

Japan Business Culture

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“To be part of the Asian dynamism, Westerners do not need to become Asians in culture, in values or in habits... but it is necessary for Westerners to understand Asians, to feel at ease with Asians and to make Asians feel at ease with them.”

Lee Kuan Yew
Former Prime Minister, Singapore

Asia Facts

- Asia accounts for more than half of global population growth
- Asians are young
 - Of the 3.3 billion Asians, 1.8 billion (55%) are under 25, compared with 36% of Americans.

Asia Economic Statistics

	GDP (PPP)	Per capita GDP (PPP)	Real GDP Growth Rate
China	\$11.44 trillion	\$8,500	9.2%
Hong Kong	\$355.6 billion	\$49,800	5.0%
India	\$4.515 trillion	\$3,700	7.2%
Indonesia	\$1.139 trillion	\$4,700	6.5%
Japan	\$4.497 trillion	\$35,200	-0.7%
Korea	\$1.574 trillion	\$32,100	3.6%
Malaysia	\$453 billion	\$15,800	5.1%
Philippines	\$395.4 billion	\$4,100	3.7%
Singapore	\$318.9 billion	\$60,500	4.9%
Taiwan	\$887.3 billion	\$38,200	4.0%
Thailand	\$609.8 billion	\$9,500	0.1%
Vietnam	\$303.8 billion	\$3,400	5.9%

Asia Demographic Statistics

	Population	Population Growth Rate	Life Expectancy at Birth
China	1,343,239,923	0.481%	75
Hong Kong	7,153,519	0.421%	82
India	1,205,073,612	1.312%	67
Indonesia	248,216,193	1.040%	72
Japan	127,368,088	-0.077%	84
Korea	48,860,500	0.204%	79
Malaysia	29,179,952	1.542%	74
Philippines	103,775,022	1.873%	72
Singapore	5,353,494	1.993%	84
Taiwan	23,113,901	0.171%	78
Thailand	67,091,089	0.543%	74
Vietnam	91,519,289	1.054%	72

Asian Ethnic Diversity

- Japan and Korea: very homogenous; small minority populations
- China: 92% Han, Over 50 National Minority Groups for other 8%
- Singapore: 77% Chinese, 14% Malay, 8% Indian
- Malaysia: 50% Malay, 24% Chinese, 7% Indian
- Indonesia: 40% Javanese, over 300 ethnic groups for other 60%
- Thailand: Majority Thai, 14% Chinese
- Philippines: Very diverse population in terms of language, religion and ancestry
 - Tagalog 28%, Cebuano 13%, Ilocano 9%, Bisaya/Binisaya 8%, Hiligaynon Illonggo 8%
- Vietnam: over 50 ethnic groups
 - Almost 90% Vietnamese
 - Chinese (Hoa) around 1%
- India: 3 major groups
 - 72% Indo-Aryan, 25% Dravidian, 3% Mongoloid and other

Religious Diversity of Asia

- ❑ China: Taoist, Buddhist (officially Atheist)
- ❑ Korea: 30% Christian, 23% Buddhist
- ❑ Japan: 85% Shinto and Buddhist
- ❑ Malaysia: Muslim, Hindu, Buddhist
- ❑ Singapore: 43% Buddhist, 15% Muslim
- ❑ Indonesia: 89% Muslim, 7% Christian
- ❑ Philippines: 82% Catholic, some Muslims
- ❑ Vietnam: 81% Atheist, 10% Buddhist, 7% Catholic
- ❑ Thailand: 95% Buddhist, some Muslims
- ❑ India: 80% Hindu, 13% Muslim

Positive Asian Perceptions of Americans

- Systematic
- Data-driven
- Free
- Creative
- Humorous
- Speak up
- Task-oriented
- Fair
- Individualistic
- Open-minded
- Follow the rules
- Kind
- Generous
- Confident
- Energetic
- Team players
- Egalitarian
- Independent

Negative Asian Perceptions of Americans

- Demanding
- Bullying
- Arrogant
- Aggressive
- No action, talk only
- World police
- Prejudiced
- Self-righteous
- Selfish
- Overly laid-back
- Legalistic
- Argumentative
- Domineering
- Culturally ignorant
- Know-it-all
- Selective listening
- Overcharging
- Inflexible
- Insincere
- Overconfident

U.S. vs. Asian Cultural Tendencies

U.S.

Role is important
Egalitarianism
Individualistic
Task completion is most important
Take problems head-on
Family/time-oriented

Asia

Status is important
Authoritarianism
Focus on the group
Relationship-building is most important
Avoid conflict
Family/money-oriented

Japan - Basic Facts



Area: 145,883 sq mi

Population: 127,368,088

Language: Japanese

Religions: Buddhism,
Shinto, Christianity

Economy

- Gross Domestic Product (adjusted for purchasing power): \$4.5 trillion (3rd in the world)
- Per capita GDP (PPP): \$35,2000 (22nd in world)
- Unemployment rate: 4.6%
- Annual GDP growth: -0.7%
- GDP composition:
 - Agriculture 1.2%
 - Industry 27.3%
 - Services 71.6%

Characteristics of Japanese Economy

- ❑ Large conglomerates with many businesses (*keiretsu*).
- ❑ Heavy government regulation.
- ❑ High prices.
- ❑ Almost all energy imported.
- ❑ Tradition of lifetime employment for many white-collar and blue-collar workers.

Japan Today

- ❑ Lifetime employment and seniority pay dwindling.
- ❑ New generation more individualist, unconventional.
- ❑ Population aging rapidly, demographic crisis.
- ❑ Absolute pacifism over: Japan had troops in Iraq.
- ❑ China boom bolstering Japanese recovery.

Japanese Culture



Preface

- Obviously, there will be exceptions to the common Japanese norms.
- The degree of Westernization is variable and the same person may act differently depending on the situation.
- Japanese very much appreciate it when foreigners understand their culture, history, etc.
- Japanese also expect that many foreigners will not understand their culture, so a cultural mistake is usually not a disaster.

Group Consciousness

- Japanese perceive themselves as part of a group that they have duties to.
- Crucial to preserve harmony (*wa*) within this group.
 - In order to do so...

Social Truth

- Strong desire to keep up appearances, hide embarrassing facts.
 - *Honne* and *tatemae*: private face vs. public face, form vs. substance.
- Many people try to preserve *tatemae* by avoiding uncomfortable statements.
 - Difficulty saying “no” directly.
 - As a result of this...

Indirect Communication

- Saying things indirectly is a habit for Japanese.
- Important to look at implications of words, tone of voice, facial expressions, etc.

Gratitude and Obligation

- *Giri*: the obligation you owe someone just because of their position – company, employer, customer.
- *On*: the feeling of gratitude when someone does you a great favor.
 - The greatest *on* is to your parents.
 - You can develop this tie with Japanese over time.

Hierarchy and Seniority

- Authority strongly respected.
- Authority comes with age.
- Even a year or two of seniority makes a difference in friendships, families, workplaces.
- Japanese language has built-in ways to show respect and humility.

Education

- Education highly valued.
- What college you go to is closely connected to what kinds of jobs you will be eligible for.
- Cliques based on former colleges often develop in workplace.

Government

- Working for the national government considered one of the most elite careers possible.
- Government officials highly respected in Japanese society.

Japanese Business





I. Characteristics of Japanese Companies

A. Long-term thinking

- Aim for market share over short-term profits.
- Willing to borrow.
- Willing to spend months or years making a decision.

B. Tightly-knit, hierarchical

- Lifetime employment dwindling, but employment still usually long-term, identification with company remains.
- Formerly, automatic promotions and pay raises came with increasing seniority.
- Bonuses cement group feeling.
 - Bonuses, traditionally 1-3 months' salary, given in June and December, and based on total company performance.

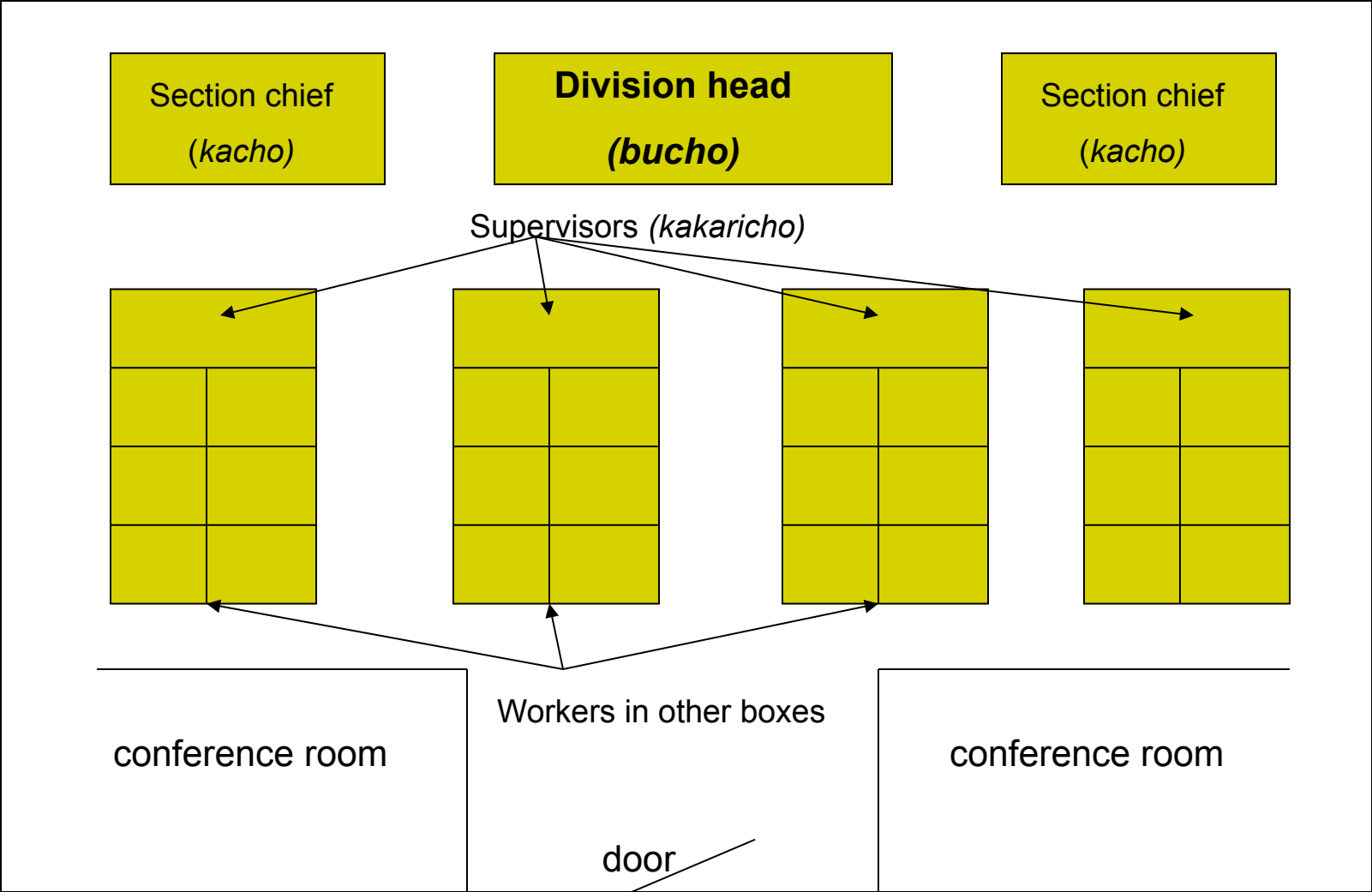
C. Seeking perfection

- “Zero defect” policy at many manufacturers.
- Many other modern quality concepts, e.g., continuous improvement (*kaizen*) and just-in-time (*kanban*), are taken from Japan.

D. Social

- Policy of encouraging communication.
- Open-office plan is traditional.
- The office often goes out to eat and drink together.

A typical Japanese office



E. Mediation over lawsuits

- Japanese culture values harmony over public airing of disputes.
- Court system difficult to use.
- Therefore, Japanese companies try to avoid lawsuits in favor of informal resolution.
- Trust important in business relationships.
 - Contracts specific, but can also be vague in places.

F. Competitive

- During period of high-speed growth there was competitive spirit but there was still room for everyone to do well.
- Now with slower economy, competition between companies is really brutal.
- Competition in Japan for everything; normally more competitive than U.S.

G. Training mindset

- Intensive training of employees from bosses (on the job training).
- Rotation through different positions.
- Long wait for responsibility.

II. Getting to a meeting

A. Making contact

- Best to make contact through an introducer.
 - Introducer must be compensated in some way.
- Do not initiate contact cold.
- After contact is made, the introducer can play the key role of intermediary.

B. The run-up

- Mail, email, or phone can exchange some information, but Japanese will need to meet in person before anything important can start.
- A one-on-one meeting will not produce any results.
- “Trial” transaction.

C. Who to send

- Important to send a senior member of the company to meet with Japanese.
- Good qualities for people going to meet with Japanese:
 - Patient
 - Sociable
 - Humble
 - Diplomatic
 - Good at controlling emotions

D. Preparation

- Japanese like to have lots of written materials to review in advance.
 - Detailed company and product information.
 - Press clippings / third party endorsements.
 - Samples.
 - Japanese translations.
 - Distribute packets to everyone in the meeting (even if they are not key players).
- Do copious research on the company so you can understand their situation and intelligently comment on it.
- If possible, become familiar with the background of the Japanese managers / officials you will meet.
- When you're done with these issues, you will be ready for a substantial meeting...

E. When Japanese visit you

- Have a welcome sign at your front desk the day they come.
- Put up conspicuous plaques, signs, etc. on walls highlighting corporate culture, devotion to quality, etc.
- Don't schedule "free days."

III. Greetings and introductions

A. Order of introductions

- Most senior person first, then down the hierarchical ladder.
- Make sure you know in advance what your order will be – especially if your company has a flattened organizational chart!

B. Bow vs. handshake

- Japanese bowing etiquette is complicated, but they don't hold Westerners to it.
- Usually Japanese will offer Westerners a handshake.
- Don't bow unless they initiate a bow.
- Standard bow is straight from waist, palms flat against thighs.
- Bow down to 30°-45° by default; lower for apologies and requests.

C. Business cards: Preparation

- Business cards are a key Japanese business ritual; use both hands, with words facing the receiver.
- Bring ten times as many as you normally would.
- If possible, create cards with Japanese on one side and English on the other. Make sure that the Japanese translation is accurate.
- What do you do with business cards?
 - If in a conference room, leave on table during discussion.
 - Use wallet or dedicated card holder, rather than keeping them loose.

C. Business cards: Exchange

- Hold out with both hands, holding the Japanese side (if available) up so they can read it.
- If they hold out their card at the same time, let go of the card with your left hand to accept theirs.
- Take time to carefully read the card.
 - Ask questions if you have any.
- Treat the card with respect: don't bend or tear it, don't write on it.

D. Forms of address

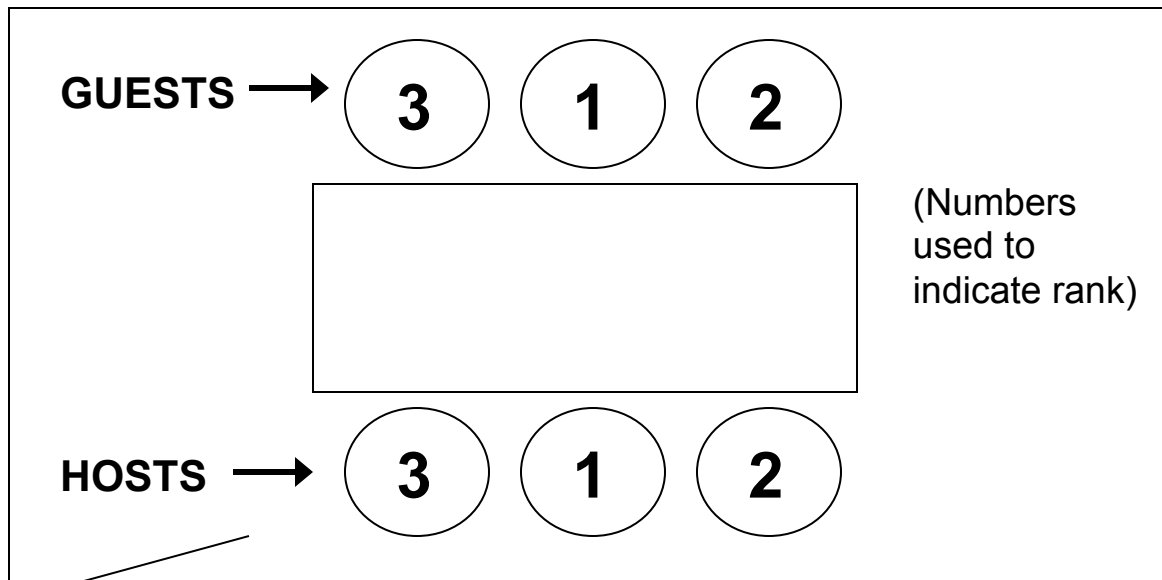
- Mostly Japanese refer to each other by family name plus “-san” (Mr./Mrs./Ms).
- You can choose to use “Mr./Mrs./Ms.” or “-san.”
- Don’t try to move to first names, even if they say it is okay.

E. Personal inquiry

- Japanese may ask many questions clarifying your job function, title, number of reports, your manager.
- This is to establish what your relative status is.
- In Japan, normally only people at the same level/rank talk to each other.

F. Seating arrangements

- 2 basic principles:
 - Guests face door, hosts face wall.
 - People facing each other should be of equivalent relative rank.
- Higher-ranking people usually sit in middle.



door

G. Gifts

- Usual for groups to exchange gifts.
 - At the first meeting, they can be small, inexpensive things, like pens or paperweights.
 - Enough for everybody.
- Personal gifts:
 - Only when there is a preexisting relationship.
 - Good gifts: designer-brand items, high-class foods.
- Receiving:
 - Normal for Japanese to deprecate the gift as they give it.
 - Receive with both hands.
 - If wrapped, ask before opening.
 - Record the gift and re-thank in later correspondence.

H. Interpreters

- Japanese people's spoken English is usually poor unless they have lived abroad.
- Have your own interpreter if at all possible.
- Interpreter should have background in your industry to properly translate technical terms.
- Normal for the interpreted Japanese version to sound longer than the English version.
- Watch the original speaker, not their interpreter.

I. Attire

- Conservative business wear: dark jackets, white shirts.
- Avoid flashiness.
- Do not take off jackets until Japanese do.

IV. Conducting negotiations

A. Differences in negotiating style

American	Japanese
Get right down to business.	Spend first meeting, or even first several meetings, getting to know one another and exchanging background information.
List key items and negotiate them one by one.	Work everything out as a whole, starting vaguely and gradually getting more detailed.
Make concessions early to “get this issue out of the way.”	Concessions mostly near the end.
Every concession should be balanced with something from the other side.	Concessions without repayment can be made to make other side “owe you one.”
Evaluation criteria: is the deal acceptable on its own?	Evaluation criteria: Will the deal begin a relationship beneficial in the long term?
Evaluation criteria: profit.	Evaluation criteria: market share, prestige, ability to keep employees, social “face.”

B. American negotiating tactics to avoid

- The “hard sell”
 - Be low-key and let the facts speak for themselves.
 - BAD: “We have the top product on the market.”
 - GOOD: “As you can see, our product has sales of \$20 million, whereas its closest competitor has sales of \$10 million.”
 - GOOD: “Our product is the only one on the market with features A, B, and C.”
- Reminder of competition
 - BAD: “There are plenty of other companies in Japan willing to work with us on better terms.”
 - GOOD: “We think a long-term relationship between our two companies would have great benefits for us both, but we need to start out on a mutually acceptable basis.”
- Direct accusation
 - BAD: “We expect better from you.”
 - GOOD: “We have accommodated your requests on previous issues (A, B, C) and expect some flexibility on your part as well.”

C. Scheduling

- If the Japanese put together a schedule for you, your days may be very packed.
 - Make sure there is at least time for private meetings on your own side.
- Accept any requests for an unscheduled meeting.

D. Differences in business requirements

- Japanese are used to the following:
 - Very strong after-sale service.
 - Longer terms of credit.
 - Customization.
 - Frequent deliveries.
 - Careful adaptation to Japanese market.

E. Defusing difficult situations

- If something embarrassing is said, or you have reached an impasse, consider the following techniques:
 - Asking for a drink.
 - Changing the subject.
 - Breaking for the day.
- If there is a problem that seems intractable:
 - Get help from an intermediary.

V. Body language and communication

A. Physical don'ts

- ❑ Don't finger-point, even at objects like charts.
- ❑ Don't slouch, sit very straight.
- ❑ Don't sneeze or blow your nose in front of others: leave the room or at least turn away.
- ❑ Don't make physical contact except for handshake – it makes Japanese uncomfortable.
- ❑ Avoid excessive eye contact, as Japanese do it less.

B. Reading body language

- Look out for the following signs of discomfort:
 - Smiling or laughter.
 - Rubbing or scratching the head or back of neck.
 - Sucking air through teeth.
- Closing eyes
 - Not rude.

C. Tips in conversing with Japanese

- Speak clearly and slowly, avoiding slang and idioms.
- Avoid bragging.
- When praising Japanese, direct praise to the group, not the person.
- Avoid jokes.

Tips in conversing with Japanese (cont.)

- Ask open-ended questions.
 - BAD: “Will we know your decision by the end of this month?”
 - GOOD: “What kind of timeframe should we expect for hearing your decision?”
- Take copious notes and refer to them.

D. Ways Japanese say “no”

- Japanese are usually indirect.
- Some phrases almost always mean “no”:
 - “That’s difficult.”
 - “We are not certain about this.”
- Some phrases may often mean “no” depending on context:
 - “We’ll need to study the issue further.”
 - “That is very interesting.”
- “Yes” as acknowledgement, not assent.

E. Ways to express disagreement

- Disagreements should be cushioned and not disparage the other side's position.
 - BAD: “We’re interested in X, not Y.”
 - GOOD: “What you have said on Y is certainly true, but X is also important from our point of view.”
- Complaints or criticisms should be indirect.
 - BAD: “Some shipments are coming in damaged!”
 - GOOD: “We understand that it can be difficult to pack things so that there’s no damage.”

VI. Dealing with Government

A. Quality

- Japanese government (especially MHLW and PMDA) wants citizens to have reliable, high-quality products.
- Officials worry that Japanese will be harmed through shoddy medical products, especially foreign medical products.

B. Consistency

- Make sure all documents are completely in order and consistent with one another.
- Tiny inconsistencies will put officials on alert.
- Make sure everything you say is backed up.
- Even if the Japan office is not involved, make sure they fully understand what you are doing.

VII. Socializing

A. Eating

- Japanese might not be sure what you'll like to eat.
 - It helps to give hints.
- Eat everything put in front of you.
- Slurping noodles is normal.

B. Drinking

- Don't pour for yourself, as everyone fills each other's glass.
- To politely decline drinking or stop for the night, say "Doctor stop."
- It is normal for Japanese to loosen up considerably when drinking.
 - Their actions may even seem childish.
 - By convention, embarrassing things said or done while drunk may be forgotten the next day.

C. Conversation

- Mostly, keep the conversation away from business.
- However, key information is often exchanged via social events.
 - Typically not from senior negotiator, but lower-level people speaking to your lower-level people.
 - May include issues that couldn't be brought up at the formal meeting in order to “save face.”

D. The tab

- The host conventionally pays.
- If you have been visiting Japan long enough, it might be appropriate to invite your host somewhere.



VIII. Japanese decision-making

A. Overview

- Japanese companies take a long time to make up their minds.
 - They want to be absolutely sure they are making the correct decision.
 - Large number of people must be involved and sign off.

B. The “*ringi*” system

- System for getting everyone’s understanding and “buy-in” of a business proposal.
- Step 1: The proposal informally discussed with various employees and managers.
- Step 2: If it seems to have enough support, the proposal is put in written form (*ringisho*) and circulated formally.
- Step 3: When it is acceptable to everyone (possibly after amendments), the various managers all put their seal of approval on the document.
- Cons: Takes a long time to decide things.
- Pro: Once the decision is made, it is implemented very quickly, and everyone understands their role in it exactly.

C. Informal consultation (*nemawashi*)

- Even where the *ringi* system is not used, it still reflects the Japanese way of decision-making: work quietly and informally to gain acceptance from everyone.
- *Nemawashi*: the informal consultation before submitting a proposal, or before other actions.
- Japanese meetings often don't have real debates as all/most issues have been worked out beforehand.
- When you offer an unexpected compromise, the negotiators must go through this process again to make sure the rest of the company is on board.

D. Ceremonies

- If it is an important decision, there will usually be some kind of ceremony marking the formal decision-making.
- Bring senior officials and participate fully in the ceremony.
- Large banquet.
- Speeches may be made.

IX. Keeping up the relationship

A. Keeping in touch

- Since concluding a deal means starting a relationship, Japanese expect your company to keep in touch.
 - Letters, holiday cards, etc.
 - If you took photos during the dealmaking process, you can make and send a photo album as a souvenir.
 - Meetings.
 - Both technical-level and high-level.
 - Seasonal gifts.

B. Building friendships

- Building friendships helps cement the relationship.
- Seasonal gifts.
- Birthday and anniversary cards or gifts.
- New Year's cards.
- These friendships will later become an excellent conduit for informal communication.

C. If the relationship turns sour

- Make sure you are apologizing enough by Japanese standards.
- Use an intermediary or other unofficial contacts to understand the problems better.
- If you must sever the relationship, make sure to give a “cover” reason that will allow them to save face.
- Never breach a contract – word will get around the Japanese industry quickly.

X. Women in Japan

- Women in Japanese companies usually in clerical jobs or jobs without many advancement prospects.
 - “Office lady.”
- However, Western women visiting Japan for business purposes are usually treated much better.
 - Some exceptions.
 - To be safe, make sure the authority, credentials, and experience of women in the group are clearly and fully laid out.
 - If your team is headed by a woman, everyone else should signal deference to her.
- When socializing, it is appropriate for women to drink less or call it a night earlier than the men.

“If rule number one in international negotiation is to know the culture of the other side, rule number two is to avoid over-reliance on that knowledge.”



- Jeswald Salacuse,
Making Global Deals



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