

Why More American Companies Do Not Benefit From the Japanese Market

By Robert C. Azar

Since the 1970's Japan's economy has consistently ranked as either the second or third largest in the world. Japan has been the stablest capitalist economy and democratic nation in Asia since the end of World War II. Its corporations are among the most innovative and successful businesses the global economy has ever seen. Its citizens are among the wealthiest in the world. Given all of these favorable conditions, why have more American companies not taken advantage of the lucrative opportunities that await them in Japan?

The answer lies in the fact that differences in culture and, as a result, business practices present huge hurdles for foreign companies. Major differences include the great importance given to relationships, the long-term perspective business is conducted with, Japan's very unique ways of communication, and the competitiveness of the Japanese market.

Importance of Relationships

Business in Japan is relationship focused. That means companies only engage in business with parties they have a relationship with. If they do not have an already existing relationship, then it is necessary to take the time to establish a meaningful one. Relationship building requires an investment of time, patience and effort – as does maintaining a relationship once established. Very few foreign companies have already existing relationships with companies in Japan and even fewer are aware of the relationship building process that is a hallmark in conducting business in Japan.

Negotiating

Negotiations in Japan are not simply designed for both sides to reach agreement on terms of business. Japanese take a much broader view of negotiating, seeing it as part of the process of establishing a favorable relationship. As a result, negotiating takes more time in Japan than in other countries. The slower pace of negotiating is often misunderstood by foreigners as weak interest on the part of Japanese executives. On the contrary, it is a sign that they are desirous of a long-term, mutually beneficial relationship.

Long-Term Perspective

Companies in Japan approach business with a long-term perspective and commitment. Whether it is business planning, manufacturing practices, distribution methods, sales techniques, or customer service, all facets of business in Japan are engaged in with a long-term perspective. Monthly or quarterly results do not drive business decisions or practices in Japan as they often do in the U.S. So if sales results are not as was originally

expected in the first few quarters – or even in the first few years – companies do not pull the plug on that project. All parties involved pursue the business for the long term. More often than not, foreign companies do not equip themselves with this long-term perspective and commitment needed to succeed in the Japanese market.

Communication

Communication in Japan is very different than in the West. It is intentionally vague and it is impolite to disagree or say “no”. So how, you may ask, can one conduct business with a Japanese concern if you cannot disagree or say “no”? Not to worry – the Japanese have more than twenty-six ways to say disagree or say “no”. The challenge for foreign companies is that these expressions include the word “yes”! You can see why literal translations do not lead to effective communication or correct understanding. As a result, it is imperative for American companies to not only have on their team their own translator, but also someone who can help them navigate the cultural landscape of business in Japan. However, rarely do they.

Competitive Market

Japan is one of the most competitive markets in the world. Think: zero defect rates in manufacturing, just-in-time inventory management, *kaizen* (continual improvement), total customer service, etc. Based these and other factors, the World Economic Forum ranked Japan’s business environment number one in the world for Business Sophistication in its “Global Competitiveness Report 2014-2015”. Doing business in Japan will demand a company be the very best it can be.

Conclusion

Better understanding the requirements of the world’s third largest economy and better preparing for them will enable more American companies to succeed in conducting business in Japan.