

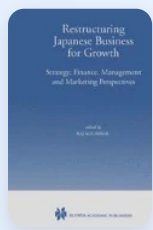
[Home](#) > [Restructuring Japanese Business for Growth](#) > Chapter

Foreign Firms in Japan's Securities Industry in the 1980s and Post-Bubble Economy

Strategies for Competitive Success in Japan's Financial Service Sector



| Chapter

| pp 101–144 | [Cite this chapter](#)



Restructuring Japanese Business for Growth

William V. Rapp

 121 Accesses  2 Citations

Abstract

Foreign Investment Strategies in Japan's Securities Industry in the 1980s: Criteria for Success.

This paper examines strategies foreign firms used to enter Japan's volatile and changing securities and investment banking markets during the 1980s and their subsequent success in the post bubble economy. Its purpose is to identify criteria needed for long term competitiveness in Japan's financial service sector. Some dramatic differences in competitive performance even among well-financed and

well-known global companies are explained. The author postulates that due to their administrative heritage, Japanese firms are quick and effective imitators. This tradition means they price and offer services aggressively to protect and maintain client relationships and market share rather than profits. They will use existing business to cross-subsidize new or peripheral activities, often pricing below cost. Therefore foreign financial firms investing in Japan generally only succeed by offering products Japanese competitors cannot easily emulate.

The paradigm is that merely entering and competing in an established Japanese market, even if it is growing or changing rapidly, is difficult and rarely produces good results except with a proprietary product, technology, or service. Further, to create a sustainable advantage, one must continually introduce innovations from outside Japan to control, define and influence the market's competitive evolution. This extends the Vernon-Krugman model of continual product innovation to Japan and its financial service sector. Failure to achieve this usually leads to declining profitability with many firms forced to exit. This often happens when emulation is relatively easy or innovation less important. Standardization makes this even more likely. The analysis-especially for derivative products-supports the paradigm's hypotheses as regards foreign investors in Japan's financial markets as they experienced rapid development and intense competition due to regulatory and technical change. This has implications for foreign securities firms still competing in the post-bubble economy as well as for insurance companies formulating strategies to take advantage of recently negotiated liberalization or pension and investment management companies anticipating the next wave of regulatory change.

 This is a preview of subscription content, [log in via an institution](#)  to check access.

Access this chapter

Log in via an institution →

Preview

Unable to display preview. [Download preview PDF.](#)

Similar content being viewed by others



Japanese Model of Capitalism and Globalization

Chapter | © 2024



Introduction

Chapter | © 2024



Japan, Business Ethics, and Business Legitimacy.

Chapter | © 2020

Explore related subjects

Discover the latest articles, books and news in related subjects, suggested using machine learning.

[Asian Business](#)

[Asian Economics](#)

[History of Japan](#)

[International Business](#)

[Japanese](#)

[Japanese Philosophy](#)

References

Abegglen, J. C. and W. V. Rapp. 1970. "Japanese Managerial Behavior and Excessive Competition." *The Developing Economies* 8 (4), pp. 427–444 (December).

[Google Scholar](#)

Lim, B. K. 1992. "Portfolio Trading in Japan." *Stock Index Research*. Goldman

Sachs. April.

[Google Scholar](#)

Loomis, C. J. 1994. "The Risk That Wont Go Away." *Fortune*. pp. 40-59.

[Google Scholar](#)

Nikkei Newsletter on Bond & Money. May 1989, June 1990, June 1991, December 1991, January 1993.

[Google Scholar](#)

Ohmae, K. 1991. "The Fallacy of Doing More Better." *Across the Board*, March, pp. 40-43.

[Google Scholar](#)

Ostrom, D. 1993. "Japan's Paper Industry: Writing a New Chapter," *JEI Report*. Japan Economic Institute, Washington, DC, March.

[Google Scholar](#)

Porter, M. E. 1992. "Capital Disadvantage: America's Failing Capital Investment System." *Harvard Business Review*. September/October, pp. 65-82.

[Google Scholar](#)

Porter, M. E. 1980. *Competitive Strategy*. The Free Press.

[Google Scholar](#)

Quick Research Institute Corp. 1993. "The Committee for How to make Tokyo Financial Markets more Transparent and International." *CTTI*.

[Google Scholar](#)

Rapp, W. V. 1992. "Japanese Multinationals: An Evolutionary Theory and Some Global Implications for the 1990s." Center on Japanese Economy and Business Working Paper Series 61. Columbia University Graduate School of Business.

[Google Scholar](#)

Rapp, W. V. 1993. "Japanese Foreign Direct Investment in the Product Cycle." *Proceedings of Association of Japanese Business Studies*. January.

[Google Scholar](#)

Rapp, W. V. 1986. "Japan's Invisible Barriers to Trade." in T. A. Pugel, ed., *Fragile Interdependence*. DC Heath, New York, N.Y. pp. 21-45.

[Google Scholar](#)

Rapp, W. V. 1993. "Multidimensional Obstacles to Foreign Competition in Japan's Financial Services." Conference Paper presented Pacific Institute, Washington, DC. June.

[Google Scholar](#)

Rapp, W. V. 1994. "The Role of Foreign Firms in the Japanese Securities Industry in the 1980s" Paper presented at the Columbia-Osaka Conference on Developments in the Japanese Economy and its Pacific Context, June.

[Google Scholar](#)

Sheard, P. 1992. "Japanese Corporate Finance and Behavior: Recent Developments and the Impact of Deregulation." *Japanese Financial Markets and the Role of the Yen*. C. McKenzie and M. Stutchbury, ed. Allen & Unwin, pp. 55-72.

[Google Scholar](#)

Shinkai, Y. 1987. "The Internationalization of Finance in Japan." *The Political Economy of Japan*, Vol. 2, The Changing International Context. T. Inoguchi and D. I. Okimoto, ed. Stanford University Press, pp. 249-274.

[Google Scholar](#)

SIMEX. 1994. SIMEX Market Update. *Singapore International Monetary Exchange*. February/June and March/April.

[Google Scholar](#)

Smitka, M. J. 1990. "Business-Business Relations: Auto Parts Sourcing in Japan." *Japan's Economic Challenge*. US Congress, Joint Economic Committee, October.

[Google Scholar](#)

Stone, D. and W. T. Ziemba. 1993. "Land and Stock Prices in Japan" *Journal of Economic Perspectives*. Vol. 7, Number 3. pp. 149-165.

[Article](#) [Google Scholar](#)

Uekusa, M. 1987. "Industrial Organization: The 1970s to the Present." *The Domestic Transformation*, Y. Murakami and H. T. Patrick, general editors. Stanford University Press, pp. 469-515.

[Google Scholar](#)

US Japan Business Council. 1993. "White Paper on Financial Services in the Japanese Market" American Chamber of Commerce in Japan.

[Google Scholar](#)

Vernon, R. 1966. "International Investment and International Trade in the Product Cycle." *Quarterly Journal of Economics* 80 (2), pp. 190-207 (May).

[Article](#) [Google Scholar](#)

Weinstein, D. and Yishay Y. 1994. “On the Costs of a Bank Centered Financial System: *Evidence* from the Changing Main Bank Relations in Japan.” Paper presented to Japan Economic Seminar. New York. September.

[Google Scholar](#)

Yasnamura, K. and S. Hanley, ed. 1992. *Land Issues in Japan: A Policy Failure?* Society for Japanese Studies, Seattle, Washington.

[Google Scholar](#)

Zielinski, R. and Nigel H. 1991. *Unequal Equities*. Kodansha International. New York.

[Google Scholar](#)

Author information

Authors and Affiliations

Graduate Program in International Relations Yale University, New Haven, CT, 06520, USA

William V. Rapp (Academic Director)

Editor information

Editors and Affiliations

John Carroll University, Cleveland, Ohio, USA

Raj Aggarwal (Mellen Chair and Professor of Business) (Mellen Chair and Professor of Business)

Rights and permissions

Copyright information

© 1999 Springer Science+Business Media New York

About this chapter

Cite this chapter

Rapp, W.V. (1999). Foreign Firms in Japan's Securities Industry in the 1980s and Post-Bubble Economy. In: Aggarwal, R. (eds) Restructuring Japanese Business for Growth. Springer, Boston, MA.
https://doi.org/10.1007/978-1-4615-4593-4_7

[.RIS↓](#) [.ENW↓](#) [.BIB↓](#)

DOI	Publisher Name	Print ISBN
https://doi.org/10.1007/978-1-4615-4593-4_7	Springer, Boston, MA	978-1-4613-7075-8
Online ISBN	eBook Packages	
978-1-4615-4593-4	Springer Book Archive	

Keywords

[Real Estate](#)

[Foreign Firm](#)

[Government Bond](#)

[Foreign Bank](#)

[Cash Market](#)

These keywords were added by machine and not by the authors. This process is experimental and the keywords may be updated as the learning algorithm improves.

Publish with us

[Policies and ethics](#) [↗](#)

Search

Search by keyword or author



Navigation

Find a journal

Publish with us

Track your research

