

Tsuyoshi Takagi
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Business Culture in Japan

Japanese social basis has a deep influence on the approach to business relationships. In the past, Japan was a mainly agricultural society where, in particular, rice crops required intensive cooperation from family and village members, resulting in forming strong relationships between the community and the individual. The long history of rice cultivation is a major element of the group work ethic that is inherited in the today's Japanese society.

In the society, the maintenance of relationships has been indispensable to survival. Over the centuries, the Japanese have relied on restraint to maintain harmony and order within their crowded society; Japan is about the size of California with a population approximately four times that of California. Therefore, emotions are not openly expressed. The Japanese have individual opinions, but there are private ways to compromise with differences, so that they avoid confrontation and loss of face.

As a result, much emphasis in Japan is put on group uniformity and hierarchy. Not only the group but also one's place within that group is significant. Generally speaking, Japanese believe that group effort will produce a better outcome than individual effort. This is why Japanese have strong ties to their industry, company, school and any groups they have interests. Group uniformity has both advantages and disadvantages. It certainly provides security and comfortable positions; however, group expectations could put strong pressure on an individual. At present, Japanese do recognize and take individual achievement and talents into account under certain circumstances.

In addition, hierarchies are essential in all parts of Japanese society. In business, companies are ranked within a particular industry, and even industries are ranked with different levels of prestige. Polite attitude to senior citizens are built into the language based on rank. In fact, Japanese people speak differently to persons above or below them in rank. In particular, when addressing persons clearly superior in rank, the Japanese language is full of honorific terms, prefixes and formalities of speech.

Catering to their group and relationships, Japanese will not disclose their true feeling, which is called “Honne” in Japanese, in public or in front of their colleagues in a meeting; rather they say what is appropriate in a certain situation called “Tatemae” in Japanese. This fact would confuse American businessman, since it is so difficult to differentiate which is Honne or Tatemae. Therefore, it is important to build good personal relationships, and within an atmosphere of trust in a one-on-one setting, they will open up their mind without losing face later in front of their bosses and peers.

On the other hand, the impact of Japanese religious beliefs on Japanese behavior tends to be overestimated by westerners. Observing more than one religion, Japanese people tend to be broad-minded, and religion in Japan is not like it is in many western countries. More than religious beliefs, social and historical factors influence Japanese behavior that tends to be situational. Appropriate behavior is tied to many factors, including place, rank or relative status of other people, and one’s relationship to those people.

Overall, the Japanese approach tends to be: long-term, formal, group mentality, very comfortable with ambiguity, harmonious and trusting relationships; confrontations are avoided, never want to lose face, willing to learn foreign languages. Compare to this Japanese approach, the American approach tends to be: superficial, informal, competitive, and individualistic.

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Business Relationships in Japan

Regarding the corporate structure in Japan, most Japanese corporations have a uniform structure. They are headed by a President and Chairman. Presidents of Japanese companies have more authority than many of their U.S. counterparts. A supervisor heads working sections, and several sections are clustered together into a department. The department head is a senior official.

Almost all Japanese offices consist of a large open space that facilitates discussion, consultations and the consensus building approach. Desks are arranged in long double rows, the desks facing each other in each double row. At the end of each double row, facing the employees is the supervisor's or section manager's desk. Employees are seated by seniority. The department head has a stand-alone desk overlooking the several double rows of desks. Only the most senior executives have individual offices.

This close network of desks facilitates the approval of various proposals. Ideas from within, or proposals that are submitted from a visiting company, are subject to lengthy discussions, and the proposals are worked and re-worked, incorporating various ideas and comments. As people approve these circulating documents, they put their personal seal in ink on the document.

In terms of the business groups in Japan, numerous Japanese companies are linked together into business groups so called "keiretsu." Companies in a variety of industry sectors, along with their subsidiaries, distributors and usually most of their key suppliers, along with a central and major bank, constitute the keiretsu.

Some keiretsu are incredibly large. For example, within three of the largest keiretsu: the Sumitomo, Mitsubishi and Mitsui Groups, the trading companies alone have among the highest sales volumes of any company in the world. At one point in Japan's development, the Mitsubishi Group and its extended family members claimed to account for 14% of Japan's economic growth.

Each keiretsu usually has only one company per business type, such as one trading company, one bank, etc. and extensive cross-holding of shares, protecting members against takeovers and allowing them to focus on long-term plans. A Keiretsu acts like an extended family; business mostly is kept within the group, and family members look out for each other. However, with the advent of recent global competition, major alliances between members companies of different business groups have been formed, which was unusual just a few years ago.

In addition, Japanese labor unions are different from those in the United States. A typical large firm has a union that represents the employees in that company, rather than in an entire industry or work classification. If such a union goes on strike, production for that company is suspended, but that of its competitors keeps producing their goods. Strikes are usually of short duration and are meant as an indication to management that the union is disturbed about something. Unions and management have a form of collaboration toward the company's objectives. Annual agreements are typically reached during the month of March.

In a subject of business relationship in Japan, the relationship with customers is significantly important. In Japan, the customer is like "God." A Japanese supplier will always go the extra mile for his customer. For example, the supplier may meet rigid quality requirements imposed by the customer that are above similar requirements in any other part of the world. Japanese suppliers do this to stay competitive, because other Japanese competitors are doing the

same thing. Recently, globalization and fast changing technologies are weakening this strong bond of mutual obligation between vendor and customer.

Moreover, the relationship with government considerably affects their business success. The Japanese government's support for business is one of the strongest in the world with a number of policies of support, encouragement, and incentives. A higher proportion of the country's GDP is spent on sponsored research than in any other country in the world. The government has also established protective measures for Japanese business, such as complex registration procedures and licensing requirements. The most powerful members of the government are the bureaucrats of the 12 major ministries. Until recently, major businesses, key bureaucrats and elected politicians had extremely powerful and influential alliances. Abuses and scandals from these alliances are causing some changes in this practice.

Finally, women in business has cultural characteristic. Japanese traditionally believed that women should devote themselves to their families and be responsible for household finances, raising the children, children's education and elderly family members. Labor shortages in recent times brought more women into the workplace where they gained considerable acceptance in manufacturing and service industries. This trend should continue, as Japan becomes more global in its circumstance. The days when women held only "Office Lady" positions until they were married are slowly disappearing.

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Business Etiquette and Practices in Japan

In order to establish and maintain successful business relationships in Japan, it is very important to know Japanese business practices. The common value systems are the fundamentals of Japanese business and social practices. It frequently happens that western people could not recognize its significance since the meetings could be carried out in English, resulting in the loss of business opportunities.

Japanese society is complex, structured, hierarchical, and group-oriented, with a strong emphasis on the maintenance of harmony and the avoidance of confrontation. Building relationships, which goes before a first sale in many cases, should emphasize mutual trust, confidence, loyalty and commitment for the long term. Since the Japanese society is group-oriented, decision-making tends to be a slower process than in western countries. However, once a decision is made, there is usually no second-guessing, and post-decision actions tend to be fast in Japan. Consistent follow-up and frequent contact is vital for the maintenance of the business relationship.

And at the first meeting, Japanese people take a large number of business cards, which includes their business title. Business cards are exchanged at the outset of a meeting to formalize the introduction process and to establish the status of the parties relative to each other. Due to the importance of hierarchy, Japanese businesspersons are very concerned with status and rank. They cannot be sure how to behave at first until everyone's relative status has been established.

When Japanese exchange their business cards, in order to make a favorable impression, they extend their cards with both hands, while making a slight bow of the head. The card faces the business partner, so that he or she can read it immediately. Japanese always bow to one another, and virtually never shake hands with one another. Then, Japanese businesspersons mutually study the business card and make a few comments about it, which results in better start of a meeting. Japanese business people are accustomed to dealing with their visitors on a surname basis only, even in social settings. It is very rare to use first names.

On a business meeting, there are some essential characteristics and differences from a business meeting in western countries. A major difference is the Japanese practice of preservation of harmony and avoidance of confrontation. The Japanese regard blunt or aggressive statements as impolite attitudes and rudeness. In the avoidance of confrontation, the Japanese may approach a topic indirectly or implicitly. Japanese will often use the word “muzukashi” or “difficult,” but in the context of the meeting might well mean “impossible.” For example, if their body language is accompanied by a sharp intake of air and a hand raised to the back of their neck, they would recognize that they have raised a very difficult issue. Additionally, the use of the word “Hai” or “Yes” is distinctive in Japan. Although the word itself is equal to “Yes” in English, it often means “Yes, I understand” and not “Yes, I agree.” For non-Japanese, a skilled interpreter might be necessary to convey the real meaning of any Japanese response since it is very difficult to distinguish.

The desire to create harmony and avoid confrontation makes the way Japanese reach consensus on a topic interesting. As individual wishes must be subordinated to the wishes of the larger group, reaching consensus will take a relatively long time. Even if particular meetings on a new topic have seemed productive, the lengthy process of consensus formation will take place.