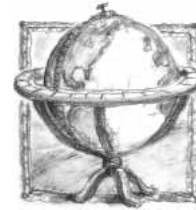


CONDUCTING COMPETITIVE INTELLIGENCE IN JAPAN: KEY CULTURAL DIFFERENCES

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For US-based companies, conducting business abroad is more difficult than at home for more than just logistical reasons. By definition, globalization requires us to interact with people in different regions of the world. For our business to survive and thrive, we must understand the uniqueness of each nationality we deal with. In other words, we must adapt. Global adaptation often requires us to change or modify our assumptions and actions to suit new or different conditions.

Conducting competitive intelligence research in the US differs significantly from conducting it in Eastern cultures. This column focuses on some key communication differences between the US and Japan.

Understanding the Japanese culture is essential to successfully compete in this region. To succeed in business in general (and in competitive intelligence in particular), we must understand the typical leadership decision-making process in the East. In Japan, building long-term relationships based on trust and communication styles is a crucial component in building a successful business

culture. To start understanding the communication differences between the US and Japan, we must first realize that what works in the US may not work (and may even have adverse consequences) in Japan.

But why should we care about these differences (see Sidebar 1)? Does it really matter if we don't properly adapt to other cultures? Won't they adapt to us? The answers are yes, it absolutely matters, and no, they won't adapt to us. Why should they, just because we are Americans? Is there anything that can be more disrespectful than not even at least trying to understand and adhere to the culture of others when doing business in their country?

CULTURAL OVERVIEW

Edward Hall, a cultural anthropologist, defined culture as "a way of life of a people, the sum of their learned behavior, patterns, attitudes and material things" (Hall 1959). Hall's primary message is that we must learn to understand the out-of-awareness aspects of communication and how much culture controls our lives.

On a countrywide level, the Japanese culture tends to avoid conflict. Hence, people rarely say no, especially in front of superiors, as it is more important to save or maintain face than to argue. Leaders make team decisions with decisions approved collectively by all parties affected, whereas in the US an executive can and often does make a decision with little or no input from others.

In Japan, personal relationships and friendships come before business. A considerable amount of time is invested in informal, entertainment settings. How many of us have spent as much (if not more) time enjoying sake with your Japanese partners than talking business? Personal relationships are the key to building trust throughout the Japanese culture.

Organizationally, my observations are that the Japanese culture has an incredibly strong emphasis on

SIDEBAR 1: WHY SHOULD WE CARE ABOUT CULTURAL DIFFERENCES?

- Gain understanding of and appreciation for various cultures.
- Improve business communications due to globalization.
- Minimize problems in interpreting what others mean.
- Make cultural adjustments to develop and maintain business partnerships.
- Avoid insulting someone or embarrassing yourself and reflecting poorly on your culture.
- Appreciate the history, traditions, and customs of others.
- Learn how to adapt the way we "play the game of work."

teamwork, quality, and hierarchy. Hierarchy is well-defined – for example, buyers are superior to sellers – and the hierarchical structure in relationships is one in which loyalty is expected.

Because the decision-making process is a shared responsibility, in both success and failure, Japanese companies tend to focus on the long-term aspects of decisions, not short-term outcomes. When conducting research on a Japanese company, US executives often don't fully understand why a Japanese company makes a particular decision, especially if it has a negative short-term outcome. In actuality the Japanese made that decision for its long-term benefit, which sometimes is an unfamiliar concept in the US.

As the Japanese business culture relies heavily on relationship building and trust, indirect communication is the norm, and information sharing is limited or even postponed until trust is established. This explains, in part, why conducting competitive intelligence in Japan is a challenge. We must take extra care to not undermine trust, whether with information sources, business partners or customers. For example, according to the Japanese External Trade Organization, inviting a lawyer to a negotiation, especially in the early stages, can damage trust and ruin the relationship before it even has a chance to begin (JETRO 1999).

HIGH-CONTEXT COMMUNICATION

Japan is a “high-context culture” – a term coined by Hall (1959). Its people share a long history of common values, backgrounds, and assumptions where it is not necessary to verbalize everything explicitly. In contrast, low-context communication cultures, such as the US, spell out more information explicitly.

In a high-context culture, most communication is indirect, with few words and meaningful silences. Authority figures are given a great deal of deference and receive an uncompromising level of respect; subordinates will not exhibit behavior or take action to embarrass superiors. Often little or no eye contact is made with an executive or other person in a superior position in the hierarchy.

Japan is a relationship-based culture (high context), unlike the rule-based, low-context culture in the US. Such low- and high-context communication styles take contrasting approaches to regulating behavior. According

to the JETRO (1999), in a low-context culture rules and signs tell people what they are not supposed to do. For example, in a low-context culture, signs say that no smoking is allowed in a certain area. In a high-context culture, no sign is necessary as individually correcting people is the normal procedure for regulating behavior.

Americans live in a world of rules and instructions and are lost without them; others live in a more social context. Relationship-based cultures are regulated through close supervision, and authority is respected. Thus in Japan we must meet individuals personally the first time in order to develop the context to understand later conversations with fewer cues provided. This also makes competitive intelligence research more challenging in Japan since face-to-face interviews are often required. In addition, it can take weeks to build up enough trust with a person to be able to meet them.

Japanese society is based on collectivism, where the group effort determines success or failure. According to McDaniel, group discussion achieves consensus through the confirmation of shared perspectives (2001).

In collectivity, a higher value is placed on group cooperation than on individual preferences. In contrast, Americans place a higher value on self-reliance, and self-promotion is acceptable. According to JETRO, in Japan, the groups someone affiliates with (family, school, company) are critical. People have a small number of close, lifelong friends who feel obligated to help however necessary. This contrasts with the US, where we may have a large collection of “friends” (e.g. Facebook), but they tend to be merely acquaintances who change over time with limited, if any, mutual obligations. Even LinkedIn networks tend to be associates or connections, rather than individuals who feel any duty to help.

In the Japanese collectivistic culture, all team members are involved in generating success or failure. Although this may make individual accountability harder to establish, it actually creates a stronger bond since it eliminates (or at least severely minimizes) the judgmental and blaming attitudes often evident in the US when something goes wrong.

In the US, it is acceptable to openly voice individual views and disagreement. But in Japan emotions, especially negative ones, are shared in private, indirect ways so no public confrontation or loss of face occurs. JETRO resources state that disagreeing too strongly may disrupt harmony and that the person who disagrees is considered immature and can lose credibility by speaking out

regardless of what the rest of the group thinks. A person would never challenge his or her manager or even senior executives in the company, unless the person publicly sharing a differing view wants to look ridiculous.

LEADERSHIP AND DECISION-MAKING FACTORS

The Japanese concept of *ringi* refers to a collective, holistic, harmonious decision-making process. In it a written document, often a proposed idea or action plan, is reviewed by all people who will be affected by the decision. The document is routed based on hierarchy, starting with lower-ranking team members. Reviewers can make minor changes and then put their personal seal on it (similar to when we sign documents in the US) to signify agreement. The entire proposal can be rejected at any time, but after all have provided their seal, it signifies to senior management that all agree with the decision. Even without a formal *ringi* system, this process is followed so that many are involved in a decision and hence feel they own it.

Prior to individuals signing a proposal, consensus-building takes place with informal face-to-face discussions. This *nemawashi* approach refers to the process of preparing roots of a plant or tree for transplanting, and protecting the roots from damage. Thus the *nemawashi* protects the decision-making process from damage such as disagreements or lack of commitment. This process can take significant time to complete, and even the Japanese involved in it can be frustrated by the time it takes to make decisions. Therefore, in conducting business with any Japanese company, it is important to be patient.

These decision-making processes also affect how research is conducted in Japan. If members of a team disagree on some aspect of the research or conclusions, that disagreement must be shared in private, never in front of the Japanese.

BUSINESS COMMUNICATION

In Japan, non-verbal communication is the norm. In Japan's high-context culture, it is not necessary to write everything down because mutual understandings have been created. In contracts, terms may be deliberately vague to leave room for adjustment. To ensure compliance in Japan, parties rely on pre-existing trust in the relationship and not so much on the legal system's processes.

An American views generating business as "making a deal." US contracts are marvels of thoroughness that specify and anticipate how any contingency would be

SIDEBAR 2: ADVICE TO IMPROVE COMMUNICATION BUSINESS IN JAPAN

- Anticipate a longer decision-making process.
- Be patient (don't push for a quick decision).
- Show commitment – follow up.
- Build relationships.
- Avoid conflict.
- Handle disagreements privately.
- Make contract terms succinct (expect different views about contracts).
- Pay attention to hierarchy.
- Meet one-on-one (in a social setting) when possible to find out *honno*.
- Japanese value silence, so don't always view this as negative.

handled, and once signed, have no flexibility in terms unless they are renegotiated. This is the low-context society in which we Americans live. In a Confucian culture, doing business is more about developing personal relationships. Japanese business people might create a contract to please their US business partner, but don't be surprised if they want to make changes soon after they sign it.

Japanese typically do not share much information initially, but they share more as the relationship builds. Rarely will the Japanese say "no"; instead, they may say, "we will consider it." And just because they say "yes," that doesn't necessarily mean yes. "Yes" mostly indicates that one understands or acknowledges a proposal.

According to JETRO, Japanese sometimes appear to say one thing and then do another because they withhold their personal opinion or true feelings (*honno*) in the public setting of a meeting, voicing only the official line (*tatema*). To learn a person's *honno*, the individuals involved must have a good relationship, and the setting must be appropriate – meetings are often not the place for *honno*. For suggestions on how to improve communications in Japan, see Sidebar 2.

EXCHANGING BUSINESS CARDS

Several years ago I attended an international conference and observed an American enter the open area where we were having lunch. He walked up to a table where five Japanese businessmen were sitting. He didn't ask if he could sit, and, more importantly, nobody at that

table introduced him to the group. He just sat down and literally started tossing his business cards across the table to each person. While this might be acceptable in the US, it is a huge gaffe in Japan. Only one person provided a business card in response, and when the American took it he just shoved it in his front pants pocket. There was no communication during lunch. Later a Japanese colleague said he heard the Japanese men who had been at the table say they were highly insulted and would never consider doing business with that individual or his company.

Because exchanging business cards often represents one of the first interactions, it is absolutely essential that the event be handled properly. If handled inappropriately, the Japanese may be insulted. Some tips for presenting and receiving business cards are listed in Sidebar 3.

CONDUCTING COMPETITIVE INTELLIGENCE IN JAPAN

When conducting competitive intelligence in Japan, understand that employees are very loyal to the company they work with. Researchers who are “out-of-group,” find it more difficult to capture unique insights until they are an “in-group” member. Also, many companies are large conglomerates of associated companies (*keiretsu*). Exercise caution when researching one company because word



can spread to other related companies that someone is probing for competitive information. In addition, many private and family-run businesses are extremely difficult to penetrate.

Aside from language barriers that many companies face when researching Japanese companies, even when information is captured the accuracy of the data may be questionable. As Blenkhorn and Fleisher point out, “sources and reliability of data and information also differ greatly as business is conducted away from one’s home country” (2005).

One of the biggest difficulties when conducting research in Japan is that it takes longer to acquire information than in the US. Here are some ways to approach conducting intelligence in Japan:

- Arrange interviews in advance and in person.
- Use proper etiquette.
- Avoid direct questions.
- Ask for clarification, as answers may not mean what the words suggest.
- Build a personal network over time (include local universities; use social settings and internal employees).
- When possible, use Japanese websites instead of English-language websites.

SIDEBAR 3: BUSINESS CARD ETIQUETTE

- When possible, present the card to the higher-ranking individuals first.
- The card is always received – and normally given – with both hands, held at the corners.
- Position the card so it faces the recipient, so the recipient can read it.
- If you are receiving a business card, read the card.
- Treat the card with respect – e.g., place it in your shirt pocket (next to your heart, but never in your pants pocket near money, as this is perceived as cheapening the relationship).
- Never bend the card or write on it.

- Understand personalities and past decisions of competitors' executives.
- Be persistent and patient.

See Sidebar 4 for scenarios of conducting primary research on a Japanese company.

CONCLUSION

Understanding some of the cultural differences between the US and Japan, being aware of Japan's decision-making process, learning about high-context versus low-context communication, and knowing the proper way to exchange business cards will create

SIDEBAR 4: PRIMARY RESEARCH SCENARIOS IN JAPAN

Here are some scenarios you might encounter when conducting primary research in Japan:

- You reach a source and expect direct answers to your direct questions. However, you are confused by the outcome. Explanation? Japanese tend to read between the lines and are less direct in their speech. To add another level of difficulty, they are generally less talkative and do not express negativity easily.
- You are corresponding with sources via email; however, the responses are terse and uninformative. Explanation? You may have violated the notion of "face," which involves showing respect, recognizing seniority, and demonstrating humility. Designations such as Mr. and Ms. should commonly be used. And signature signoffs with personal greetings help build *guanxi* (personal networks), thus increasing the likelihood of success of your primary research.
- One key in eliciting information is to ask indirect questions, particularly those that can be answered affirmatively, but have a negative meaning. This will allow the contact to answer a question without feeling that they need to circumvent it so as not to create an awkward situation. An example would be to praise the contact on a certain topic within the company. The contact is likely to downplay the praise and provide information on the topic.

improved relations with Japanese partners and customers. As intelligence professionals, we must manage the expectations of end users about some of these differences so they realize that conducting research in Japan is far more difficult and involved than in the US. It is essential to develop a specific project scope, discuss project feasibility, and set realistic deadlines, as it can often take twice as long to complete research as in the US.

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