

Title: Understanding Japanese International Business: A Literature Review

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Abstract

This study explores the patterns and strategies of Japanese Foreign Direct Investment (FDI) by conducting a comprehensive review of 177 studies that leverage TK Data, published by Toyo Keizai Shimposha. The TK Data provides subsidiary-level information on over 33,000 Japanese firms operating across 140 countries, offering a substantial basis for analyzing FDI trends. The primary objective of this research is to identify the key drivers and performance indicators of Japanese FDI and to illuminate how these factors influence Japanese firms' investment decisions across various regions and industries.

Through an extensive analysis of studies published between 1994 and 2021 in leading journals such as Strategic Management Journal, Academy of Management Journal, Journal of International Business Studies, and Organization Science, we identified nine key categories, including FDI patterns, performance, survival, subsidiary structure, staffing strategy, location choice, internationalization, FDI impact on domestic welfare, and methodology. This presentation concentrates on five critical topics: FDI patterns, performance, survival, staffing strategy, and location choice.

The findings reveal that Japanese multinational enterprises (MNEs) achieve FDI performance through various determinants such as business diversification, geographical expansion, entry modes, equity ownership structures, and network characteristics. These elements, combined with staffing strategies, play a crucial role in shaping the overall success of Japanese FDI initiatives. The study also highlights the survival of international joint ventures (IJVs) as a key consideration, influenced by internal and external factors including parent and subsidiary-specific characteristics, market entry strategies, institutional environments, and external risks like political instability and economic crises.

Moreover, the complexity of staffing strategies within foreign subsidiaries is evident, where the choice between employing expatriates or local managers is determined by host-country characteristics, cultural alignment, and local expertise. Similarly, Japanese firms' location decisions are driven by a range of factors including political and economic risks, institutional distances, tax competition, and cultural considerations, reflecting a strategic and cautious approach to site selection in volatile environments.

This review offers valuable insights into International business strategies by emphasizing the influence of cultural and institutional contexts on Japanese firms' decision-making. The findings illustrate how Japanese firms prioritize long-term partnerships, cautious internationalization, and strategic joint ventures to mitigate risks while expanding abroad. Looking forward, evolving global challenges such as sustainability, digital transformation, and shifting geopolitical dynamics will continue to shape the future of FDI strategies.