Sometimes, and perhaps even often, alliances undergo surprising evolutions. What happened to Fuji–Xerox is a perfect illustration. Its story comes as an impressive sequence of events where successes, frustrations, and strategic shifts follow one another to form a real saga in modern business history.

As early as 1958, the management of Fuji Film declared its interest in the xerographic technology owned by the then mighty Xerox. The U.S. company rejected a simple license agreement and offered instead to set up an alliance to produce and distribute Xerox products licensed in Japan with Fuji Film. In doing so, they wanted to exploit their business model (based on the famous rental principle), which had succeeded so well in its home market. In 1962, a joint corporation was formed between Fuji Film and Rank Xerox (the subsidiary of Xerox in charge of European and Asian markets) to distribute photocopying equipment either produced in Japan or imported from Xerox. Hence, initially, Fuji–Xerox did not manufacture photocopiers or consumables (toners and papers). This activity was subcontracted to Fuji Film.¹

Quite soon, the management of Fuji Xerox, composed equally of executives from Xerox, Rank Xerox, and Fuji Film, realized that the alliance design was suffering, in their view, from some serious shortcomings. As it had been
designed, the joint venture was not really able to compete in its market: it had no control over manufacturing and quality and no freedom to adapt its product line. As a matter of fact, Fuji Xerox was not supposed to undertake any product development activity.

Yet, the photocopiers that had been developed by Xerox had been made in the USA for the U.S. office environment, and they did not quite suit the peculiarities of the Japanese market. For instance, the paper format used there was different, and Japanese clerks were often shorter in size compared with their U.S. colleagues and were usually found stepping on a box to operate the photocopier.²

A few years after its founding, Fuji Xerox started to negotiate with its parent companies, Xerox and Fuji Film, to be allowed to develop its own products and to assume responsibility for their manufacturing. These discussions were rather tense and caused major concerns at Xerox’s Rochester headquarters. A first prototype, adapted from Xerox’s 813 desktop photocopier, was presented in 1970. It was a lighter, more compact appliance that was better suited to the characteristics of Japanese offices. In 1971, the joint venture acquired the Takemastu plant from Fuji Film for production of toner and drums and the Iwatsuki plant for photocopier assembly. Fuji Xerox also opened its own plant in Ebina, south of Tokyo.

This move added to the worries of Xerox executives: this was not what they had imagined. They did not appreciate their “daughter” company’s sudden urge for independence. Fuji Film, on the other hand, was not opposed to seeing the joint subsidiary develop its capabilities in a market that seemed promising.³

Gradually, Xerox’s top executives realized that the joint venture’s management had a good understanding of the market and had grown sufficient internal competencies to address its local market better. This was proven with the launch of