existing industries and categories. Although some scholars have explored how external audiences and central actors interact during the early evolution of

new categories and markets (Jones *et al*, 2012; Ruef & Patterson, 2009), these works focus on practices that emerge through cooperation between internal and external actors. By contrast, few researchers have sought to explore what happens when external actors play the *primary* role in establishing new market structures and categories.

In fact, such cases are not rare. Many categories have their foundations in regulatory change or policy shifts, leaving considerable power and influence in the hands of external agents.. This may particularly be the case when government policy actively seeks to shape the economic landscape (e.g. by promoting the creation of “green” industry or laying the foundations for industrial clusters in designated regions), or when individual nation-states are subject to sudden shifts in regulatory guidelines. External agents are hence a potentially important, but overlooked, source of category creation.

Unlike audience and producers, external agents are often removed from the specific technologies, products and norms of the categories they seek to create. One consequence is that there may be a considerable gap between the interests of external agents on the one hand, and those of consumers and producers engaged in the industry, on the other (c.f. Zuckerman, 1999). Conflicting interests presumably have limited impact in markets characterized by strong social movements and a large population of burgeoning consumers and producers; in these cases, new categories emerge through a process of negotiation and contestation between regulators and pre-existing producers and consumers (Greve *et al*, 2006; Schneiberg & Soule, 2004; Zhao, 2005).

However, in emergent industries that lack strong social movements, and where underlying practices, technologies and norms are ill-defined, producers and consumers may not be able to counter-balance the power that regulators and other external agents

have in constructing categories (c.f. Espeland & Stevens, 1998; Snow & Benford, 1992). As a result, the well-documented bottom-up process, in which categories are created by attaching discourse to pre-existing “day-to-day” practice and interactions, is unlikely to occur. Instead, external actors have considerable power to create new categories based on their own interest. How does such “framing from afar” evolve? And what implications does it have for the subsequent evolution of the industry? Our research strives to address these questions by documenting a case of category creation by external actors, and its implications for the Japanese *jibiru* industry.

RESEARCH DESIGN AND METHODS

Our insights into the role of external actors in category creation come from an original case study of the Japanese microbrewery industry. This descriptive account suggested that the category assigned to the new industry – that of *ji-biru* or regional beer – was primarily determined by policy-makers, travel companies, consultants, regional assemblies and non-profit promotional councils, as opposed to producers and consumers. To explore this phenomenon in greater detail we revisited the data, employing archival analysis to focus on the discourse surrounding the *ji-biru* epithet and its early meaning. We also explored how the meaning of *ji-biru* related to subsequent empirical phenomena within the industry, including the identity of producers, their product development strategies and the subsequent evolution of the industry.

Data sources

We used a triangulation strategy, collating data from a broad range of sources, including primary interviews, archival sources and industry data. The primary sources consisted formal and informal interviews with brewers and experts; the formal interviews ranged

from 1 to 3 hours and were conducted with four brewers and two industry experts. The informal interviews consisted of brief talks with a total of 32 brewers and experts, often at industry events.

We augmented these primary interviews with archival sources. Using the National Diet Library in Tokyo and the Nikkei Telecom 21 database, we identified all 1,301 articles, books, reports and surveys published on the *ji-biru* industry between 1993 and 2007. These articles include everything from interviews with individual brewers, to analyses of the new industry by policy makers and think tanks. We also made extensive use of online material, including brewers homepages and fan sites, since these often present a sense of the brewers' identity and focus (Lamertz, Heugens & Calmet, 2005).

Data analysis

Our initial goal was to construct an historical overview of the industry, focusing particularly on founding and deaths of breweries, as well as their product offerings. We created a quantitative population history by coding data from the newspaper articles, as well as the publication *Nihon no ji-biru* (Japan's Ji-biru Breweries), the most comprehensive listing of Japanese microbreweries, published by the Japan Craft Beer Association (JCBA), the country's largest microbrewery industry association. We cross-referenced this data with the latest information from the JCBA's online database, as well as of the smaller Japan Microbrewery Association. We added further data to the population history by including information gleaned from interviews, websites and primary interviews with brewers. The quantitative data was matched with a descriptive history of the industry, based on readings of the archival material and interviews.

As we constructed the descriptive case, the highly heterogeneous and varied

nature of the industries' products became apparent. In an effort to understand why and how this heterogeneity emerged, we began speaking with brewers and reading accounts of the industry's early emergence. At this stage, the data analysis became interpretive in nature; that is, we explicitly focused on the language used by the brewers in their description of their products and their motivations for entering the industry. As we did so, we noted a frequent emphasis on "local products" and "home town beer" in the early discourse of the industry. In an effort to understand where this emphasis came from, we adopted a formal archival analysis. Focusing on publications between 1993 and 1997, we content analyzed the discourse and narratives surrounding the formation of the industry, as well as the specific actors employing these narratives. Tables 2 and 3 below report the details of this content analysis. Based on this content analysis, we developed propositions about how the process by which external gave meaning to the new industry, and how these meanings subsequently influenced entry and product strategies.

THE CASE: CONSTRUCTING THE *JI-BIRU* INDUSTRY

The modern Japanese microbrewery industry traces its roots to 1993, when Morihiro Hosokawa was elected Japan's Prime Minister on a political platform emphasizing both deregulation and the rejuvenation of rural prefectural economies. The government considered deregulation in a number of different areas, and microbrewing seemed particularly well suited to its policy aims. By lowering the minimum yearly production capacity necessary for entry into the market, the government could not only achieve deregulation, but also expand the number of brewers, thereby increasing both tax revenue and employment. Perhaps most importantly, the new jobs and industry growth were expected to appear in local prefectures, where smaller breweries could serve local

customers and tourists. Extrapolating both from the regionally-based microbreweries in the United States, Canada and Germany, as well as the pre-existing regional *sake* rice-wine makers (*ji-zake*), media descriptions of the proposed deregulation suggested the new measure would create the “beer-version of *ji-zake*”¹, or just simply ‘*ji-biru*’.

External actors’ support

While beer brewing was certainly not the only – nor the largest – deregulatory reform proposed by the Hosokawa government, it struck a chord with a number of external agents, ranging from pre-existing brewer enthusiasts, to local prefectural assemblies and interest groups, private companies and major brewers. To begin with, long-time microbrewery enthusiasts saw the government’s proposal as a victory and mobilized in support. In an effort to support the government’s deliberations, one long-time advocate of home brewing convened a meeting of 120 supporters from around Japan to form the “Association to Make Ji-biru a Reality” (*Ji-biru o jitsugen saseru kai*). Inviting guest speakers from universities, the association focused both on the legality of the current brewery restrictions, as well as the economic benefits of deregulating brewing². In a similar fashion, the government’s plans received considerable support from a group of brewer enthusiasts in Hokkaido and Nagano.

Second, regional town councils and business support groups were also quick to seize on the government’s proposal, in the hope that the new industry would create local jobs and increase tourism. Several prefectures set up research groups and promotional lobbies: while their goal was partially to influence the government, the main purpose was to encourage the creation of microbreweries in their local municipalities. In Nagano

¹ Chunichi Shimbun 1995/07/16

² Nihon Keizai Shimbun, 1994/01/26

prefecture, for example, the local assembly helped organize the “Nagano Prefecture Ji-biru Entrepreneur Research Committee” (*Nagano-ken Ji-biru Kigyoka Kenkyukai*), which explicitly sought to use the upcoming Nagano Olympics as a launching platform for a sustained microbrewery industry. Similar initiatives were undertaken in Tottori and Hokkaido prefectures, as well as a number of local towns and municipalities³.

The members of these supporting organizations included local businesses (both related and unrelated to brewing) and industry and labor organizations like the Japan Agricultural association (JA), as well as city and town officials. While many of the constituents viewed deregulation as a chance for economic growth, a primary motivating factor also appears to have been the opportunity to profile the local area by producing “our town-beer”, as one article called it⁴. In particular, supporters emphasized the importance and value of using local produce, unique and differentiated from any other area, to create brews that would reflect their unique heritage. As one local official in Hokkaido explained “It will be different from normal beer; we will use our special local ingredients to sell beer that is only available here.”⁵

For businesses, the new industry offered potential economic opportunities. For example, Yanase and Associates, a consultancy specializing in brewing equipment imports, commissioned a report that suggested deregulation would increase entrepreneurship, resulting in a 50 billion JPY industry. Yanase and Associates also produced books and seminars, aimed at helping prospective breweries understand the basics of beer production⁶. Major trading companies saw opportunities in selling

³ Nihon Nougyou Shimbun, 1994/03/16

⁴ Nihon Shokuryou Shimbun, 1993/12/06

⁵ Nihon Nougyou Shimbun, 1993/12/28

⁶ Nihon Ryutsu Shimbun, 1993/01/05

imported brewing equipment and raw materials like hops and barley. They also organized tours for prospective producers to microbreweries in Europe and the United States. In the domestic travel market, tour operators like the Japan Travel Bureau (JTB) believed the regional emphasis would promote tourism to the cultural heartland of Japan, with an emphasis on *furusato*, the traditional Japanese home village (c.f. Creighton, 1997). Other firms with ties to travel-related industries had a similar emphasis. Hankyu, a major diversified conglomerate with holdings in both train lines and department stores, planned to start selling microbrews in its stores as a way of enticing customers to increase travel (by train) to local breweries in rural prefectures.

Not all agents were overtly supportive of the government's plans, however. The incumbent major brewers had launched regional branded beers under the *ji-biru* moniker already in the mid to late 1980s, and they warned that small-batch brewing was economically difficult and risky. Local Japanese tax authorities similarly feared that an oversupply of entrants would clog the market, resulting in reduced revenue for firms and lower tax receipts. These warnings, however, were often ignored by pundits and enthusiasts who pointed to the success of microbrewing in other countries. An editorial in the *Nihon Ryutsu Shimbun* (Japan Distribution News) put forth a common argument:

The major beer-makers say "The beer business has huge investment costs, and so it's very hard to make the business profitable", but if we consider the fact that several hundred mini-breweries operate in the U.S., then it becomes obvious that mini-breweries are possible as long as firms focus on specific regions and markets⁷.

Entrant identities

⁷ *ibid*

In response to the growing support for deregulation, the government lowered the minimum capacity required for obtaining a beer license from 2 million liters to 60 thousand liters per year on April 1, 1994. Within four years, nearly 300 microbreweries had been established across Japan, representing virtually every one of the country's 49 prefectures.

The very first group of brewers to take advantage of the deregulation consisted of aficionados and microbrewery enthusiasts who saw the measure as a chance to finally make “real quality beer” that would differ from the major labels. These included brewers like Takaya Mitsumoto who, after a visit to Germany in the late 1980s, set himself the goal of introducing “real, freshly made beer” to Japan. For Mitsumoto, and others like him, deregulation was the culmination of lengthy planning and waiting.

These long-time aficionados of microbrewing were outnumbered, however, by more recent converts to small-batch beer production. One significant group of new entrants were the regional sake (*ji-zake*) brewers. Already established as regional producers, many of these firms viewed *ji-biru* as a natural expansion opportunity and as a way of offsetting sluggish sales in their core sake product⁸. They also had the advantage of pre-existing knowledge of local sales networks and raw material suppliers, as well as established brand names⁹.

Several restaurants, bars, hotels and hot spring resorts also entered the beer brewing industry. Many of these establishments had sought to establish themselves as purveyors of unique local experiences; in line with this strategy, several hoped the creation of unique local beers would entice greater numbers of visitors. As one hotel

⁸ Nihon Shokuryou Shimbun 1998/06/29

⁹ Notably, however, there were no direct technological advantages for the sake-makers to enter, since beer brewing and sake production involve considerably different skills and equipment.

operator explained in a newspaper article, “We want to make and sell our own *ji-biru* as an example of local products, thereby increasing tourism to our location”¹⁰. Consequently, a number of well-known hotels including Hotel Okura Fukuoka and Tokyo Disney Resort, began creating their own line of beer.

While microbrewery enthusiasts, *ji-zake* breweries and hotels and restaurants all had some type of prior knowledge related to the production, sales or distribution of beer, there were also numerous entrants with little or no relevant prior experience. In the three years following deregulation, the new industry saw the entry of three construction companies, one producer of lace, one flooring company, one dance troupe, a home for the elderly, two paper and printing firms, two trading houses and several diversified conglomerates with interests in industries as divergent as sanitary napkins, bicycle parts, precision machinery and real estate. In most cases, these entrants were local enterprises rather than national players, diversified across different regional businesses.

As a result of these varying entrants, there was remarkable heterogeneity in brewer traits and characteristics. To begin with, the new entrants exhibited different levels of know-how and expertise. Some employed official brewmasters from Germany or the United States; others sent employees abroad to learn brewing skills, either as employees of foreign microbreweries or at universities and formal brewing schools; a third subgroup relied on information gleaned through short fact-finding missions to Europe and North America; some producers were self-taught through trial and error.

As Figure 1 shows, the number of brewers increased throughout the 1990s, peaking in 1999 at a total of 303. Notably, during these initial 5 years, no brewers exited the market. The large number of entrants and producers were sustained in part by the

¹⁰ Chunichi Shimbun 1997/10/08

popularity of *ji-biru* among consumers. *Ji-biru* tours organized by travel bureaus became sought-after weekend destinations, and gift-wrapped boxes of regional beer were used during the holiday gift-giving seasons. Numerous blogs were created to chronicle and compare beer tasting around the country.

--- Figure 1 goes here ---

Product diversity

Like other microbrewery movements, the Japanese *jibiru* category was characterized by a strong emphasis on differentiating products from the perceived bland offerings of the mass-producers (Carroll, Dobrev & Swaminathan, 2002). The overwhelming focus was hence on creating original beers with particular flavors of the local region. One brewer characterized his goal: “It will be different from normal beer; we will use our special local ingredients to sell beer that is only available here.”¹¹

Many new entrants placed strong emphasis on utilizing local raw materials and produce in their beers. While this emphasis was closely linked to the definition of microbreweries as regional producers, it also stemmed from a deeper tradition of emphasizing local specialties and rural nostalgia in Japanese cuisine. The regional sake makers, many of whom had been in operation for several centuries, served as the embodiment of this focus on local raw inputs and a ready template for the new microbrewery’s product strategies.

In the case of local sake brewers, however, recipes and traditions passed down over generations had created strong norms and category boundaries delineating what types of products were acceptable and legitimate for production. By contrast, Japan’s

¹¹ Nihon Nougyou Shimbun, 1993/12/28

newly minted microbrewery had no such guiding norms, apart from the emphasis on local inputs. In consequence, the *ji-biru* industry saw a considerable amount of experimentation: while some producers sought to emulate well-established foreign beer types (such as ales, weissen and pilsners) using local water, malts and hops, many producers also incorporated regional ingredients to make completely new products; these included for example cherry beer, apple beer, Hotate (scallop) beer, salmon draft, Wasabi ale, and milk-beer, to name a few. Given this open experimentation, the number of unique beer types (as measured by the brewer's own identification) increased rapidly after deregulation. Starting with four distinct beer types during the initial year of 1994 (pilsner, bitter, pale ale and porter), by 2001 there were 50 unique beer types, and over 750 beer brands, available in the Japanese microbrewery market.

Table 1 below summarizes variations in producer backgrounds, technologies employed and product types. As the Table clearly indicates, the Japanese microbrewery category encompassed a wide swath of organizations; essentially, any individual or organization with access to brewing equipment and a license to produce fermented alcohol could be identified as a *ji-biru* producer.

--- Table 1 goes here ----

Industry legitimization: Exits, competing associations and new frames

The total number of brewers began to decline after 1999, with multiple exits and few new entrants (see Figure 1 above). This decline was partially due to regulatory changes that reduced subsidies to certain brewers, but also a consequence of decreasing interest from consumers. As the initial novelty of *ji-biru* wore off, consumers became more discerning in their tastes and evaluations. Many producers lacked the necessary brewing skills to

make high-quality beers, hence consumers began to associate *ji-biru* with low-quality souvenirs, as opposed to regional specialties. One brewer we spoke to recalled how no local towns people bought his beer because they assumed it was only made for tourists.

By the late 1990s, most of the initial proponents of *ji-biru* – including brewing consultants, regional promotional councils, trading companies and travel bureaus – had also lost interest in *ji-biru* and reduced their focus on the industry. In their stead, a number of industry associations had emerged, including the Japan Craft Beer Association (JCBA), the Japan Microbrewery Association (JMA), the Japan Brewer's Association (JBA) and Japan Craft Beer Support. To counteract waning interest in *ji-biru*, these associations engaged in various marketing efforts, including private seminars, public beer festivals and tasting competitions. The JCBA was by far the most active organization in promoting microbreweries, arranging festivals and associations. It sought to raise production standards by educating professional beer tasters, issuing quality standard seals, and arranging teaching seminars for brewers. The JCBA also tried to expand abroad in order to promote the export of smaller Japanese breweries.

These attempts at standardization were, however, not always well-coordinated. In many cases, the industry associations arranged competing events: the Japan Craft Beer Association for example was in charge of the Japan Beer Cup, while Japan Craft Beer Support introduced an event known as Japan Craft Beer Selection. Such heterogeneity, and at times direct competition, resulted in considerable confusion. Despite attempts to launch both a quality seal, to raise awareness of leading beers, as well as educate critics, many of the industry associations appeared unable to solidify the microbrewing industry around a particular organizational format, technological trait or product standard.

In response to the declining popularity of the *ji-biru* industry, a number of brewers began calling themselves “craft beer” as opposed to *ji-biru*. Emphasizing the artisanal nature of craft beers, these brewers explicitly strove to differentiate themselves from the tourism-oriented approach of the *ji-biru*. Some brewers sought to span the two categories, for example by introducing both “craft beer” products and “ji-biru” products, with the latter meant as tourist mementos and gifts. Most adherents of the craft beer label, however, explicitly discouraged the use of *ji-biru*. As one brewer we spoke with explained in an e-mail: “By the way, we don’t like to use the name jibiru, we say craft beer.” Many of these craft-beer advocates explicitly avoided joining associations and their competitions. One brewer we spoke to complained that the Japan Microbrewery Association was made up mainly of sake-brewers, and that the awards were biased. We also found examples of brewers describing other companies’ products as “not real beer”. One brewer noted that he avoided any and all domestic associations and competitions, preferring instead to focus on international competitions. By 2011, the craft beer movement appear to be gaining popularity, with several brewpubs opening up in Tokyo and other major cities; these locations, using names such as “Craft Heads”, “Craft Beers” and “Devil’s Craft” sought to link with the craft epithet and to avoid the *ji-biru* label..

ANALYSIS: EXTERNAL ACTORS IN CATEGORY CREATION

Research has increasingly come to link categorization processes with the emergence and evolution of industries (Jones, Maoret, Massa & Svejnova, 2012; Ruef, 1999; Kocak *et al*, 2009, Negro *et al*, 2010). The vast majority of these studies, however, focus on the role of producers and consumers in the ordering and construction of markets. By contrast, our study of the Japanese *ji-biru* industry emphasizes the role of *external* actors, those

that are neither producers nor consumers, in the creation of the new industry category. Our case not only highlights that external actors are important in industry creation; it also emphasizes how external actors create *empty categories*, i.e. categories whose boundaries are pre-defined but whose specific forms, norms and traditions have yet to be developed and agreed upon. Such discursively defined empty categories have direct implications for industry competition, innovation and organizational survival. Below we develop each of these themes in greater detail.

External actors as primary agents in category creation

Our case demonstrates that although a range of actors were responsible for constructing and legitimating the brewery industry and making microbreweries possible, external actors played a dominant role. At the time of the government's deregulation of beer brewing in 1994, no strong social movement in support of microbrewing existed in Japan. As a result, initial discussions of the meaning and characteristics of the new industry category took place in the public media domain, as opposed to among vanguard activists.

Table 2 below maps lists the source of publications and their number by year. As the table indicates, publications by external actors dominated this early discussion. These included for example *Kankou to Bunka* (Tourism and Culture), published by the Japan Travel Bureau Foundation, *Nikkei Chihou Jouhou* (Nikkei Regional Information), published by the Nikkei Industrial Consumer Research, *Zeimu Keiri* (Tax Accounting) and numerous *Keizai Geppou* (Monthly Economics), published by regional research and promotional councils, as well as economic think tanks. In addition to these specific organizations, a number of individuals – including economists, deregulation experts and political commentators – also weighed in.

Public institutes and think tanks were not the only actors to get involved. Private companies, including brewing consultants but also tourism operators, trading companies and banks, also weighed in. For example, companies like Yanase and Associates and Unicorp took out large ads in *Leja Sangyou Shiryō* (Leisure Industry Papers), an industry publication for small and medium enterprises, to promote courses and seminars on brewing, equipment imports, help with licensing, and other services. The nation's largest travel operators – Japan Travel Bureau – offered analyses of how microbreweries generated and benefitted from increased tourism to local towns in the U.S. and Europe. In sum, external actors consisted of both public entities, individual experts, and companies.

--- Table 2 goes here ---

External actors' interests in category formation: Coalescing around broad meanings

An implicit insight in current research is that categories inherently mirror the underlying interests of their founding actors. When consumers and producers create a category by attaching meanings and labels to pre-existing practices, they naturally do so in a way that favors their own organizational technologies, traits and behaviors (Schneiberg & Soule, 2004; c.f. Rao, 1998). While external actors have their own set of disparate interests, they have no unifying common practices; how then might these external actors produce a common meaning for the industry?

Our analysis suggests that external actors with disparate interests coalesce around *broad and generalized category meanings*; such broad meanings provide a unifying understanding of the emergent category while still offering room for interpretation. In the case of *ji-biru*, *regional economic growth* constituted the common meaning that external actors came to adopt. From this overarching theme emerged particular points of emphasis,

which varied among the external actors.

Based on a content analysis of the early publications on *ji-biru*, Table 3 maps out the interests and discourses used by the various external actors. As the table demonstrates, the focus on regional economic growth was most noticeable in the reports and analyses published by regional organizations, including prefectural think-tanks, town assemblies, the National Governor's Association, and local promotional councils. This group saw *ji-biru* as economically beneficial both because it would result in entrepreneurship, and because it could promote tourism. In an economic report (*Keizai Geppou*) published in late 1993, the Nagano Economic Research Institute noted that *ji-biru* had the potential to “significantly increase regional employment and tax returns” by enticing more visitors. Writing in *Chihou Gyousei* (Regional Public Administration), representatives of the Hokuriku Economic Research Council argued that *ji-biru* offered “a way of keeping young people in the community and returning pride to our region.”

--- Table 3 goes here ---

This emphasis on regional entrepreneurship and tourism was also picked up and emphasized by a number of external actors that were not explicitly regional in nature. For example, a number of venture business promotion councils published articles analyzing the merits of starting *ji-biru* breweries as new businesses. The publication *Kindai Chushou Kigyō* (Modern Small and Medium Sized Enterprise) covered *ji-biru* in early 1994, providing a particular analysis of how deregulation might encourage new entrepreneurial opportunities for young people. *Venture Link*, a magazine published by an association providing support and advice for SMEs, featured *ji-biru* twice in the span of six months – once in late 1994, and again in the spring of 1995. In both these articles, the

magazine devoted considerable attention to how the government's deregulation was creating space for new entrants and new breweries. Similarly, The Japan Travel Bureau Foundation published a lengthy review of the tourism receipts generated by brewpubs and microbreweries in the United States. The Japan Travel and Tourism Association in turn issued a report on the tourist potential of Japan's *ji-biru* industry, while analyses of German microbreweries appeared in *Gekkan Hosteru Ryoukan* (Hotel B&B Monthly).

In many cases, the content of the external actors' articles overlapped. Articles published in the Hotel B&B Monthly for example served both as an exemplar to existing hotels of how *ji-biru* could spur more visitors, as well as a guide for *ji-biru* companies wishing to open hotel accommodations. In *Gekkan Leija Sangyou* – Industry Leisure Monthly – the consulting company Unicom included articles that highlighted positive elements in the U.S. microbrewery industry, the economic benefits of *ji-biru*, and advertisements for its own services; these included seminars on brewing and tours to the U.S. and Europe, imports of brewery equipment and ingredients, legal aid for negotiating brewing licenses and marketing strategies for increasing visitors. In all these cases, the external actors' interests – whether they be on entrepreneurship, tourism or consulting – could be linked back to the broader discourse on regional growth and development.

For national-level policy-makers and think tanks, *ji-biru* represented one small part of a larger policy orientation towards deregulation. Consequently, the discourse around *ji-biru* by these external actors primarily focused on macro-level factors. In particular, there was significant debate about tax receipts in local townships. The tax office, for example, published several reports prior to deregulation where it warned that lowering the bar for production too much would result in over-competition, firm failures

and reduced tax receipts. Others countered that the policy would be good for encouraging greater competition. Here again the regional element was key because brewing licenses were provided by the local prefectural tax offices, as opposed to the national tax office.

Academic and practitioner economists joined in this debate by offering views of how the new policy would impact Japan's beer oligopoly. Many of these writers were strongly pro-competition and argued that the *ji-biru* industry could serve as a litmus test for making Japan a more capitalist and free economy. In a typical note, an economics professor from Kyoto Sangyo University argued that "during the post-war period, Japan was not a capitalist country...now with deregulation, the beer market will become more competitive, more capitalistic...and serve the consumers in the right way" (Kikugawa, 1994:16). *Chihou Jiji Jyanaru* (Journal of Regional Autonomy), published by groups supporting for greater regional political power, similarly analyzed the newly deregulated *ji-biru* market from an ideological standpoint.

A key insight that emerges from this analysis is hence that when categories are created by external actors, they arise not through a bottom-up process, based on pre-existing practices, but rather by gathering around broad and diffuse meanings that provide significant room for interpretation, based on varying interests. The room for interpretation is particularly important, because external actors will likely vary more in their interests, as compared with internal actors like producers and consumers who are tightly connected with pre-existing technologies and practices. Formally, we thus have:

Proposition 1: Categories constructed by external actors will have broader meanings, with room for more interpretation, as compared to categories formed by internal actors.

As noted previously, consumers, producers and experts construct category meanings by linking language and discourse to pre-existing practices. In our case, however, external actors had no such unifying practices to rely on. Although some – e.g. the consultants - had considerable knowledge of beer production, this knowledge was not universal and shared by all. Without particular practices and technologies to build on, external actors instead came to rely on *discursive* tools, i.e. language, analogies and symbols, to forge a unified meaning for the new category. For example, the name *ji-biru* was taken from the regional *ji-zake* rice wine distilleries that had existed in Japan for hundreds of years; this analogy and linkage provided both legitimacy and also a general notion of the organizational forms that might emerge. The term *ji-biru* also gained legitimacy by its link to the concept of *machi tzukuri* – a general term for revitalizing the rural homestead which was receiving increasing attention and had been one issue in recent national elections. External actors emphasizing *ji-biru* also drew analogies to small breweries in other countries, including Germany (frequently referred to as the “birthplace of beer”), the U.S. and Belgium. In these cases, external actors hence used discursive elements, rather than particular practices, to give meaning to the new industry. From this we have:

Proposition 2: External actors are more likely to draw on broad on discursive tools – including analogy, metaphor and symbols – in defining new categories.

The dominance of external actors: Subsuming internal actors’ category meanings

The broad category meaning of “regional economic growth” served not only as a coalescing banner for the multiple external actors; it also effectively came to subsume the more narrow interpretation of *ji-biru*, as promoted by pre-existing brewers and aficionados. A third insight from our analysis is that broad category meanings adopted by

external actors will likely dominate narrower meanings employed by internal actors.

Specifically, in contrast to external actors, pre-existing brewers, aficionados and other internal consumers and producers framed the new industry using a far narrower meaning. Employing the term *ji-biru*, these actors placed primary emphasis on creating “real beer”, i.e. products that differed in taste and quality from those of the larger mass-market producers. As previous research suggests, this group hence built on pre-existing practices to define a more specific industry category. For brewers and aficionados, the focus on regional economic growth was secondary to quality and brewing itself.

While the category meaning employed by internal actors hence differed from the broader economic revitalization narrative used by external actors, the two narratives were not in actual contention. In our analysis, we did not find any examples of external actors actively trying to discount or oppose the emphasis on regional produce promoted by internal actors. Instead, the external actors actively incorporated the meaning construction provided by internal actors into their own discourse. For example, regional promotion offices actively spoke of revitalizing local towns by infusing their products with “unique local products and tastes”. The tourist industry in particular picked up on this, emphasizing in their analyses how *ji-biru* would result in greater number of visitors by providing “unique beers, only available in our town”. In this way, the external actors’ emphasis on regional economic growth came to incorporate the more specific emphasis on quality and specialization emphasized by aficionados and early brewers.

The reason for why external actors were able to subsume internal actors’ meanings, we suggest, was the broad nature of external actors’ meanings, and their use of metaphor and analogy. While internal actors focused on unique aspects of microbrewing,

and the craft necessary to realize successful beers, external actors used analogies and metaphors that were accessible by a larger audience. Put differently, there were far more policy-makers, experts and analysts who could contribute to discussions around *ji-biru* as a movement to stimulate regional growth, than there were actors who could engage in the specific technologies and techniques necessary for producing high-quality beer.

Previous research suggests that support for new categories can vary depending on underlying meaning frames. McCammon and colleagues (McCammon, 2001; McCammon, Campbell, Granberg & Mowery, 2001) for example document how early women's rights movements gained far more adherents when they emphasized that women bring unique talents and insight, as opposed to an emphasis on justice or democracy (see also Clemens, 1993). Our findings augment these insights by demonstrating that broad but diffuse frames, with weak linkages to underlying technologies, may gain more support and adherents. External actors, in turn, may be more likely to employ such broad frames, precisely because *aren't* producers or consumers with in-depth knowledge of the particular practice. By putting *primacy on discourse*, external actors may dominate the creation of new categories. Specifically, we suggest:

Proposition 3: Broad, discursively-based meanings proposed by external actors will dominate category construction by subsuming more specific, practice-based meanings proposed by internal actors.

Creating an empty category

The fundamental social value of categories is that they provide important guides to producers and consumers in identifying legitimate production techniques, organizational forms and product offerings. In the case of Japanese *ji-biru*, the external actors' dominance

meant that a clear category had been created, based on the meaning of regional economic development. However, because of the wide range of interpretation employed by various external actors, the new category did not provide any specification of the new entrants' and entrepreneurs organizational forms and technologies. Effectively, the *ji-biru* industry thus comprised an *empty category*. Specifically, the *ji-biru* category was empty both in terms of actual producers, but also in terms of the specific codes which serve as a base for creating shared meanings and understanding.

Notably, the category meaning championed by external agents was not fuzzy or opaque in nature (Negro, Hannan & Rao, 2010). The definition of a *ji-biru* brewer was quite distinct: it required a specific license and was expected to emphasize local regional produce. Beyond this, however, there were few if any specifications as to what constituted a distinct brewery. The notion of an empty category has not featured in extant studies because most scholarship has focused either on how categories emerge from pre-existing forms, practices or traits, or on how these aspects lose contrast as category boundaries blur. Our case, however, demonstrates how discursive strategies can create empty categories void of both producers and specific traits. Specifically, we suggest:

Proposition 4: External actors employing broad, discursively-based meanings are more likely to create empty categories, i.e. categories that have neither pre-existing producers and consumers, nor specified and legitimacy schemata, organizational forms and behaviors.

The notion of an empty category is important because our analysis suggests the combination of a clear overarching identity and a lack of more specific membership attributes may have very real consequences for industry evolution. In our case, the empty

ji-biru category influenced the nature and identity of entrants, their product innovation strategies, and the long-term survival of individual brewers and the industry as a whole.

Consider for example the identity of the producers that piled into the industry upon deregulation. Newly formed producers dedicated exclusively to the production of beer constituted only slightly more than 20% of all entering producers. The vast majority of new brewers were not de-novo start-ups but de-alio entrants, diversifying from other industries. Moreover, these de-alio entrants displayed a remarkable variation in industry backgrounds, ranging from dance troupes and retirement homes to hotels, spas and *sake* brewers. Their level of expertise in beer-production also varied, encompassing both complete novices and professional master brewers. The reason for this wide amalgamation of new entrants, we suggest, is that the empty *ji-biru* category did not specify the practices, technologies or organizational formats of the new industry.

The only guide for potential entrants was that they be engaged in *regional* production of some kind. Indeed, the common trait across all of the entrants into the new category was that they were all *regionally* focused industries or organizations. By employing discursive analogy and metaphor to specify the new market as *ji-biru*, but subsequently omitting any other membership criteria, the external actors' effectively opened up the industry to a very wide group of potential entrants. From this we have:

Proposition 5: Empty categories are more likely to result in highly diverse entrants, from a broad range of unrelated industries.

A second effect of an “empty” *ji-biru* category is that it resulted in significant experimentation in product development. Categories are beneficial to both consumers and producers because they provides norms and shared understandings of what constitutes a

legitimate product; there are thus clearly defined standards of how to evaluate automobile performance (Rao, 1994), what constitutes good Italian wine (Negro, Hannan & Rao, 2011) and what kinds of movies comedic actors should star in (Zuckerman & Kim, 2003). In the case of beer production, many countries have strong norms – and some even formal laws – governing what can and cannot be termed beer.

In the case of the *ji-biru* industry, however, the only clear definition was that the product be made in a small brewery and use local produce; no other norms or specifications existed. Given this overarching emphasis on the regional, many producers used local water, grain, malt and hops to reproduce already existing beer styles (such as lagers, ales, ports and *weissen*). In several cases, however, the focus on local produce resulted in beverages that were highly unique, including Wasabi Dry, Milk Beer, *Yuzu* ale, Scallop Draft and Sweet Potato Ale. In many countries, these products may well have been considered illegitimate, and possibly even illegal. In Japan, however, brewers were able to produce and market these products without any significant loss of legitimacy because there were essentially no norms or standards to define “good” and “bad” beer. As long as the beer was being produced in small breweries, many of which were located in small towns, it was considered a legitimate product.

Earlier studies have suggested that experimental boundary-spanning and category combinations may often result in audience sanctions (Ashforth & Gibbs, 1990; Roberts, Simons, & Swaminathan, 2010), but this was not evident in the case of the Japanese *ji-biru* industry. Like producers, consumers identified *ji-biru* as a quintessentially regional phenomenon; consequently, they largely accepted anything that was produced in small regional towns and villages as legitimate form of the product. Thus, the auto-parts

companies, *ji-zake* breweries, or hotels and restaurants that entered the *ji-biru* industry were not considered boundary spanners, but were firmly placed *within* the category. Furthermore, consumers perceived milk beer, scallop beer, or strawberry beer—along with beer made from local water, or with a local place name on its label—as bona fide members of the *ji-biru* category. From this we suggest the following proposition:

Proposition 6: Empty categories are more likely to result in greater variation in product experimentation and innovation.

A third and final effect of the empty *ji-biru* category is that it had a negative effect on the survival of brewers, as well as on the long-term legitimacy of the industry in general. As the case documents, the *ji-biru* industry as a whole began to suffer in the late 1990s, as the initial fad of the new sector began to wear off and the attention of media and external actors turned elsewhere. One of the problems plaguing the industry at this time was the wide variation in quality; while some Japanese microbreweries were performing well and earning prizes in international competitions, others were languishing.

For consumers, such intra-industry variation in quality can often be dealt with by employing categorization schemes to order producers and products. In the wine industry, categories and labels help consumers differentiate between high and medium quality products, even without knowing the specifics of the grapes, production processes or producers. In the case of the Japanese *ji-biru* industry, however, the emptiness of the category and lack of common norms and standards meant that no such clear categorization schemes existed; as a result, consumers lumped all producers together and began disapproving of the industry as a whole. Starting in 2000, a large number of brewers began exiting the market due to a sharp drop in demand from consumers.

Industry associations often play important roles in uniting category members around common quality or producer traits (Greenwood, Suddaby & Hinings, 2002) and as the case suggests, the Japanese *ji-biru* industry was characterized by a number of competing industry associations. Given the lack of clear norms and standards, however, as well as the significant diversity of initial entrants, these associations found it difficult to develop a common identity or standard for the industry as a whole. In particular, since the initial grounds for entry into the industry (i.e. small-batch brewing with a regional concentration) were so easy to fulfill, it was difficult for the industry to draw up new standards and categorical boundaries for excluding particular entrants. In this way, the lack of specific requirements, combined with a clear identity, served to delay the development of standards, norms and technical requirements which could serve to guide the industry's future development. Taken together, these insights suggest:

Proposition 7: Empty categories are more likely to result in a lack of unified standards and a difficulty in maintaining the industry's socio-political legitimacy

CONCLUSION

In this paper, we have employed a descriptive case study design to show how external actors, defined as non-producers and non-consumers, influence the evolution of an emerging industry. Employing insights from category theory, we focus on how actors defined the burgeoning Japanese microbrewery industry, and the way in which their discourses served to shape entry, product development and legitimacy in the industry. Our analysis suggests several conclusions that contribute to extant literature on industry evolution in general, and categories in particular.

To begin with, our study demonstrates not only that external actors can play important roles in defining emergent industries; we also show how external agents'

category construction processes are qualitatively different from those of both producers and consumers. While producers and consumers have an interest in creating categories based on pre-existing organizational forms, technologies and norms, external agent's interest may be less aligned with pre-existing practices. As a result, we suggest that they may be more prone to construct category identities based on purely discursive elements, including analogies, metaphors and symbols. Analogies and metaphors may be more likely to garner support among a broad range of constituents, hence giving external actors an edge in defining the new industry. A key insight is hence that external actors may potentially be far more powerful players in category creation than previously allowed for.

A second contribution of our findings is the notion of an *empty category*, i.e. a category whose general identity is set, but whose specific norms, technologies and organizational forms remain undefined. The notion of an empty category is important because it offers insight into how discourse can have a real effect on economic outcomes. When consumers and producers create categories, they do so by coalescing around a shared meaning of already pre-existing technologies, forms and behaviors. In these cases, discourse follows practice. When a category is empty, however, entrants must align their technologies, behaviors and products to a pre-defined meaning and identity. As our *ji-biru* case demonstrates, pre-existing meanings will have a direct impact on who enters, and they types of activities they can legitimately engage in. A pre-determined categorical meaning and identity can also influence the ability of industry associations to develop shared standards and norms among category members. Hence, in the case of an empty category, *practice follows discourse*. As it does so, discourse potentially shapes the very nature of the industry's entrants, their products and the overall evolution.

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TABLES AND FIGURES

Figure 1: Population dynamics of the Japanese microbrewery industry

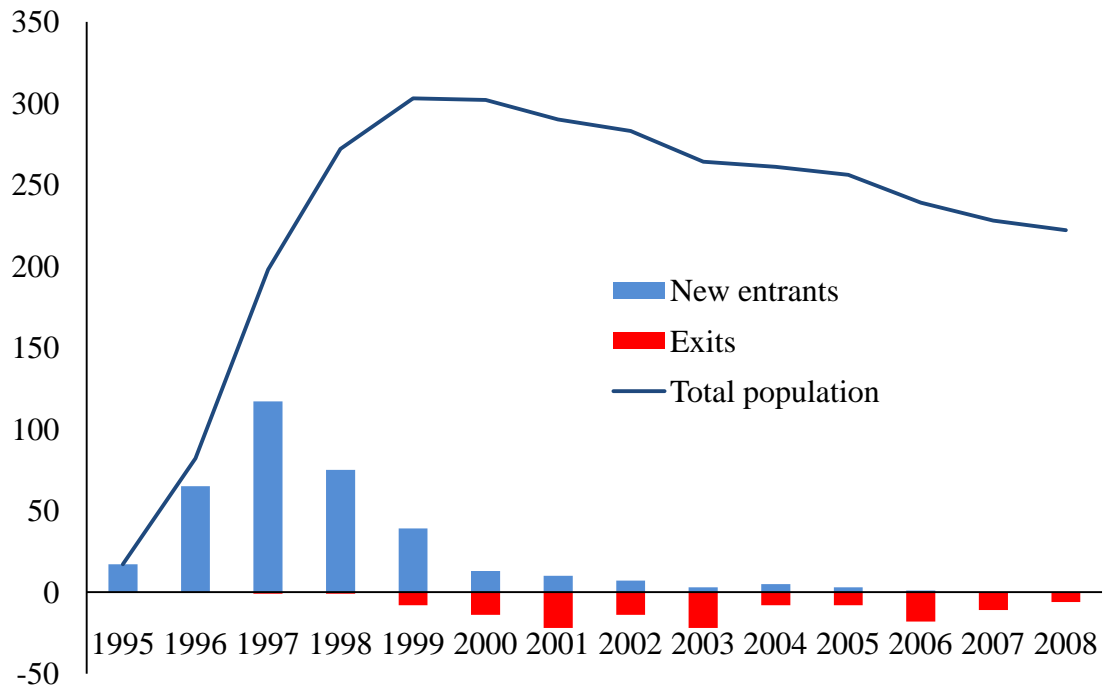


Table 1: Producer background, brewing capabilities and product types

<i>Producer backgrounds</i>	<i>Sources of knowledge and brewing capabilities</i>	<i>Product types and traits</i>
<ul style="list-style-type: none">• Microbrewery enthusiasts• Regional sake producers• Local restaurants, hotels and resorts• Food producers• Consumer goods companies• Regional construction firms• Regional real estate developers• Regional manufacturers	<ul style="list-style-type: none">• Longer (1-2 years) work at foreign microbreweries• Study at foreign brewing institutes• Help from foreign brewmasters• Shorter (2 weeks - 3 months) fact-finding visits to various foreign microbreweries• Self-taught, no formal training	<ul style="list-style-type: none">• Traditional beer types common at foreign breweries (ale, lager, weissen, IPA, etc)• Novel beer types using unique products (e.g. fruits, vegetables, seafood, etc)• Strong emphasis on using local products (e.g. local water, grain, etc)

Table 2: Number of Articles on *Ji-biru* by Internal and External Actors

	Pre-1994	1994	1995	1996	1997
Internal actors (total)	3	8	9	30	9
Aficionados and expert consumers	-	1	4	13	3
Brewers	3	3	3	8	5
Brewery Associations	-	4	2	9	1
External actors (total)	3	49	54	70	32
Business promotion organizations	-	11	8	12	3
Economists and deregulation experts	-	4	5	3	2
Consultants	-	3	2	10	10
National economic thinks and policy-making bodies	-	10	10	7	1
Regional think tanks and policy-makers	2	8	11	26	8
Non-beer industry associations	1	13	18	12	8

Note 1: “Non-beer industry associations” includes the Japan Travel Bureau Foundation, the Japan Cement Association, the Japan Glass Association, among others.

Note 2: The table excludes articles written by unidentified sources, as well as purely descriptive articles written by the general press.

Table 3: Internal and external actors as meaning givers

Actors	Primary meaning given category	Representative quotes
Aficionados, brewers & brewery associations	Allows for creating “real” quality beer; different from that of the main incumbent producers	<p><i>“[I was]...fooled with forty years of drinking commercial beer...I want to make real beer, now”</i></p> <p><i>“I want to make something unique, from this town ...”</i></p>
Regional think tanks and policy-makers	Means of increasing regional economic growth through new job creation & increased tourism;	<p><i>“Deregulation will create potential benefits for focusing on rejuvenating local regions.”</i></p> <p><i>“Our prefectural development...will benefit from the creation of new breweries and ventures.”</i></p>
Business promotion organizations	A means for encouraging entrepreneurship, start-ups and new venture creation	<p><i>“The latest opportunity for new venture creation lies in the newly deregulated beer market.”</i></p> <p><i>“Small-sized breweries are easy to operate and have been shown to be profitable and successful in the U.S....”</i></p>
Private consultants	A means of increasing revenues through new customers; opportunities for importing raw materials, equipment and disseminating knowledge	<p><i>“Complete courses in brewery technology; beer expertise; visits to U.S. and German breweries.”</i></p> <p><i>“Monthly guides... to start a brewery of your own”</i></p>
Non-beer industry associations	Means of adding extra income through tourism, bottle sales, diversification from existing businesses.	<p><i>“As the regional sake makers, we are well positioned to contribute to the so-called ‘ji-biru’ industry”</i></p> <p><i>“Like in America, can the Japanese ji-biru industry offer opportunities for tourism and tour operators?”</i></p>
National policy-makers and bureaucracies	Opportunities for increased tax revenue; risk of over-entry and diminished earnings	<i>“Deregulation will promote competition, increase commercial activity and provide greater tax income”</i>
Economists and deregulation experts	A test of Japan’s commitment to free-markets; an opportunity to break beer oligopoly	<p><i>“The reduction of the minimum required beer production volume is necessary to promote more competition.”</i></p> <p>“</p>