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Cover Story:

West meets East!

*Dealing with the Japanese
Investment Craze*

Asia's Trade Wars

Changing Times for Asian Trade

Malaysia

*Quest for
Economic Might*



Ikuko Atsumi &
Developer
John Forger



CIRCULATION TO BUSINESS LEADERS IN LOCAL COMMUNITIES

West Meets East...



Ikuko Atsumi, president of New England Japanese Center.

The situation is becoming all too familiar.

An American businessman meets with a potential Japanese client. They have what the American considers a successful meeting. He thinks a preliminary agreement is close at hand, when the two part company. But then there is only silence from the Japanese client, and eventually the businessman hears that that firm has made an arrangement with a different American company.

This usually leads to a great deal of hand-wringing on the part of the American firm, but no clear understanding of what happened.

There are ways a company can avoid many of the inevitable misunderstandings and pitfalls in attempting to conclude a successful business arrangement with a Japanese-based firm. One of the most important, said Ikuko Atsumi, president of the New England Japanese Center, in Framingham, Mass. is to have some basic understanding of Japanese business philosophy and protocol.

To help executives learn the do's and don'ts of dealing with the Japanese, the center has developed a series of seminars.

"Those who attend the seminars mainly do so to avoid making mistakes that could cost them time and money," she explained.

Up until a few years ago there was little interest in mastering the best ways of handling Japanese clients. But as competition increased and the Japanese had more and more money to invest, more Americans became interested in getting a piece of the action.

The ways of doing business as well as the

Doing Business the Japanese Way

At the New England Japanese Center in Framingham, Mass., Americans are schooled in the fine art of Japanese business philosophy.

By Linda Sussman

culture from which these business practices were derived are very different in the two societies, Atsumi said. It is knowing these fundamental differences in how and why business is conducted that can make the critical difference between success and failure in a business relationship. The differences go much deeper than traditional language barriers, Atsumi explained. "They have different value systems."

John Forger, president of Old Forge Realty in Boston attended a recent seminar sponsored by the center at the World Trade Center, just before he was to meet with representatives of a Japanese firm interested in purchasing real estate. "They were really surprised and pleased with our knowledge. It made a tremendously positive impression on them," he said.

The Japanese look beyond the merits of a particular one shot deal. They believe in developing long term relationships with mutuality as a key, Atsumi said at the seminar geared for area real estate people.

Thinking long term is an important part of the Japanese business culture, especially when dealing in property, she said. Land rarely changes hands and is in extremely short supply in Japan, where a short term capital gain is when property is held for under 10 years.

Most Japanese companies don't worry about next month's bottom line, they think and act on what they consider long term interests, said David Magidson, senior consultant for the New England Japanese Center.

"Zaibatsu" or industrial and financial conglomerates have dominated the Japanese economic community since the country first began trading with the West.

Powerful family monopolies were broken up by the U.S. occupation authorities after World War II. However, they have reorganized into corporate groupings informally centered around core

Japanese holding companies. Banks, insurance companies, real estate subsidiaries and manufacturing companies are vertically integrated and loosely tied together by founding capital and a loyalty network that can overlap in specific industrial or marketing categories.

These conglomerates often are intensely competitive as well as cooperative in their business dealings. Although many U.S. businessmen may find such a concept impossible to reconcile, the Japanese have no problems with such jumps of logic, Atsumi said.

"They have a strong herd type mentality," Atsumi explained referring to business decisions of various Japanese companies. The move by the Japanese into the United States real estate market is an example of that herd instinct, she pointed out.

After foreign investment regulations were liberalized in Japan in 1980, the Japanese began moving into real estate first in California and New York. In the last two years, a secondary phase of real estate purchases has been undertaken in Boston, Atlanta, and Washington, D.C.

The first major moves into American real estate came as a big shock on both sides of the Pacific. When Shuwa Realty spent \$650 million to purchase Arco Plaza in Los Angeles, and within a month also paid \$175 million for the ABC Building in New York City last year, it made American real estate interests look with new eyes at Japan.

The Japanese were also surprised, Atsumi noted, because Shuwa was not among the major Japanese real estate companies. But once they saw what Shuwa had done, others quickly jumped on the bandwagon and came to the United States in search of real estate.

Before any developer or real estate agent starts dangling attractive investment opportunities before potential Japanese clients several preliminary steps should be under-

taken, Atsumi said. The first is to try to develop a relationship with a Japanese individual or firm associated with the Zaibatsu.

In fact, in the Japanese way of doing business it is considered good strategy, at times, to be under an obligation to a person, Magidson said. "A favorite Japanese quotation is 'he bought the bones of a dead horse.' To a Japanese it signifies an individual allowed himself to be cheated on purpose as a strategy decision."

This is just the opposite from the American business philosophy where if an American feels cheated, it is most likely to signify the end of the relationship.

Japanese society is based to a great measure on compromises, and an obligation is like a plus on the balance sheet. The concept, "I compromised last time, therefore the other party must compromise this time," is an integral part of their philosophy, Magidson said.

Formality is the framework in which all Japanese life and business is conducted, Magidson said.

"The Japanese can't do things freely until and unless the framework is set up," he said. The formal introduction and business card are the cornerstones upon which business relationships are built.

A formal letter of introduction, from the intermediary should be sent to or presented at the initial meeting with a Japanese. "The introduction is almost almighty," Atsumi said. "It can be very important who introduces you. The third party plays an important role, especially if he is a highly respected individual."

Cold calls, direct mail or proposals from an individual or firm to which the Japanese have not been formally introduced will be politely accepted, but will have no effect.

"For the Japanese, form and content are one," Atsumi said. Americans are practical and want to go to the heart of the matter, but that doesn't work in dealing with the Japanese. They do not do things freely until the framework has been established.

There is an important ritual to follow in meeting a Japanese business representative for the first time. Although it may not be essential to follow the ritual, it is interesting to note the Japanese use the phrase, "He doesn't even know how to greet properly," as a way to denote incompetence, Magidson said.

At the seminar each participant learned and practiced the proper ritual of presenting their business card. When Ruxton Dellecese of Old Forge Realty presented his card in this manner the Japanese were totally surprised and it really made a difference in the kind of reception we received, Forger said.

It is important not to speak after the exchange of cards, but to take the time to silently read and study the card, Magidson said. The length of that silence represents to the Japanese a sign of the amount of respect one shows to the presenter.

Silence is very important in many aspects of Japanese life, Atsumi said. Americans consider silence to be emptiness that has to be filled with words. However, the Japanese consider it a fullness which contains everything and is something to be savored.

Upon receiving and studying the business card, it should not be quickly put out of sight, as is the usual American custom. Instead the Japanese like to keep the card out on the meeting table. It is also not considered good form to write anything on the card.

Once the introduction has been completed and the business cards exchanged a

channel has been set up and it is acceptable to ask that person for a favor. The introductions to others may begin at this time. "Always have your business card with you," Magidson said. "It is almost unbelievable what a business card can accomplish."

Once a relationship is begun it is important to maintain it with periodic greetings, even if nothing is accomplished in an initial round of negotiations. The Japanese look at individual relationships as a stick of bamboo. It continually grows and periodically lines are drawn between the growth spurts with special greetings.

It is very difficult to develop and maintain relationships with several, competing Japanese companies. The Japanese usually prefer to have an exclusive relationship.

"It is wise to try to find a company without strong U.S. ties to focus on because it is hard to break ties that have already been developed," Atsumi said. "Do research and set up targets depending on the size of your company." In this way, Americans can emphasize the areas of mutuality between the two organizations.

Once the two sides actually get down to talking business, it is necessary to keep in mind the differences in philosophy and in the decision-making process between the two cultures.

The criteria for making judgements and decisions in Japanese society are founded in three words: interpersonal, interdependent and intuitive, Atsumi explained. Americans, however, tend to view things in terms of the individual, independence and logic.

This means that the relationship and meshing between people and activities is more important than the individual for the Japanese, Atsumi said. They do not see



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things from the same black-or-white, yes-or-no perspective as Americans. "Black and white can overlap to make gray," she said.

There are several reasons why it seems to take so long for a Japanese company to reach a decision. But it is essential to remember that a decision has been reached, it is *irrevocable*.

One of the most important reasons is the interdependency of the individuals and the company. Every facet of existence--family, government and business--is organized with

one person at the top who supervises and provides total care in a paternalistic manner to the others within the organization. In return, those below on the hierarchy give total dedication and loyalty to those in authority. It is a mutuality based on morality rather than law, Atsumi explained.

With respect to business, this means that it is important for everyone to feel a part of the whole. Thus, most decisions are based on consensus and are expected to be in tune with the universe.

To help arrive at a consensus and because of their preference for concrete things, the

Japanese need lots of information. "They always want more information than you think they will want," Magidson said.

It is also important to give them time to dispense that information throughout the corporate hierarchy before a decision can be formulated and approved. This process can and does take much longer than most Americans consider usual.

"Plan on extra meetings," Magidson told the American executives at the seminar. "It will take at least one meeting more than you think it should."

To harmonize and show patience are signs of maturity. "To immediately say 'no' is considered childish. You can't know immediately if something is bad or good," Atsumi said regarding the Japanese attitude toward decision making.

Among the items to provide to Japanese representatives which can help them make a decision are concrete artifacts that are characteristic of the product being sold.

Finding out what is really important to the Japanese company and providing for that need is not always a simple matter, E. Alex Gregory, Jr. said. The international services director for the Myrick Co. of Norcross, Ga., Gregory has worked successfully with the Japanese since 1973 and was a guest speaker at the seminar. He cautions that the Japanese don't always express exactly what it is they want. A critical ingredient to success, however, can be establishing a one-on-one relationship with one of the representatives, even if that person is only a junior member of the corporate organization, Gregory said.

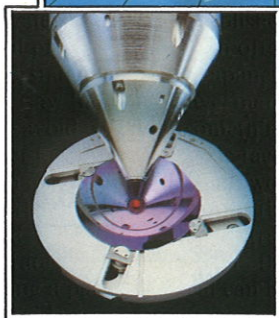
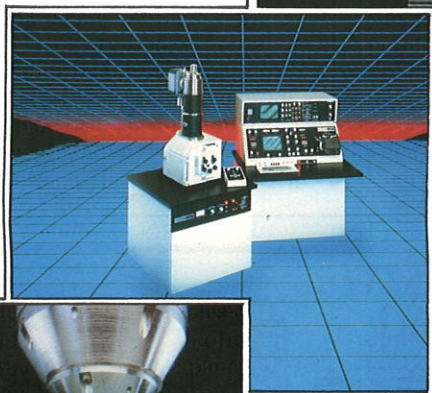
The need to harmonize and be a cog in the organization leads to a certain duality of personality in Japan. There is the public self or "tatemae" and the private self or "honne." Getting through the tatemae face of the negotiation or individual will lead to the real picture. The public persona is based on the facade of what one is expected to say or do.

Very little of substance is accomplished during any initial phase, and this can often lead to misunderstandings. The Japanese do not want to say 'no' and have many mechanisms to avoid turning something down so the other person will not lose face.

It is only when and if a person is allowed to get beyond the public facade to the "honne" behind that facade that a true idea of the strategy and goals of the Japanese regarding a particular deal can be gotten, Atsumi said.

"During the first few years, there was always an executive at the seminar asking, 'Why should I be like the Japanese?' Today they no longer ask that question. They just absorb and want to learn as much and as quickly as they can," Atsumi said. ■

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