

# Bridgehead in Du Pont's World Strategy

By Toshiaki Momose

**D**u Pont Japan Ltd. was established on October 1, 1983 through the merger of the Japan Branch of "Du Pont Far East," founded in 1961, and "Du Pont (Japan)," established in 1973 to manufacture Du Pont products in Japan.

Du Pont Japan manufactures and markets in Japan the products developed by its parent headquartered in Wilmington, Delaware. The reorganization of Du Pont's Japan operations was significant for the change it marked in the company's Japan strategy.

Du Pont's activities in Japan have come alive in the 1980s. In January 1983, shortly before the establishment of Du Pont Japan, Du Pont-Sankyo Pharmaceutical Co. was established through a tie-up with Japan's second largest pharmaceutical company, Sankyo Co. This fifty-fifty venture gave Du Pont a bridgehead in the pharmaceutical business in Japan.



Jerald A. Blumberg, president of Du Pont Japan Ltd.

In 1984, three joint ventures established with Japanese companies during the 1960s were renamed to put "Du Pont" into their corporate names. Following the name change, all three began to step up their activities in Japan and embark on new business, such as the manufacture of Du Pont's Kevlar aramid fibers.

In March 1985, Du Pont-Idemitsu Co. was founded jointly with Idemitsu Petrochemical Co., to manufacture raw material for engineering plastic PBT (polybutyrene terephthalate resins) and urethane. In October 1985, Du Pont-MGC Co. was born of a tie-up with Mitsubishi Gas Chemical Co. to manufacture raw material for high heat resistant polyimide resin. And in November 1985, Du Pont agreed with Mitsubishi Rayon Co. to establish a new company to manufacture and market the building material "Du Pont Corian." This company is planned to start up in the first half of 1986.

## Du Pont's Formula for Japan

**Q:** *It is six months since you came to Japan. What is your impression of Du Pont's operations here? And did you come with a different mission from your predecessor, Mr. Robert Sievers?*

**President Jerald A. Blumberg:** Just in the time since I've come to Japan, big changes have taken place, such as the flaring up of trade tensions, the appreciation of the yen against the dollar, and resultant changes in worldwide competition. But Du Pont Japan's mission and

mine have not changed at all. My mission is to achieve growth as quickly as possible and to be a good competitor in Japan. We want within the next 10 years to at least treble or quadruple the scale of the Du Pont Japan Group, including joint ventures, by taking collaborative and appropriate actions in line with Du Pont's long-range global strategy.

**Q:** *Haven't the appreciation of the yen and subsequent changes in international economic relations hurt Du Pont products in Japan?*

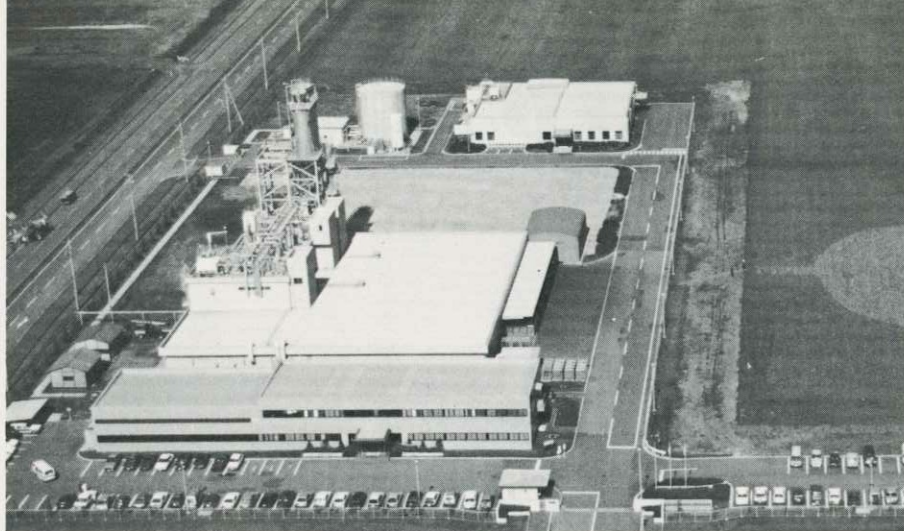
**Blumberg:** No. It's been a mixed blessing, but it doesn't alter our commitment to Japan.

As for where we produce, that's more a

market question than a currency question. For instance, if we have a new product to offer, and if it has to be manufactured here in Japan in order to satisfy Japanese users, we will do so.

In that case, we decide first whether Du Pont Japan itself will undertake the manufacture of the new product, or if a joint venture should be established. In the event beneficial synergetic effects can be expected through a partnership with a Japanese firm, we will establish a joint venture. That would be, for instance, when there was an appropriate Japanese business partner with the necessary manufacturing facilities so we would be able to keep down our investment.





Du Pont Japan's plant in Utsunomiya, immediately north of Tokyo

Few foreign companies have changed their corporate image in Japan so dramatically as has Du Pont. Through this flurry of activity, Du Pont's image went from that of a secretive, exclusionist company to one of an advanced high-tech enterprise. There seems no end to Du Pont's vigor in the Japanese market.

## Well-planned operations

Like America's Big Three automobile companies and IBM, Du Pont first got seriously interested in Japan in the late 1970s. Up until then, it had concen-

trated almost exclusively on Europe and Latin America.

Du Pont's Japan strategy today is based on a meticulously drafted long-range program drawn up in 1982 and covering up to 1990. This strategy is based on the following analysis of the situation in Japan: (1) The Japanese chemical industry lags in reorganization and overseas business, but (2) Japan excels in its ability to develop applied technologies, and (3) Japanese users demand high quality and strict adherence to specifications from their suppliers.

Based on this analysis, Du Pont Japan

has achieved astonishing growth. Recording an average growth rate of 10-20% annually, sales reached ¥77 billion (\$385 million) in 1984. The company now has 864 employees, compared with only 460 in the two pre-merger companies. The combined sales of the Du Pont Japan Group, including joint ventures, totaled ¥160 billion (\$800 million) in 1985.

Not content with this success, Du Pont is pushing its Japan strategy more vigorously than ever. "Du Pont has so far invested a total of ¥70 billion in Japan, inclusive of investment in joint ventures," says Du Pont Japan President Jerald A. Blumberg. "In the next two years, we intend to invest more than ¥35 billion, half as much as our investment so far." Says a confident Blumberg: "Du Pont Japan will grow at least three or four times over in the next 10 years."

Du Pont has displayed consummate skill in establishing and managing joint ventures in Japan. It now has seven, the oldest of which is 25 years old. All are doing well, and another will join them shortly. Nor is that likely to be the end. As Yoshitaro Sonko, president of Du Pont-Toray Co., remarks: "A joint venture benefits from a mix of heterogeneous cultures—creativity and application, personal independence and group power. A joint

## Du Pont Joint Ventures

Company	Date established	Capitalization (¥ million)	Joint venture partner	Business
Showa Neoprene K.K.	Dec. 1960	2,340	Showa Denko K.K.	Manufactures and markets chloroprene rubber, and markets specialty rubber.
Du Pont-Mitsui Polychemical Co., Ltd.	Dec. 1960	6,480	Mitsui Petrochemical Industries Ltd.	Manufactures and markets ionomer resins and specialty resins.
Du Pont-Mitsui Fluorochemical Co., Ltd.	Apr. 1963	2,880	Mitsui Petrochemical Industries Ltd.	Manufactures and markets fluorocarbon resin and fluorocarbon gas.
Du Pont-Toray Co., Ltd.	June 1964	3,210	Toray Industries, Inc.	Manufactures and markets spandex fibers and polyester elastomers, and markets polyimide film and aramid fibers "Kevlar."
Du Pont-Sankyo Pharmaceutical Co., Ltd.	Jan. 1983	50	Sankyo Co. Ltd.	Develops, imports, manufactures and markets pharmaceuticals.
Du Pont-Idemitsu Co., Ltd.	Mar. 1985	500	Idemitsu Petrochemical Co., Ltd.	Manufactures and markets 1,4-butanediol.
Du Pont-MGC Co., Ltd.	Oct. 1985	50	Mitsubishi Gas Chemical Co., Inc.	Manufactures and markets dry pyromellitic dianhydride (PMDA).
Du Pont-MRC Co., Ltd.	2nd quarter of 1986 planned	1,000	Mitsubishi Rayon Co., Ltd.	Manufactures, markets, exports and imports the building material "Du Pont Corian."

**Q:** *Du Pont's superb technology and its ability to make good products have been instrumental in producing good results. Yet even with such factors in your favor, it cannot be easy to sustain such stable relations in all your fifty-fifty joint ventures. What is the secret?*

**Blumberg:** Our relationships. We form strong relationships with our partners and each brings something to the joint venture: Du Pont provides technology and furnishes information about the world market. Du Pont always freshens up its technology and leads joint ventures toward business expansion. Joint venture partners, on the other hand, furnish personnel, land, plant and equipment, and

conduct vigorous sales activities in the Japanese market. Senior management people of Du Pont Japan sit on the board of directors of the joint ventures and keep tabs on their business.

As you know, it is just 25 years since Du Pont established its first joint venture in Japan, Showa Neoprene K.K.

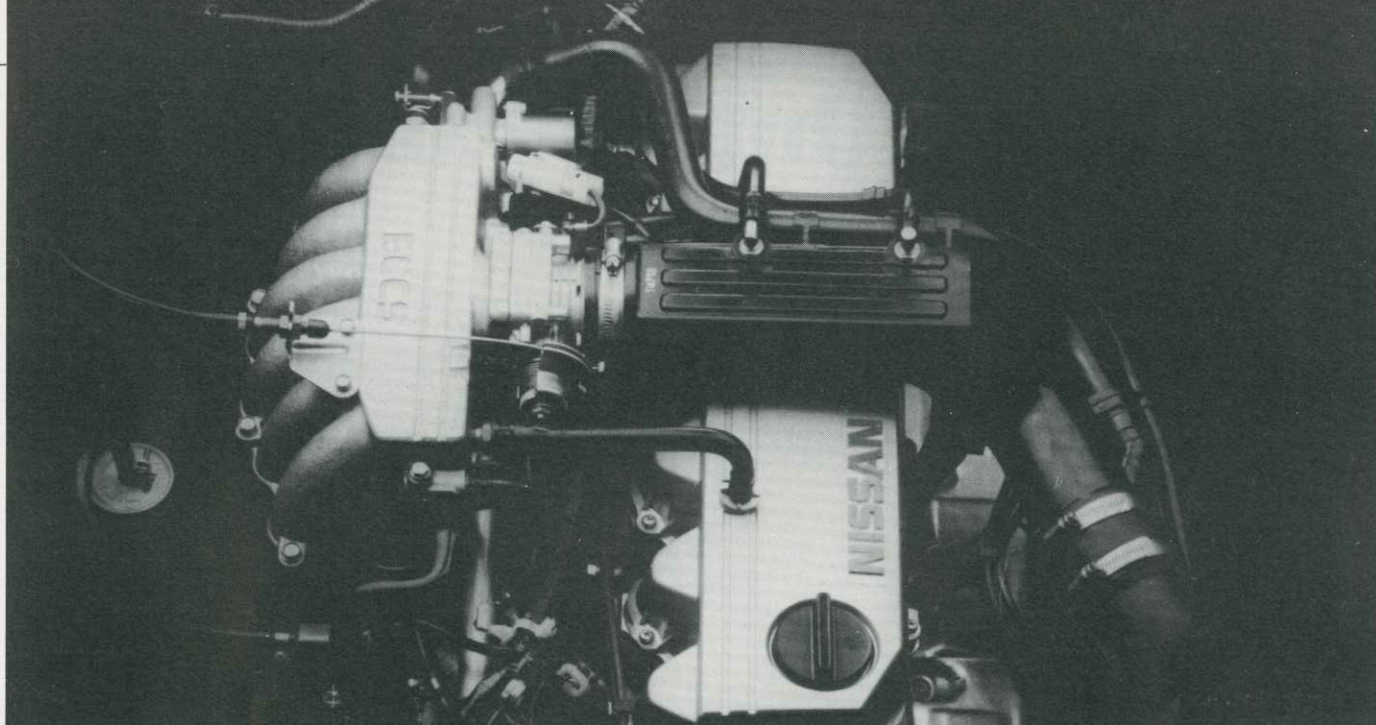
In the years since, the number of our joint ventures in Japan has increased, and one of the important tasks of Du Pont Japan is to maintain good relations with Japanese partners. We can say that Du Pont is a very Japanese-style company, particularly in the sense that it puts great importance on lasting relationships. I as well as all the staff of Du Pont Japan

spend considerable time and effort working to sustain good lasting relations with our Japanese business partners. We try to maintain close relations with the top management of our joint venture partners. We also ask top management people from Wilmington to participate in our activities for maintaining these relations. I knew before I came to Japan that human relations are very important here.

**Q:** *Japan's economic environment itself is gradually changing, and corporate takeovers, once shunned, are likely to be more frequent in the future. Is there any possibility of Du Pont taking over Japanese chemical or pharmaceutical companies?*

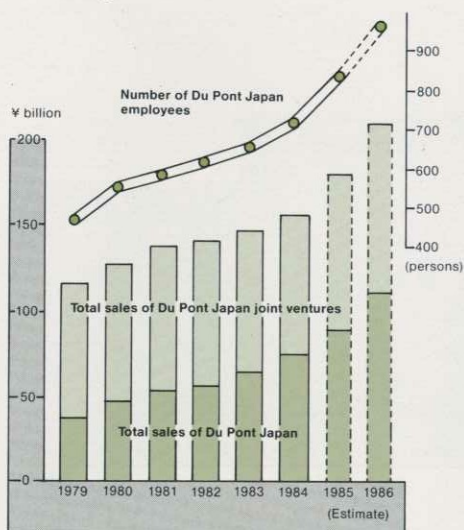
**Blumberg:** We would like to purchase





Du Pont products at work, under the hood. Its "zytel"-made locker-cover reduces the weight of the 6-cylinder engine, improving performance.

## Sales Growth of Du Pont Japan and Its Joint Ventures



venture is a hybrid company which possesses the strong points of both cultures."

The Japanese market is not the sole target of Du Pont's advance into Japan. Ultimately it hopes to develop products in Japan that can help promote its world marketing strategy.

Impressive as Du Pont's accomplishments have been, top executives at Japanese chemical companies are confident of their ability to hold their own. Seiji Suzuki, president of Mitsubishi Chemical Industries Co. points to the difficulties of doing business in Japan. "Japan is a market of users who are severe in their demands for excellence," he says. Seconds Shoji Morimoto, vice-president of Sumitomo Chemical Co.: "The Japanese market is delicate beyond description."

Du Pont, however, seems to think the delicate and difficult nature of the

market suit it just fine. Says Blumberg: "The technical level of Japan's high-tech industries, such as electronics and automobiles, is extremely high, and these industries have tremendous influence in the world. If our position in Japan is strong, it will be a good opportunity not only to sell our products but also to learn many things."

If a product is accepted in Japan, the thinking goes, it will be accepted anywhere in the world. The Japanese market is an ideal place for Du Pont to test the fruits of its research and development, on which it now spends more than \$1 billion annually. The market that Du Pont has its eyes on is not Japan but the entire world. But so long as Du Pont Japan does its part in this grand design, it will continue to be the flagship of Du Pont's fleet of joint ventures in the Pacific. ●

Japanese firms if it would result in a favorable relationship—a marriage of sorts. I can say for sure that we will not make hostile takeovers.

**Q:** Is Du Pont's head company interested in having its stock listed on the Tokyo Stock Exchange (TSE)?

**Blumberg:** I have been considering the advisability of that ever since I assumed my post here. Because we maintain good relations with Japanese banks, we need not go to the capital market in order to raise money. I think, however, that listing Du Pont's stock on the TSE would be helpful in enhancing the company's corporate image in Japan and in securing personnel. A decision on this issue will be

made sometime before the end of the current quarter.

**Q:** What is Du Pont's view of the Japan-U.S. trade issue and economic relations?

**Blumberg:** We think that economic and other relations between Japan and the U.S. are most important and will continue to be so in the future.

We applaud the Japanese government's efforts to open up the Japanese market for more active free trade. Apart from whether it is correct or not, I can say that most Americans feel that the Japanese market is closed. The Japanese government's efforts to remove this impression will be recognized as an affirmative stance and will help to improve Japan-

U.S. relations.

As far as Du Pont's business is concerned, we think that what some people call "non-tariff barriers" are just differences in culture, behavioral patterns and business practices. We are determined to work, like Japanese companies, to satisfy the needs of our customers in the four areas of quality, price, service and relationships. By doing so, we will become a topflight Japanese corporation.

Competition in the Japanese market is far more intense than in the American market. Our target is to become completely competitive with any company in Japan by making ongoing efforts to improve ourselves in these four areas. ●