

**Figure 9.1: Market Challenges and Japanese Firms' Strategic Responses**

		<b>Strategic Responses</b>		
		Market	Nonmarket	Organizational
<b>MARKET CHALLENGES</b> <i>(in italics)</i>	<i>Rivalry among firms</i>	<ul style="list-style-type: none"> <li>• Product, service, and technological innovation;</li> <li>• Cost cutting through local sourcing and changing product offerings.</li> </ul>	<ul style="list-style-type: none"> <li>• Pressure for financial aid</li> <li>• Cartel formation</li> <li>• Lobby home government to provide financial aid to host markets</li> </ul>	<ul style="list-style-type: none"> <li>• Mergers</li> <li>• Strategic alliances</li> <li>• Sales of equity to foreign investors</li> <li>• Improve management structure</li> </ul>
	<i>Changing barriers to entry</i>	<ul style="list-style-type: none"> <li>• Seek new markets</li> <li>• New investment strategies</li> <li>• Seek Japanese firms in Asia as clients</li> </ul>	<ul style="list-style-type: none"> <li>• Push home government for concessions as barriers drop</li> <li>• Strategic investments to curry favor with Asian governments</li> <li>• Work with standardization organizations</li> <li>• Cartels</li> </ul>	<ul style="list-style-type: none"> <li>• Home government aid in restructuring and mergers</li> <li>• Partnerships with local and international firms</li> </ul>
	<i>Power of buyers</i>	<ul style="list-style-type: none"> <li>• Use Japanese relationships to work with Japanese buyers in East Asia</li> </ul>	<ul style="list-style-type: none"> <li>• Lobby to pressure buyers (borrowers)</li> <li>• Link to government buyers and use them to promote products</li> </ul>	<ul style="list-style-type: none"> <li>• Government promotion of vertical integration</li> <li>• Corporate driven vertical integration</li> </ul>
	<i>Power of sellers</i>	<ul style="list-style-type: none"> <li>• Close links to sellers through keiretsu relationships</li> <li>• Financial assistance to suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Push home government assistance to suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Move to global sourcing</li> <li>• Local sourcing to cope with local competition</li> </ul>

**Figure 9.2: Nonmarket Challenges and Japanese Firms' Strategic Responses**

		<b>Strategic Responses</b>		
		Market	Nonmarket	Organizational
<b>NOMARKET CHALLENGES (in italics)</b>	<i>Production regulation</i>	<ul style="list-style-type: none"> <li>• New services and products in response to deregulation</li> </ul>	<ul style="list-style-type: none"> <li>• Lobby actively for decreased restrictions on activities</li> <li>• Shift from working with regulatory agencies to direct lobbying</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate restructuring</li> <li>• New industry associations</li> </ul>
	<i>Trade intervention</i>	<ul style="list-style-type: none"> <li>• Use local suppliers to enter protected markets</li> </ul>	<ul style="list-style-type: none"> <li>• Promote new multilateral and minilateral trade regimes</li> <li>• Promote bilateral trade agreements</li> <li>• Lobby to use existing trade regimes selectively</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic alliances and joint ventures to jump trade barriers</li> </ul>
	<i>DFI intervention</i>	<ul style="list-style-type: none"> <li>• Invest with local partners to avoid DFI barriers</li> </ul>	<ul style="list-style-type: none"> <li>• Lobby on regional investment schemes</li> <li>• Secure aid and trade policies from home government to foster investment</li> </ul>	<ul style="list-style-type: none"> <li>• Local parts sourcing</li> <li>• Create associations with other firms to aid lobbying efforts</li> <li>• Use associations to promote corporate restructuring</li> </ul>