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Entry strategies into the Japanese market through the use of human resource management

Takeshi Kanamori

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Entry Strategies into The Japanese Market
through The Use of Human Resource Management

by

Takeshi Kanamori

B.A., Nagasaki University (Nagasaki, Japan), 1979

A Professional Paper
Presented in Partial Fulfillment of the Requirements
for the Degree of
Master of Business Administration
UNIVERSITY OF MONTANA
1986

Approved by:

Aaron W. Anderson
Chairman, Board of Examiners

Dean, Graduate School
Date
March 19, 1986
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I. Introduction

In international business, Americans are often handicapped by an inability to deal effectively in cross-cultural relationships. Japanese corporations, on the other hand, make their businesses successful even in locally operated subsidiaries or plants in foreign countries through the use of their style of human resource management. Thus, the unsuccessful application of American business practice cannot be a reasonable excuse in international business. It is time for American business people to prepare for cross-cultural human resource management.

I would like to discuss methods of managing the Japanese because they are very different from American people in terms of how they think, and in their manners, and behaviors. If Americans could be able to manage the Japanese successfully, they will be able to expand their business into the other Asian nations such as China and India as well.

The expansion of business into Asia, especially to Japan, is a very positive approach to reducing the American trade deficit. Protectionism will not solve American trade problems such as non-tariff barriers in foreign countries
and the lack of competitiveness in the international market.

A basic study of the Japanese and Japanese management from the American point of view is currently very popular. Books such as *Theory Z*, by William G. Ouchi, and *The Art of Japanese Management*, by Richard Tanner Pascale and Anthony G. Athos, are representative of this popularity. Many American companies, such as Hewlett Packard, People Express, Lincoln Electric Company and IBM have already developed on their own concepts similar to those used in Japanese management. Because there is a great deal of difference between America and Japan in terms of working environments, it is impossible to apply all Japanese management techniques without any adjustments to American businesses. Thus, we can assume that the American people have already established one means by which to understand the Japanese worker and Japanese management but though this is not to enable them to manage them.

First, I shall discuss the trade problem. American business people must understand Japanese opinions about the trade problem in order to get along with the Japanese people. Protectionism is a negative way of solving the trade problem. A positive solution for the long run is to take an initiative in business with the Japanese people. The cultural background of the Japanese people must also be recognized. Understanding Japanese life from high school to
workplace is crucial, and education plays an important role in determining the individual’s career. Next I will examine the idea of trust among the Japanese. Friendship or partnership in business is obviously different in America from that which exists in Japan.

Finally, I will discuss the entry strategies into Japanese markets from the standpoint of language, Budo, and personnel management.

The American businessman may encounter many difficulties while he tries to manage the Japanese. This is because people tend to judge other people by their own cultural values. The Japanese people have different value systems and they behave differently, often oppositely, from Americans.

This paper is intended to be read by American business managers who work for companies employing at least one-thousand employees. The anecdotes and personal experiences described here would be very informative for the Japanese people, too. Therefore, when American business managers relate these stories, their Japanese business partners will be happy to hear them and surprised at their knowledge of Japan.
II. Controversy over the Trade Problem

The object of this chapter is to introduce to American business people the Japanese perspective regarding the trade problem. If American business people would demonstrate that they are willing to understand the trade problem from the Japanese perspective, the Japanese would feel that Americans have a broad sense of understanding from a different cultural perspective. Trust, therefore, which is very important in any business, could be developed between the American and Japanese peoples.

US. vs. Japan

The Japanese tend to think that they are the scapegoats of a trade imbalance that is primarily the fault of the U.S. American people may remember that the AFL-CIO, which now advocates imports quotas and other restrictive measures, was one of the major forces originally advocating free trade when it saw expanding world markets as an opportunity to increase job opportunities in the U.S. Both America and Japan began their international competition at about the same time in the 1960s. However, I believe America had more "comparative advantages" in those days. As a matter of fact, Japan's exports, although large in absolute amounts, constituted a surprisingly small share of
the country's GNP—about 11 percent. This was about the same ratio as that of the U.S. in 1980. This makes it difficult for the Japanese to accept complaints from America that complain of Japanese exporting strategies.

Meanwhile, we should not forget the reaction of the US industries to Japanese business expansion in the U.S. market, especially in the automobile industry. Although there are a lot of arguments for protectionism, big jumps in imports for Suzuki, Isuzu and Mitsubishi cars could be seen as good news for Chrysler and General Motors, Japan's U.S. partners. Chrysler says it can sell one-hundred thousand more Mitsubishi, and last year GM was allowed only sixty-seven thousand of the two-hundred thousand Suzukis and Isuzus it ordered. Japan may appear to be taking advantage of the free-trade policy in the U.S. while protecting its domestic automobile industry as well as other industries in Japan. However, in order to succeed in Japan, German producers such as Volkswagen and BMW have fulfilled many of the terms and conditions that their American counterparts have refused or failed to do. "I bought a new BMW," said a thirty-eight year-old dentist from Yokohama, "because it is compact, reliable and more comfortable than my former Japanese car." He did not even consider buying an American model: "They use too much gas, and the servicing, I understand, is very poor." Generally, the Japanese expect a city-car/town-car such as a Nova to run forty miles per
gallon in the city and fifty miles per gallon on the highway. In other words, the Japanese expect to enjoy at least the same capability in American cars as they have in Japanese automobiles.

Unfortunately, Japanese safety regulations, that all Japanese cars made in Japan must satisfy, provide major constraints for American car imports. However, even without these safety regulations, it would be hard for American businessmen to promote their automobile sales in Japan because the steering wheel is installed on the left-hand side of the front seat, which is the opposite of Japanese construction.

Japanese Prime Minister Nakasone has asked the Japanese people to buy foreign products, and Secretary of State Shultz pointed out that Japan should invest the money from savings not in export-intensification but in its domestic market in order to spur Japan’s domestic demand. However, the chairman of the Union of Business Organizations, Inayama, said, "There is nothing left to buy from foreign countries in the retail market." Inayama’s opinion seems to be widely shared by Japanese consumers because most manufacturing commodities such as CTV, VCR and computers are supplied by Japanese manufacturing companies. It is very important for American business people to recognize these conditions in Japan and at the same time the Japanese
should be open to purchase of beef, lumber, or telecommunication systems from America.

The recent appreciation of the Japanese yen relative to US dollar has had a great influence on the Japanese economy.¹¹ The impact of this appreciation of the yen on the Japanese industries is enormous. With few exceptions, earnings are off sharply.¹² (See Table-1.)

**TABLE-1**

**PROFITS ARE TUMBLING FOR MANY JAPANESE COMPANIES**

<table>
<thead>
<tr>
<th>1984-85</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fujitsu</td>
<td>$3.2</td>
<td>+15.3%</td>
<td>$104</td>
<td>-17.5%</td>
</tr>
<tr>
<td>Hitachi*</td>
<td>11.8</td>
<td>+3.2</td>
<td>401</td>
<td>-14.2</td>
</tr>
<tr>
<td>Honda Motor**</td>
<td>4.5</td>
<td>+11.0</td>
<td>86</td>
<td>+40.7</td>
</tr>
<tr>
<td>Kawasaki Steel</td>
<td>2.8</td>
<td>-0.3</td>
<td>49</td>
<td>-0.7</td>
</tr>
<tr>
<td>Kyocera*</td>
<td>0.7</td>
<td>-7.3</td>
<td>55</td>
<td>-36.1</td>
</tr>
<tr>
<td>Mitsubishi Electric*</td>
<td>4.7</td>
<td>+5.0</td>
<td>86</td>
<td>-56.4</td>
</tr>
<tr>
<td>NEC</td>
<td>4.4</td>
<td>+7.3</td>
<td>148</td>
<td>+39.3</td>
</tr>
<tr>
<td>Nippon Steel</td>
<td>6.6</td>
<td>+3.3</td>
<td>101</td>
<td>-28.1</td>
</tr>
<tr>
<td>Nissan Motor</td>
<td>9.0</td>
<td>+6.7</td>
<td>198</td>
<td>+2.9</td>
</tr>
<tr>
<td>Sharp</td>
<td>2.3</td>
<td>+10.6</td>
<td>84</td>
<td>+10.1</td>
</tr>
<tr>
<td>Toshiba*</td>
<td>8.0</td>
<td>+9.0</td>
<td>157</td>
<td>-18.8</td>
</tr>
<tr>
<td>Victor Co. of Japan</td>
<td>1.4</td>
<td>-1.2</td>
<td>21</td>
<td>-49.9</td>
</tr>
</tbody>
</table>

* Includes consolidated subsidiaries
** Six months ended Aug.31
A Sales for six months ended Sept.30. Billion dollars
B Percent change from year-ago period
C Net income for six months ended Sept.30 millions of dollars
D Percent change from year-ago period
DATA: Businessweek, December 23, 1985 P39
from "Now Japan Inc. has to do some belt tightening"

Therefore, in order to cope with the yen's strength, many Japanese exporters have started to cut costs with a fervor not seen since the 1973 oil crisis.¹³ Consequently,
now is the best time for American business to enter into the Japanese market because entry strategies will be much easier to develop with current exchange rate advantages.

US vs. Korea

Korea will be the next scapegoat for a trade imbalance. BUSINESSWEEK reported that "in September, the Reagan Administration targeted Korea's insurance industry for investigation into unfair trade practices," and "in early October, the U.S. cited Korea for not protecting imported intellectual property such as copyrights and patents."  

We can see the same problem here that we have seen in U.S. policies toward the Japanese. Relationships between the U.S. and the foreign countries may have resulted from one of three possible conditions: ethnocentrism, polycentrism, and geocentrism.

(1) America has seldom changed its business policy for any country. This ethnocentric attitude springs from the idea that Americans, the home country nationals, are superior to, and more trustworthy and reliable than any foreigners in the headquarters of their subsidiaries.

(2) Polycentrism assumes that local people always know what is best for them, and that the unit of the multinational enterprise located in a host country should be
as local in its identity and behavior as possible. Asian countries generally behave in the same manner.\textsuperscript{16}

(3) Trade problems result from the interaction between ethnocentrism and polycentrism so that even though the case of Japan and the U.S. and the case of Korea and the U.S. look the same, management should deal with each problem individually. This constructive problem-solving leads to geocentrism which ultimately aims at a more objective total enterprise performance, worldwide utilization of resources, improvement of local company management, a greater sense of commitment to worldwide goals.\textsuperscript{17}

These three categories, I believe, are the points on which international management revolves. In other words, management is ethnocentric at one time, or polycentric at another time, or geocentric at other times.

Here is another reason we should cover the topic of Korean enterprises. The Japanese are aware of Korean products because of their price competitiveness in the world market.\textsuperscript{18} President Fujie of Honda-Canada said, "It is very regrettable to be beaten by HYUNDAI [Automobile manufacturer in Korea but also a conglomerate such as Mitsui, Mitsubishi in Japan] because the Korean car has no restriction on importing but the Japanese car has"\textsuperscript{19} Moreover, Yoshio Terasawa, executive vice-president of Nomura Securities
said, "I think sooner or later, Japanese cars will be driven out of the U.S. market by Korean cars. They are well designed, and they sell at a good price."²⁰

These opinions suggest that the Japanese will move their marketing power into other fields such as high-technology industries. Therefore, American high-technology industries will be obliged to shift from their current position to a more advanced field. Otherwise, these industries should have to develop entry strategies into Japan in order to compensate for the future loss.

Analysis

I would like to introduce the facts we have to face.

A subsidiary of Mitsui & Co., Ltd., headquartered in New York, exported products which were valued at over $4 billion to Japan in 1982. If we compare this figure to the American manufacturers' export amount cited by FORTUNE magazine, this subsidiary could be the second largest company in the U.S. in terms of export dollars. The balance of payments for only nine major Japanese trading firms showed that the export to Japan of those firms was $17 billion, while the import from Japan was $13 billion. Hence, Japanese trading firms contributed a $4 billion surplus.²¹
Congressman Pat Williams recently stated in his MESSAGE FOR WESTERN MONTANA in January 1986:

Although our trade deficit with Japan is widely publicized, neither it nor any single commodity is solely to blame. Our trade debt to Japan has increased 74 percent since 1983. During that same period, our debt to West Germany has increased 100 percent, to Italy 130 percent, and to France 3,160 percent.22

These facts suggest that we should recognize the myths which we are still inclined to believe. American businessmen believe two types of myths. The first explains the success of the Japanese economy, and the other promotes protectionism in the U.S.

According to the first myth, Japan’s economic success depends upon comparatively cheap labor and high productivity. The Japanese work long hours at low pay. According to the Japanese Ministry of Labor, the real hourly earnings of Japanese production workers in manufacturing enterprises with five or more employees shot up from less than one-fourth to more than two-thirds of the American average from 1970 to 1978.23

Furthermore, labor costs are neither the only, nor the most important, competitive consideration. One nation, for example, may have comparative advantages in large supplies of low-cost labor. Other nations may demonstrate their comparative advantages in low costs of raw materials, transportation, capital, or electric power.24
Productivity in Japan increases easily compared to that in America because the Japanese can borrow technology from America whereas the Americans must invent their own. The erosion of technical know-how has already tripped up U.S. consumer electronics companies. As a result, the U.S. simply cannot make, for example, high-precision recording and playback heads in large quantities at reasonable cost.

The second myth of protectionism results from the following assumptions.

(1) America's trade deficit has thwarted economic expansion and exacerbated overall unemployment in the U.S. This is not true because despite the deficit, growth and employment gains have been on par with previous recoveries in terms of percentage increase. (See Table-2)

<table>
<thead>
<tr>
<th>Four Economic Recoveries</th>
<th>Feb. 61-</th>
<th>Nov. 70-</th>
<th>Mar. 75-</th>
<th>Nov. 82-</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Oct. 63</td>
<td>Jul. 73</td>
<td>Nov. 77</td>
<td>Jul. 85</td>
</tr>
<tr>
<td>Real GNP</td>
<td>+13.8%</td>
<td>+15.1%</td>
<td>+15.1%</td>
<td>+13.0%</td>
</tr>
<tr>
<td>Gain in Employment</td>
<td>+4.0%</td>
<td>+7.9%</td>
<td>+9.8%</td>
<td>+7.7%</td>
</tr>
<tr>
<td>Trade Balance in billions</td>
<td>+$7.3</td>
<td>+$11.4</td>
<td>-$0.4</td>
<td>-$93.4</td>
</tr>
</tbody>
</table>

DATA: Center for International Business Cycle Research
(2) America cannot keep up with industrialization, which leads to a loss of competitiveness and manufacturing jobs. While it is true that jobs have been lost, the share of manufacturing output has held steady thanks to higher productivity. (See Table-3)

Table-3

<table>
<thead>
<tr>
<th>JOB AND PRODUCTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>MANUFACTURING JOBS</td>
</tr>
<tr>
<td>As a percent of total non-farm jobs</td>
</tr>
<tr>
<td>1954</td>
</tr>
<tr>
<td>1964</td>
</tr>
<tr>
<td>1974</td>
</tr>
<tr>
<td>1984</td>
</tr>
</tbody>
</table>

DATA: Morgan Guaranty Trust Co. of New York
Numbers are interpretations from bar chart.

(3) U.S. industries such as the steel industry have been devastated entirely by foreign competition. But the fact is that industrial conversion to new materials like plastics has kept the steel demand stagnant. (See Table-4)

Table-4

<table>
<thead>
<tr>
<th>FOREIGN COMPETITION AND STAGNANT DEMAND</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. CONSUMPTION</td>
</tr>
<tr>
<td>STEEL MILL PRODUCTS</td>
</tr>
<tr>
<td>in millions of tons</td>
</tr>
<tr>
<td>1970</td>
</tr>
<tr>
<td>1985</td>
</tr>
</tbody>
</table>

DATA: International Trade Administration, Society of the Plastics Industry
For those who still think that high-tech industries in America are superior to those in Japan, the Japanese have announced that they have succeeded in producing the world's largest memory on chip, 256K, ahead of American efforts to produce one of the same size.  

Therefore, the real cause of the trade problem is neither mentioned nor recognized by many American people. The strong dollar is one of the major reasons of the trade imbalance. After the September 22, 1985, announcement that indicated depreciation of the dollar, Japanese exporters became nervous. "'Unless we raise prices, we will be hurt if the dollar settles at the 200 level,' said Naofumi Uchiyama, a Nissan Motor Co. executive in Tokyo." Moreover, depreciation of the dollar cannot solve the trade deficit problem because after the Japanese raise the prices of their products, Korean products will penetrate into the U.S. market much more aggressively. In other words, we are merely changing our trading partners. We should notice that the Korean 'won' has depreciated against the U.S. dollar every year, so that, in a sense, the strong dollar condition is lasting for the Korean won.

These are the facts, even though they are hard to admit. However, Americans can learn a lot from them. There are Japanese proverbs that go: "Better medicine is bitter," and "There is no defense better than attack." Thus, they should swallow the facts and digest them well in
order to fight back against foreign countries, specifically at Japan.
III. Background of the Japanese people

The object of this chapter is to investigate the cultural background of the Japanese people and to enhance the American business managers' knowledge about the Japanese and Japanese management. If American business people understand the mental and physical growth of the Japanese people from school to company, trust is more likely to develop between the American and the Japanese peoples. Knowledge will aid in business negotiations with the Japanese people.

Examination Hell

A great deal of controversy exists over the education system in Japan. Americans may have heard the word "Examination Hell." This term does not simply indicate that there are volumes of subjects to study for an examination, but that the Japanese cannot escape from their education system insofar as they live in Japan as Japanese people. The word "Hell" is not an exaggeration because five-hundred twelve children committed suicide in 1979 due to failing the university entrance examination.32

The most difficult period of school for a student is senior high school, during which a student cannot sleep more
than five hours a night. A general description of the purpose of senior high school is as follows:

In senior high school, the students study general academic subjects or specialized subjects that are aimed at developing them into persons capable of serving the nation and the society, provide a basis for developing ideas of their goals, and determining their future course in life. Specialized vocational subjects are classified into such categories as engineering, agriculture, commerce and fishery. Engineering subjects may be sub-divided into mechanics, electrical engineering, chemistry, civil engineering, architecture, metallurgy, etc. Most senior high schools are established either by regional and local governments or privately.

"Determining their future course in life" is an apt description, especially for boys. Their level of achievement in examination also determines their classification in their high school. Usually a senior high school divides students into three categories: students who are social science oriented, natural science oriented, and career oriented. Sometimes the school also divides the students further into two sections, such as public university candidates, and private university candidates. Therefore, there are four major groups of students in general high schools: public natural science oriented, private natural science oriented, public social science oriented, private social science oriented. Schools establish these groups so that teachers can concentrate on the specific universities and departments that students would like to enter.

A typical day in the life of a senior high school student starts at 8 o'clock in the morning and finishes
at 5 o'clock in the afternoon. Technically, official school time begins at 9 o'clock and ends at 3 o'clock. This difference between the official and the actual time is called an extra-curricular time, which students take voluntarily. The word "voluntary" suggests almost an obligation in Japan. Furthermore, the Japanese school week goes from Monday through Saturday. Japanese students study 240 days a year, while American students study 180 days in their public school.

The examination results are displayed on the bulletin board with students' names down to some level such as the top fifty or the top one hundred. The level may vary from school to school. Everybody knows who was at the top in the last examination not only in terms of total score, but also in each subject. In order to keep up with the other students, students decide their courses during their freshman year. Changing their courses later is unimaginably hard because other students have already specialized in the course long before. If a Japanese student wants to be superior to other students in terms of the university entrance examination, he starts his study for the examination earlier than anyone else. The Japanese do not have as many chances to choose their career paths as Americans have. These situations are exemplified by a conversation between Ouchi and his Japanese friend:

"Well," he said, "today is the day that my four year old son, who is back in Tokyo, is taking the
entrance examination for a special kindergarten. I'm pretty sure that he won’t get in." "That’s ridiculous!" I replied, "I've met your children, they're very bright and you have a terrific job, so of course he'll get in." "No," my friend responded, "you don’t understand. In this special kindergarten, there are only thirty openings for more than 500 applicants. Of course 500, more than half have been going to a special summer school that does nothing but drill those children for eight hours a day, six days a week, in order to take the entrance exam for that one specific kindergarten. Although I earn a pretty darn good wage, it's not nearly enough to afford one of those special schools, because they charge a tuition of $1,000 per week. Of course, such special summer and after-school training does not end there but continues through elementary, junior high, and high school, all to maximize the chance of a high score on the ultimate university entrance examinations."

The university entrance examinations are held only once a year, so students who fail the examinations have to wait another year without any guarantee of passing the examination the next time.

The Influence of Education

A crammed high school education definitely has an influence on a Japanese person’s way of thinking. Specifically, classes of Chinese literature, known as "Kanbun" in Japan, play an important role in understanding the Asian mind. Many proverbs are taught in these classes. Japanese students are familiar with and understand the meaning of these proverbs since childhood, but they are seldom aware of their origin. Furthermore, through studying them repeatedly until they can apply the proverbs to other situations,
students turn the ideas contained in these proverbs into a kind of creed of the Japanese people.

Human Relationships

The most important task in the university is to learn the skills needed to develop human relationships such as the Sempai-Koohai (Senior-Junior):

The basis for the Sempai-koohai relationship is education and economic, plus a time factor. It is specifically related to schools attended, year of graduation, educational level achieved, where this experience took place in relation to any other specific individual, the organization one works for, longevity with the company, the size and importance of the company or organization, and the individual's title or grade.

Students' main activities involve part-time jobs, such as tutoring for high school students, and club activities such as baseball, tennis, chess, and so on.

As a rule of thumb, the Japanese pay attention to age, status, and sex—in that order. This prioritized order is treated in much the same way as we treat "ladies first" in America. Thus, if a manager is younger than one of his subordinates, the manager might say to his subordinate, "please get in the car, etc., first." Then, the subordinate would/should reply, "You should get in first." Receiving the senior's permission, the manager gets in first. Such a courtesy may seem a trifle, but an established know-how of this relationship is developed in university activities. Therefore, decision criteria used to employ a student in a
company are strictly based on his ability to establish personal relationships with his colleagues. The company need not investigate his academic level because it has been already proven with the university entrance examination.

Job Recruiting

Many companies prepare job interviews with university students at the same location. The interview is open to everybody, but conditions, such as the room, place, and time differ in accordance with the university's ranking. For some universities, companies dispatch their personnel staffs to recruit students, but for others they do not. These practices are more or less typical during the job interview season which goes from July till November in Japan.

The fact that the recruiting decision criteria are based on the ability of students to establish personal relationships with their colleagues points out a difference between the concept of management in America from that of Japan. American business tends to hire people with specific skills in order to locate their specific skills in the organization, while Japanese business employs people in order to make a balance of manpower in terms of number.

Chairman Morita, of the Sony Corporation, once made a comment on the different recruiting processes in America and Japan. He stated that Western human resource management can be compared to building a house with blocks.
order to build a house with blocks, we need the precise specification of the blocks, such as size, weight, and where to put them. Western organizations require detailed information on a would-be employee when the organization gives the job description to him. The chairman also stated that Japanese human resource management can be compared to building a house with stones.38 As you can imagine, we need something like cement which in Japanese organizations is teamwork in order to join each stone. In other words, stones alone cannot make a house, but once they are brought together with tight connections, they play an important role in its construction. "Teamwork" is indispensable in Japanese working conditions.

Moreover, as old blocks can be removed and replaced with new ones, American workers are laid off and rehired. But with stones it requires a great deal of time to stick new stones together with the old ones when there is a cavity in the wall. Changing an employee in a position in a Japanese company causes troubles until a new employee gets used to not only the job itself but also the organizational climate where he belongs.

Although Japanese firms do not hire management experts, they frequently send their employees abroad. Management training within the company is extended to the employee as he investigates future American business trends and the effect of the trends on the company. Therefore,
this training program does not tend to produce an expert in business. As a matter of fact, what the employee learns through a business school is often accepted by his company but rarely by his fellow employees on a short-term basis because the Japanese employees are too conservative to change their current situation. If a young employee with new management know-how takes leadership in job improvement, other employees senior to him may not be fond of the change. Seniors want to take an initiative among their groups and try to maintain their status in the organization. Creating such a condition, even though the young employee must teach the know-how to his seniors behind the scene, is the first thing for the young employee to accomplish. Therefore, he should learn how to make the best of his management knowledge within the company without losing any trust among his fellow employees.

Lifetime Employment and The Seniority System

Many employees in Japan get involved in lifetime employment and the seniority system.

Westerners have come to see the practice of permanent employment as a striking symbol of the unique industrial system in Japan. Generally, it is estimated that from 20 to 35 percent of all wage earners in Japan are covered by the permanent employment practice. This does not imply that only 20 or 35 percent of Japanese businessmen who
meet with Americans receive the benefits of the system. In other words, whatever the percentage figure may be, we should recognize that most of America's Japanese business partners belong to this group, because the Japanese who uses English when dealing with Americans in business has to be highly educated and possess considerable authority in his company. Therefore, the Japanese business partner's way of thinking would be based on such employment systems.

One advantage of lifetime employment is the stability of employment and income which it provides. This stability, in turn, leads to a feeling of loyalty to the enterprise and enables technological innovation to proceed smoothly. The disadvantages of the system lie in employment inflexibility and the lack of incentives for the employees' self-improvement.¹¹

Seniority ranking is the customary practice in which salary and status rise in accordance with the length of service.¹² Presumably, the seniority system provides an inducement for workers to remain permanently in a firm for most of their careers after graduation from school.¹³

The adoption of a seniority wage system is made easier in Japan by the racial homogeneity of the Japanese people and the uniform education standards used throughout the country. A company is assured that, people with like educational backgrounds will have, by and large, the same
capabilities, which can be further developed through experience and training within the firm.

Status of Employees

Under the lifetime employment and seniority systems, the status of an employee in the Japanese company has a different meaning from that which it carries in the U.S. Status is divided into three categories: a socially accepted/certified qualification, such as Master of Business Administration (MBA) and Certified Public Accountant (CPA); a given company's institutionalized certification, such as a course diploma from the Toshiba International Entrepreneur Developing Program; and unofficial status within informal groups given by one's colleagues because an individual will stay in the office after 5 o'clock until he finishes his job. [It is very hard for the Japanese workers to return to their homes before their superiors, which includes unofficial superiors.] American business people should recognize these three categories because each country's specific systems of certification mean something to that country. Otherwise, American business people may have a hard time showing the proper respect for their Japanese business partners or receiving esteem from their business partners. Therefore, each method of establishing status is discussed in order to explain cultural values in Japan.
A "passport" of business elite might be a Master of Business Administration (MBA) in the U.S., but there is nothing that would have the equivalent meaning in Japan except for graduation from a prestigious university. However, even people who graduate from prestigious universities work at lower level positions in the company in the early period of their employment. A freshman in the Japanese company is expected to demonstrate his ability in dealing with fellow colleagues in every job.

Many Japanese companies expect their employees to be generalists rather than specialists under the lifetime employment and seniority systems. If employees want to promote themselves within the organization, they should get along with every line of worker in the company. Employees are expected to work with average speed, accuracy, and neatness, so the skills that they obtain in each job are fairly high compared to a novice but not enough to have them become an independent expert.

American business people should pay attention to their Japanese business partner's position in his company because it indicates his authority in his company. The position of a first-line manager is a key point, because a first-line manager is a kind of expert in his field. After he is promoted, he is expected to change his behavior into that of a generalist. Therefore, managers in Japan are proud of their career paths and of their ability to show their
capability to adapt themselves to the constantly changing environment of their jobs. Since managers have already received titles in their company, it is easier to recognize their status within the organization.

Before taking such a titled position, an employee or a manager experiences step by step certifications which are mainly developed within the organization and are not visible to outsiders. Although such certifications are invisible from outside, American people must be aware of the differences among employees with the same title. If American business people grant the proper respect to their Japanese business partners, they will develop deeper business relations with their Japanese partners in the future. In fact, the Japanese will never forget how Americans have treated them before they received their promotion.

The last status in the company is judged by employee's ability to get along with people and to disseminate his knowledge. In other words, the "cement" he provides is the key to his promotion. That is why there is little opportunity for MBAs without a company connection to take a managerial job in a leading company in Japan. Most Japanese MBAs over age 25 with no job experience try to justify their abilities by their degrees, but Japanese business does not reward in this manner:

It is a fundamental principle of company policy in Japan to view everything connected with employment in the long term. This means that, rather than reward an employee for his short-term
achievements, he is rewarded within the context of his length of service within the company. Individual ability and skill are highly valued, of course, but the emphasis is on being a member of the whole group.

The Group Concept

The group concept is a central concept in Japanese organizations. Individuals in a group are very different from each other in ability, experience, character, and so on. Thus, if a group has a project and finishes it, should rewards be divided evenly or differently, depending upon the abilities of the individuals? It is very natural for the Japanese to distribute these rewards equally, even though each has not contributed the same amount to the project, because the group climate is responsible for the final result as much as individual contributions.

In the early 1980s, an American company in Japan installed a suggestion system which did not work because the program was based on individual reward. One employee said;

No one can come up with a work improvement idea alone. We work together, and any ideas that one of us may have are actually developed by watching others and talking to others. If one of us was singled out for being responsible for such an idea, it would embarrass all of us.

Labor and Management

Even the concept of rewards differs among companies. Each company manages its employees through promotions and evaluations with labor unions. The labor union in Japan is
sometimes called a "company union." Although the company and the Japanese union are in a position of opposition when it comes to the distribution of profits, they stand on common ground when it comes to the prosperity of the company upon which these profits are based. In this respect, labor and management share the same goals. Therefore, labor contracts between the unions and employers in Japan tend to be general and abstract, and only outline the rights and obligations of either party. An examination of union organizations conducted by the Ministry of Labor in 1975 confirms that 93.6 percent of Japanese unions may be classified as company unions.

Since most union members come from within the organization, the major role of the union is not to maximize the benefits of either side but to develop better solutions for both parties. Both employer and employees, therefore, are aware of the company’s circumstances and the balance of power between the employer and the employees required to establish reasonable decisions during negotiations. After all, both are aiming at total growth of the company and the need to realize each others’ needs without troubles such as work stoppage or strikes.

This holds true even for American businesses. Once the contract is signed, both parties usually find they can co-exist with each other and, indeed, often find that there
are many areas where mutual cooperation helps everyone concerned.

Labor and management in the U.S. are always seeking mutually acceptable goals. When each side believes that its goal has been achieved, it will sign a contract on wage or salary and so on. If not, management will lay off employees or labor will go on a strike. However, in Japan, activities such as lay-offs and strikes are fundamentally contrary to Japanese courtesy. Furthermore, under the seniority system, it is not good to move from company to company because the seniority one earned in his previous company is not counted in his next company.

Simply put, Japanese employees are cooperative even before the contract is signed because they do not have alternative jobs, whereas American employees can find other jobs if they do not agree with the contract. Naturally, Japanese employees' concerns are within their organization.

Cross Access to the Japanese

American business people rarely have the chance to develop friendships with Japanese students during their schooling. For this reason, they should learn how to establish and maintain relationships afterward. If Americans could devise a method of meeting and understanding the Japanese, they could take advantage of opportunities to develop strong relationships. Americans must find a way to
develop relationships with the Japanese people so that they can overcome the image of being foreigners.

The Japanese are often called "workaholics" or "Economic Animals," to the extent that they cannot even afford to share time with family members. However, these workaholics still maintain their personal networks in business. Often the development of relationships is established through afterhours drinking. There is a Japanese saying that sake (rice wine) has eight merits: it is the best medicine, a prolonger of life, a meal for the traveler, an overcoat against the cold, a convenient excuse to visit, a relief from work, a harmonizer of all men, and a friend to those who live alone. Therefore, when Japanese business people are drinking, they intend to harmonize with their colleagues. While drinking, the Japanese would relate personal things if they believe the other person is reliable.

The Japanese will do anything for a foreigner if they know who he is, or if he is a friend of a friend. Once they admit him to their circle, they are committed to him, for they treat the obligations of family and friendship seriously. Therefore, knowing each other has a different meaning for the Japanese from that of most Americans.

I believe the initial act, that establishes who one is and what one is in Japanese business relationships, is the presentation of a business card. The possession of this
business card, which gives the name of one's organization, rank therein, one's name, and the address of the organization, is imperative for business people or professionals. Overseas department business people in Japan have their cards printed in English on one side and on the reverse in Japanese. Thus, American people should prepare their own business cards before their meetings with the Japanese people. The actual exchange of business cards is as follows. The "meishi" or business card is presented in the following manner:

Messrs. Suzuki and Tanaka, both employees in highly respected banks, are introduced to each other briefly at a party. Each immediately pulls out his meishi. Suzuki (carefully handing over his meishi so Tanaka can read it as given to him and bowing simultaneously): I'm happy to make your acquaintance. Tanaka (similarly handing over his meishi while bowing at a slight angle to avoid collision): The pleasure's mine. (The two men pause to examine each other's cards.) Suzuki (impressed): Ah, I see you work at your bank's main branch. Tanaka (seeing that Suzuki works for Mitsui at a Nagoya branch office): That's right. Say, isn't this a coincidence. My brother-in-law's cousin, Ito by name, was stationed up till last June at Mitsui's Nagoya branch. You wouldn't happen to know him, would you?

A good rule on the first meeting with Japanese people is to behave as Americans would in most formal occasion in their own country.

Interestingly, this business card exchanging ceremony occurs even within organizations among different departments. Therefore, a business card is indispensable in
Japanese business. American business people must understand this in order to get along with Japanese businessmen.

Business Connections

After introducing each other in business talks, American business people should develop good relations with the Japanese. American business people may very well start by buying commodities from their target customer before selling their product to the customer in order to develop a good relationship. The Japanese distribution system does not allow foreign products to penetrate into the Japanese consumer market directly. Therefore, American businesses may encounter many distributors who deal in many commodities in Japan. In other words, American people first should sell their names and faces to the distributor (the customer), then they can receive the customer’s trust.

President Kijima, of Yoyogi Co., Ltd, which is headquartered at Shibuya in Tokyo, has succeeded in establishing business relationships with one of the leading companies in Japan. He asked the Taiyo Kobe Bank Ltd. which was the main bank of his target customer as a favor to introduce his company to the prospective customer for the purpose of purchasing the products of the customer. As a matter of fact, President Kijima bought the product of the customer and sold the products of his customer afterwards. In other words, he acted as if he had been one of the customer’s distributors.
He bought the products which had high convertibility into cash. He regarded the handling charge of the products as a sales commission. Therefore, President Kijima was not a strange face to the customer when he introduced his company's products.

Buying from our prospective customer not only gives us more precise ideas of what the customer needs but also makes the customer regard us as a member of his business circle. I dare to call this business activity a business friendship. An old Chinese saying states: "If you want to beat the general on the horse, you should beat the horse first."

Manners in Business Negotiations

Americans understand how to develop and maintain friendship in western business situations, but this knowledge is of little use until they learn how to master the Japanese way of doing business and in a precise manner. Moreover, it is imperative that Americans recognize the technical nature of business negotiations with the Japanese people. It has been said:

"If you're going to make a sale or close a deal and you think it will take two days, allow two weeks and if you're lucky you'll get a 'maybe.' It takes the Japanese forever to make a decision."

Business negotiations with the Japanese are one of the most difficult concepts for Americans to understand.
Sometimes, they may find in negotiations that they don’t know where to go. Negotiation is a torture to get through even for Japanese people. At first the Japanese appear to have remarkably little interest in the business at hand. Their conversation likely dwells at length on social and family concerns rather than on products and prices. Furthermore, negotiation with businessmen in Japan inevitably involves after-hours social contact which basically involves drinking. The Japanese stress personal relations because they are interested in the long-term implementation of an agreement.

In addition to that, there are a lot of expressions which may be taken wrongfully by the Japanese in the negotiations. Questions such as, "Do you understand me?" "What do you think?" or "What do you say?" are all impolite terms, that the American should not use in the negotiations. If they make eye contact with Japanese people while they ask these questions, the situation would be worse than ever.

The concept of negotiation is quite different in America and Japan. Americans often assume that nothing is binding until they sign the final detailed legal documents. To most Japanese who are not familiar with the American legalistic attitude toward business negotiations, however, the sudden reversal of American positions during the
negotiation, unfortunately, is an indication of the untrustworthiness on the part of American negotiators.\textsuperscript{60}

What is considered proper negotiation behavior in Japan? Americans must observe how they act. The image of a reliable negotiator from the Japanese point of view, is that a person should not be talkactive but be silent as much as possible. Therefore, president Inaba, of Ishikawajima-Harima Heavy Industries Co., Ltd stated: "In the meeting with our customers, let them talk 80 percent of the meeting". American people may find that Japanese enjoy silence in the conference. In fact, they sometimes seem to be able to communicate a far richer meaning with a pause than a word.\textsuperscript{61}

Since Americans want to sell products to Japan, they should remember one thing clearly before their sales presentation. The Japanese people do not look forward to meeting with them. Further, it is unlikely that they would purchase any products from America. Among their suppliers, Americans are uninvited sales people.

But suppose a U.S. company representative got an appointment with a prospective customer and had a meeting. The customer would not show any interest in his products. After the meeting, they watch the representative in order to see whether he is pleased to be able to share their time in spite of fruitless talks or whether he is dissatisfied with their inability to understand his opinions.\textsuperscript{62}
always give a priority to reverberation or resonance after their meeting [a kind of impression about a person], which means something to Japanese. Figuratively, the word implies that something experienced stimulates the imagination and causes a positive memory to linger in the mind. In other words, the Japanese take the American attitude as a symptom of future business relationships between the American and the Japanese. Will it be prosperous or degrading? That is why, in a sense, the Japanese would see Americans off on the elevator or taxi until "their shadows are totally gone." Americans should be aware of these Japanese behaviors from the beginning of the meeting to the end of the business relationship.

The Business Partnership

Business always involves the selection of a partner, to whom one sells or from whom one buys. Therefore, a business relationship is often compared to a marriage in Japan because both sides should be willing to get married in order to continue. One of the types of business marriages style is called a joint-venture. The advantages of establishing a joint-venture in a foreign country are the ability to acquire local marketing know-how or other managerial skills at substantial savings in time and expense as compared to the alternative of creating an entirely new organization. Of course, the joint-venture is the product
of both organizations' interests such as the sharing of technical resources, financial advantage, and political considerations.

However, even in a marriage, we spend a considerable time examining whether the marriage will be long-lasting and gratifying. It is, therefore, rather strange to enter into a business agreement without understanding the different organizational climates and cultures of both parties. We need to understand the nature of our business partner.

Japanese history tells us how the Japanese confirm a partner's loyalty. We may be required to do the equivalent to show our integrity toward the Japanese customer. The story of Nobunaga and Ieyasu describes the Japanese behavior of loyalty. Lord Nobunaga Oda and Ieyasu Tokugawa had a peace treaty and were in the same union. Since Nobunaga had been superior to Ieyasu and found something suspicious about Ieyasu's son, Nobunaga ordered Ieyasu to take his son's life. Without any apparent hesitation, Ieyasu followed the order to prove he had nothing against the lord.

American people can find such loyalty to the "lord" even in the current business world in Japan, such as in the Toyota Motor Corporation and its parts suppliers. It is coincidental that the original realm of Ieyasu is the current Aichi prefecture where Toyota Motor Corporation has been established. Toyota is able to order more than
three-hundred parts suppliers to open their books to their key customer (Toyota), then Toyota sets the parts’ price because the Toyota group must be competitive in any international market. In order to keep their competitiveness, the group needs to endeavor to maintain low prices as an entire group.

American businesses are aiming at the market where people by and large require such tight relationships of loyalty. Therefore, it is very natural that it takes a long time to reach any agreements with the Japanese people.
IV. Communication Tools

The object of this chapter is to discuss the mental barrier that exists between the Japanese and American peoples. After discussing the barrier, I will discuss how to eliminate it in order to create a successful business relationship. Finally, Americans will be able to communicate with Japanese people more effectively.

Features of the Japanese Language

According to former U.S. Ambassador to Japan Edwin O. Reischauer, "Japanese ideas are transmitted abroad only very weakly and through the filter of a few foreign 'experts,' Japanese intellectual life for the most part goes on behind a language barrier." This language barrier is also a cultural barrier. The Japanese language may be translated into English. However, American people will find a difference between the English of America and that of the Japanese due to these different cultural backgrounds. Until Americans understand the Japanese English, they should be patient if they are going to manage Japanese people. Therefore, Americans should look at the principal rule of Japanese conversation.
Formal business Japanese is very hard to learn; so hard that many university students in Japan barely master it. After entering a company, they learn how to use Japanese words by themselves. Otherwise, they are ignored or treated as though at the student level in Japanese. The most complicated part of the Japanese language is the variation of addresses. These variations depend on the situation, such as speaking to one's senior, junior, male, female, adult or child. For example, there are three kinds of verb variations that: show respect to others (R), show humbleness to oneself (H), and courtesy in the sentence (C). Japanese sentences consist of these three combinations. Thus, there are seven possible combinations, such as R, H, C, R and H, R and C, H and C, and R and H and C. In addition to that, there are male words and female words. Moreover, "I" can be expressed more than ten ways in the Japanese language. Therefore, one-hundred forty possibilities of sentence patterns exist in all when the Japanese people try to say "I go to school" in their language. [More practically, twenty combinations may be the maximum due to Japanese colloquialisms.] At any rate, educated Japanese people are forced to distinguish the differences among these combinations.

Often, American businesses hire a young Japanese interpreter and the business fails. On one program, CBS used a young female interpreter in Tokyo. The interviewer
tried to ask the opinion of a senior citizen in Japan through the interpreter. The senior citizen did not say anything and left because of her poor Japanese.

The Japanese language the interpreter used was right in grammar (one of the possible combinations) but wrong in mode (selection of the combinations). She should have noticed that she had four obligations to fulfill in the language mode: respect, humbleness, courtesy, and female. If I try to demonstrate the difference between simple and formal Japanese in English for the above situation, the sentence "I want to ask your opinion" may be transformed into "I have the honor to listen to your opinion though I have not experienced much in business. I will try to do my best to be a good interpreter in order to inform your words to American people accurately."

Japanese English

Unfortunately, the Japanese people sometimes expect foreigners to understand complicated Japanese English which is translated directly from Japanese when they meet a sales person from abroad.

The other day, I had a phone call from my American friend. After greeting me, he asked, "Do you want to play tennis with me?" "Oh, yes, I'll be glad to," I responded. This conversation sounds very natural in American English but not in the Japanese language. My friend was the person
who really wanted to play tennis. Americans might say that is why he asked me. The Japanese, however, consider this request very impolite and rude in manner. He should have said, "Do you have time to share with me to play tennis?" at least. Or "Would you mind if I asked you to play tennis with me?" Questions must be phrased in this manner in order to avoid offending Japanese customers. This may appear very strange, but the message is sound.

It must be recognized that there is an English barrier between American English and Japanese English, which someone named "Janglish." Janglish is composed of not only Japanese English accents, and pronunciation, but also ways of expression in English. This requires further analysis regarding American English connotations of Janglish.

At one top-level conference, for example, President Nixon asked for a cut in Japanese textile exports, and Prime Minister Sato answered, "Zensho shimasu," which was translated literally as "I'll handle it as well as I can." Nixon thought that meant "I'll take care of it," but the Japanese understood it to mean something like "let's talk about something else." These misunderstandings may still be on file somewhere with either government. Business talks, however, should not be sidetracked by the language understanding differences. Either side should write down notes from different points of view. No one should keep an eye on the other's notes. Frequently, a Japanese customer will not say "No!" but remain silent until the other side notices. Therefore, American businessmen have a hard time in analyzing the failures of
their business communications. Frequently, American businesses define the reasons for their failure in terms of physical conditions, such as a lack of competitiveness in price or delivery whereas the real problem is a lack of communication.

Breaking the Barrier

Janglish resembles English, but the messages in Janglish are different from English even though it may use the same words. The following analogy using computer languages, such as BASIC, COBOL, and FORTRAN may help to demonstrate the differences.

Computer languages are often similar to the English that American people speak.

What was sorely needed was an easy-to-learn language, one with the minimum of commands but, at the same time, one that provided the user with sufficient power and flexibility to permit solution of a great number of different problem with relative ease.

Although computer language was promoted as being easy to learn, many Americans have struggled with the computer. The main reason for this struggle is the inability to play the game by the computer's rules. When we mistype, a computer gives us a message of syntax error. Or if we have misordered a command, it gives us a log-out. These troubles will continue until we get accustomed to the rules.
Similarly, Japanese English is also a kind of computer language in negotiations. The difference is that Janglish will not present any diagnostic error messages. Sometimes Janglish will tease Americans and cause trouble by implying, "No problem!". Therefore, Americans ought to find out the way to figure out these confusing messages from Japanese English, including an understanding of Japanese gestures.

I have created a list of examples, which may be convenient to refer to in business negotiations with the Japanese. I have tried to illustrate some connotations of the Janglish for the benefits of American businesses. American businessmen should try to determine what the message means and then decide what to do next. This is a list of the words that Americans may often hear in business negotiations with the Japanese. This list is not comprehensive but demonstrates very fundamental differences in Japanese conversation.

Once Americans understand the negative meanings of these messages, they should try to determine in what way they can persuade their business partner to buy their products.

A lack of preparation for meetings with the Japanese may result in a misinterpretation of these negative messages. Namely, one should try to avoid the Yes-No question, the Why question, and Eye-contact.
TABLE-5

Comparison between American English and Janglish

<table>
<thead>
<tr>
<th>American English</th>
<th>Janglish</th>
</tr>
</thead>
<tbody>
<tr>
<td>I don’t know.</td>
<td>I do not want to talk about it.</td>
</tr>
<tr>
<td>Let me think.</td>
<td>How can I persuade you.</td>
</tr>
<tr>
<td>Yes, it is.</td>
<td>Is that so?</td>
</tr>
<tr>
<td>Yes, but.</td>
<td>I disagree.</td>
</tr>
<tr>
<td>Yes, so what?</td>
<td>I do not understand you at all.</td>
</tr>
<tr>
<td>Let me confirm.</td>
<td>You do not understand me.</td>
</tr>
<tr>
<td>I’m not sure.</td>
<td>I do not have any responsibilities for this.</td>
</tr>
<tr>
<td>I should consult with my boss.</td>
<td>You do not believe in me, do you?</td>
</tr>
<tr>
<td>I’ll make my best efforts.</td>
<td>I cannot handle it.</td>
</tr>
<tr>
<td>Personally, I’ll support you.</td>
<td>Political consideration is required.</td>
</tr>
<tr>
<td>According to my calculation.</td>
<td>I do not like your opinion.</td>
</tr>
<tr>
<td>Frankly speaking.</td>
<td>Anyway.</td>
</tr>
</tbody>
</table>

With these good preparations, Americans can develop the content of the meetings. First, Americans should begin by talking about the general economic conditions in their industry. This may provide valuable information regarding economic conditions to the Japanese people. For example, the Japanese may not consider the relationships between the exchange rate and the interest rate. Second, Americans can ask for Japanese observations of the industry. After Americans receive the observations, both the conservative forecast and the ideal forecast of business from an American point of view should be presented to the Japanese. This would lead to an investigation to confirm what commodities the prospective customers purchase now and whether they have
problems. If they have troubles with the current commodity, Americans can introduce the equivalent products of their company.

Budo

Budo is another "language" with which Americans can communicate with the Japanese. As there is a sportmanship, there is a spirit of Budo. Thus, the Japanese admire the spirit of Budo.

Budo develops the spirits of philanthropy, respect to others, humbleness to oneself, politeness or courtesy in manner. Therefore, many senior high schools require the practice of Judo or Kendo for male students for two years. Budo ultimately leads to spiritual power that no one nor anything can disturb Master’s mind. This is the same goal towards which Zen Buddhism leads. Once a man comprehends the way, he becomes humble, modest and honest. His level of comprehension can be explained in the following story regarding Zen Buddhism:

Master priest Morita had to have an operation because he had a bad swelling in his neck. A doctor tried to use an anesthesia for the entire body. Then, Master asked, "Is an anesthesia indispensable for my operation?" "I would not believe you will be able to endure the pain of this operation," said doctor. "I think I can," Master replied. The doctor thought in his mind, "Whether he is a master or not, as far as being a human, it is impossible to bear with the pain. O.K., Let him know what is real!" Surprisingly, Master did not move during the operation nor utter a single word. His breathing was constant. The doctor was so amazed that he asked
whether Master felt pain. Master calmly answered, "I realized the operation is painful."

The master could have lied and said that he had not felt any pain throughout his operation. However, nothing could disturb his tranquility. Therefore, the pain did not bother him.

If the American business people practice Budo, the Japanese would expect that they know more about the Japanese spirit. At the same time, the American business people will receive esteem from the Japanese. In case an American business has a chance to dispatch its employees to Japan, I would recommend that the company send employees who have practiced some kind of Budo.
V. Entry Strategy into the Japanese Market

The object of this chapter is to consider the management of the Japanese in Japan. What I have already described in the previous chapter are the strategies from the standpoint of establishing relationships from continental America. Sooner or later Americans will be obliged to deal with the Japanese people in Japan. Thus, it is very important to recognize the major differences in human resource management between the United States and Japan.

Incentives

There are many different types of incentives, such as individual incentives, which includes the piece rate system, commissions, suggestion systems, group incentives, and profit sharing. Unfortunately, these directly aim at efficiency and effectiveness only in production or sales. Therefore, employees under these incentives system usually try to take advantage of the system for themselves. For example, they might be lazy and set production standards lower, or refuse to work hard in groups because their responsibility is vague or because
their share is the same, whether they work enough or not.

It is unrealistic to utilize these kinds of incentives in Japan with limited natural resources and funds but a large population.

Most major Japanese corporations establish indirect incentives that can not be easily compared to those of other corporations. They often offer a family housing system which enables employees to live within their current salary. Some also offer good accommodations for sight-seeing spots. Employees in other companies may automatically be entitled to discount shopping for company products which usually allow interest free monthly payments for three years. Affordable medical care may be established for employees and their families. Regularly, many companies pay bonuses twice a year and subsidize transportation fares for their employees. These are the part of the employees' fringe benefits.

American corporations usually do not offer these incentives. Therefore, American businesses have to develop other incentives that have not been normally considered in the U.S. For example, an equal chance to study abroad as an MBA student would be an excellent incentive. Employees could take an examination to be selected for this program up to a certain age. During the limited period of traineeship (usually two years), the company should pay salaries both in
Japan and in the U.S. The company could make a contract with the trainees to remain with the company for five years after the traineeship. If a company announces this publicly, educated Japanese employees would be interested in and also consider an MBA as a form of insurance or job security.

Whether this system is expensive or inexpensive depends on the company's decision criteria. Japanese companies usually invest more than $400,000 in a new university graduate throughout the employment period in order to make them professionals in the organization.

The Japanese incentive system gives an employee a sense of being valuable in his job and company, so that this kind of incentive lasts longer than the other kinds of incentives, such as money and position. Though these two incentives may be effective in the short-term, employees will get used to them. Then they will require more money or a higher position which a company cannot afford. On the other hand, incentives that establish self-esteem remain effective even in the long-term.

Hiring and Firing

When you try to establish your company in Japan, it is impossible to lay off your employees after hiring as is often done in the U.S. Therefore, the choice of which employees are to be hired should be the main concern in
setting up the company. The most reliable way to employ people would be to use "head hunters" in Japan. American businesses cannot investigate would-be employees' abilities because the decision criteria usually pertain to the ability to get along with the other Japanese and the communication skills between the American and the Japanese cultures. Head hunters could provide name lists of highly qualified potential Japanese employees with these qualifications. Recently, the word, "head hunting" has become quite popular and people are now quite familiar with it in Japan.

This is not the same as head hunting in America as illustrated by the People Express case. The People Express Airline case in America is very interesting as well as dramatic. Most of the company's senior management staff were from Texas International Airlines. As a matter of fact, president Burr of Texas International Airlines became the president of People Express. He hunted for staff from among employees of the former company. If this had happened among the Japanese corporations within the same industry in Japan, the new company could not have survived. The Japanese people would perceive such head hunting as a betrayal of the former company because most of the skills that employees obtained were provided by training in the company. In other words, the skills are bestowed by the company in order to produce more profits for the company itself. Therefore, no one resigns from a company and asks
for the same level job and position in the same industry among Japanese companies.

An overseas firm may have an advantage in recruiting a person within the same industry in Japan because the Japanese regard overseas firms as totally different from firms in the same industry in Japanese corporations.

Another example of head hunting in Japan illustrates an important problem; that is, that the family of the target person should be isolated from the current company when the person hands in his resignation to the company. Otherwise, the current company would try to persuade not only him but also his family, including children to remain in the company. Once Americans find the potential employee, they should move rapidly but accurately.

The ways to find out about our employees are: 1) to contact manpower companies and get information through their staffs in the targeted company, 2) to investigate lists of students who have graduated from a university which may have employees in the company, and 3) to use questionnaires, such as market surveys, in order to determine who is in a company.

The previously mentioned strategies are only the first stage. After the establishment of the company with head hunted employees, a corporate philosophy must be developed as soon as possible. Then, the company can hire the same
kinds of people regularly who will fit with that company philosophy.
In this paper, I have tried to suggest alternate ways to enter the Japanese market through an understanding of Japanese human resource management. Of course, there are other strategies for entry into the Japanese market; however, when we understand how the Japanese make the best of their human resources and make up for limited natural resources, the above mentioned approaches are likely to be expedient as long-term strategies.

I would like to present concluding suggestions in establishing contacts with a Japanese company. At the initial stage, American business managers must find a person called a "Chuuakaisha" in Japanese or "Go-between" in English. A retired person is one of the best chuukaisha because his seniority gives him credibility in Japan. University professors are also good chuukaisha because employees who have graduated from universities feel some obligation to help their professors. The right person can contribute tremendously. He may cut in half the time usually needed for negotiation.

Negotiation procedures must be followed very carefully. After getting acquainted with customers, American business
people should be patient during the negotiations. If the Japanese speak English in the first meeting, Americans should not expect more than "Hello." In the second meeting, if the Japanese ask "How are you?" the meeting can be called a successful one because this indicates they are going to be interested in doing business with the Americans. This atmosphere will continue until the Japanese admit the American business people as one of their suppliers. In other words, the Japanese examine Americans' understanding of the Japanese culture during the meetings. Therefore, American businesses must demonstrate their understanding of the Japanese with respect.

The best way for an individual to learn about another culture is to experience it for himself in the foreign country. I recommend that all American business people who desire to enter the overseas market go abroad. If possible, they should take their families as well. This will help American businesses enter the Japanese market much faster than if they only follow the suggestions in this paper.
ENDNOTES

1Los Angeles Times, April 7, 1985. Also, it informed that US officials denied the problem of market access in Japan.

2Ibid.


4Newsweek, April 8, 1985, p.54.

5Businessweek, September 9, 1985, p.45.

6Ibid.

7Ibid.

8Price of gasoline is almost 4 times as of 1985 in Japan.[$4.00/gallon]


10Ibid.

11The foreign exchange rate as of January 29, 1986 showed one hundred ninety four Japanese yen per one U.S. dollar. This is almost 20 percent of appreciation of the yen compared to the rate in early September 1985.


13Ibid.

14Businessweek, November 18, 1985, p.62.

15Robock and Simmonds, p.301.

16Ibid.

17Ibid, the classical definition of geocentrism is different in the definition of international business.

18. Loose translation from *Shuukanasahi*, August 23, 1985, p.29. One of the famous Japanese weekly magazines which is equivalent to Time or Newsweek in America.


24. Robock and Simmonds, p.190.


28. Ibid., p.63.

29. Ibid., p.63.

30. Albert Keidel, "The Postwar Economic Miracle," *Business and Society in Japan*, p.86. The technology of 256K DRAM production is different from that of 4K, 16K, or 64K DRAM production.


34. *Time*, August 1, 1983, p.64.

35. Ouchi, p.20.


Ibid., p.5.


Aoto, p.116.

Ibid, p.117.


Aoto, p.123.

Aote, p.119.

Ouchi, p.42.

Aoto, p.125.

Cole, p.32.

Ibid, p.38.


Aoto, p.293.


Morton, p.139.


Ibid.

Ouchi, p.38.

Ibid.


Loose translation from Nao Takeoka, "Toppu Sairusu he no pasupooto (2) [Passport to Top Sales]," *Keizai*, Fukuoka: February 5, 1984, p. 18.


*Businessweek*, November 4, 1985, p. 44.

*Time*, p. 42.

Ibid, p. 73.


Piece-rate plans that provide for wage payments based on the quantity of units produced. Therefore, excessive supply of semi-product parts in manufacturing process occurs without consideration of demand for the final product.

Commission is the system that provides for salary payments based on the quantity of units sold. Therefore, there is inequality between a sales person who takes charge of the prosperous market area and a sales person who takes charge of the sutilating market area.

Suggestion system is to elicit worker's ideas on reducing costs, to increase safety, to improve quality of products, and to have the opportunity for employees to participate in company matters. Therefore, a drawback of this system is the way to give a reward for the suggestion whether the reward would be based on individual ability.
Group incentive emphasize on cooperative attitude among employees even though the same incentives, which is previously mentioned, is applied, the reward is evenly distributed among the group members.

Profit-sharing is to encourage a sense of partnership between employee and employer and to stimulate employee's interest in the enterprise. Therefore, both employer and employee are inclined to aiming at profit in a short-term.

Shukan Asahi, June 7, 1985, p.27.
Bibliography


