Difference in Business Practice between USA and Japan

How to deal with international business

October 5, 2010
At John Carroll University

Koichi (Koh) Tanaka
TOMATEC America, Inc.
Products fall into the following six categories, and reflect both the current Japanese lifestyle and the future of packaging.

- Beverage Packaging
- Food Packaging
- Toiletries & Cosmetics Packaging
- Health care Packaging
- Household & Industrial chemicals Packaging
- General Packaging
Toyo Seikan Group is a leading packaging group which supplies a wide-range service in packaging area to our customers. It consists of 24 consolidated, 27 non-consolidated and 13 associated companies.

<table>
<thead>
<tr>
<th><strong>Toyo Seikan's major subsidiaries and JV</strong></th>
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<tbody>
<tr>
<td><strong>Tokan Material Technology Co., Ltd.</strong></td>
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<tr>
<td><strong>Toyo Glass Co., Ltd.</strong></td>
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<td><strong>Tokan Kogyo Co., Ltd.</strong></td>
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<td><strong>Japan Crown Cork Company, Ltd.</strong></td>
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</tbody>
</table>
Contents

• Introduction
  (- Map & General Information)

Part I

• Brief introduction of Japan, its culture and history

Part II

• Difference in Business Practice between USA and Japan

Part III

• What is important in international business
Q1: Where is Japan?
Q 2: Where is Japan?
Two kinds of maps
Two people
= Two different ways of thinking

Additional Factors in International Business
• Language
• Educational Background
• Culture
• Politics
• Currency (Pricing)
• etc

More people, more countries = more complications

Essence: Understanding & Compromise
Part I

Brief introduction of Japan, its culture and history
Characteristics of Japanese and their Culture (I)

**Multi-layered** – old, new, foreign and native

**Homogeneity** - Uniform culture (TV programs-NHK)

**Japanization** - Chinese letters, Buddhism, etc.

**Religions** - Overlapping (220mil people?)

Less than 10% specific religion (Bible, sutras, etc)

Mostly petition for various occasions such as success on business or school entrance exam, safety of household, painless childbirth
Characteristics of Japanese and their Culture (II)

Japanese: Groupism / American: Individualism

What you see in Japan:

Blue business suits, School uniforms, etc.

“The nail that sticks out gets pounded down”

Individual is only significant if he/she represents the group.

Historical background

Rice farming civilization (communal cooperation)
Collective responsibility (punishments)
Limited land space (crowds in commuter trains)
Population: 127mil (10\textsuperscript{th}) ‘09

Land: 380K km\textsuperscript{2} (75\% forests)

(= size of California)

Capital: Tokyo

(2.2K km\textsuperscript{2} / 13 mil people)
Japanese History (I)

- 35,000 years ago the Stone Age
- B.C. 8000 Jomon Period (population 0.1-0.3 mil) – hunting, fishing, gathering
- B.C. 300-A.D.300 Yayoi Period - rice cultivation, metal implements - small countries (aprx 100) to unified country - leader Himiko (female)
Japanese History (II)

- A.D. 300-710 - Kofun (tumulus) Period –
  - (350) Japan consolidated by Yamato clan
  - (538) first introduction of Buddhism
  - (592) Asuka Period – Suiko (the 33th first Japanese empress), Prince Shotoku-taishi, local ruling families (Soga families, etc.)

- Capital: Nara/Osaka area
- Laws & regulations
- Envoys dispatched to China
Japanese History (III)

• 710-794 Nara Period - population 4 million
  - Capital: mainly Nara

• 794-1185 Heian Period - population 6-7 million / Capital: Kyoto
  - aristocracy to Samurai Warrior

• 1185-1333 Kamakura Period - population 6 mil / Capital: Kamakura (near Tokyo)
  - Samurai Warrior Era  Minamoto Shogun
Japanese History (IV)

- 1338-1573 **Muromachi Period** - population 10 million / Capital Kyoto Samurai Era (Ashikaga Shogun)
- (1467)-1600 **Civil War (Sengoku) Period** (Oda Shogun, Toyotomi Shogun)

(1543) Firearms imported from Portugal
(1549) Christianity introduced by Spanish
Japanese History (V)

- 1600-1867 Edo Period (Tokugawa Shogun)
  Population: 31-32 million / Capital Tokyo (Edo)

(1633) Closure of country (trade limited with Holland & China)

Unique culture – Kabuki, Ukiyoe-pictures, etc.
Japanese History (VI)

1853 Black Ships’ Arrival (Kuro-Fune) (Matthew Calbraith Perry with a letter from US 13th President Millard Fillmore)

- 1868-1912 **Meiji Period** - Population 33-46 mil - End of Shogun/Samurai warrior Era – Modernization (following USA & Europe)
  - (1889) first Constitution of Japan
  - (1894) Japanese-Sino war
  - (1904) Japanese-Russo War
Japanese History (VII)

1912 to the present Modern Era
(1914-1918) World War I
(1939-1945) World War II
- Democracy under GHQ by USA
  - Douglas MacArthur
US-Japan Historical Relationship (I)

Red: USA / Blue: Japan

(1492) Discovery of Americas by Christopher Columbus “Civil War Period in Japan”
(1549) Christianity introduced by Spanish
(1776) Declaration of Independence in USA
(1853) Black Ships’ Arrival (Kuro-Fune)
(1854) Treaty of Peace with Japan
Ending the closure of country
US-Japan Historical Relationship (II)
(1939/1941-1945) World War II
(1950) Korean War
(1951) Treaty of Peace with Japan in San Francisco
(1960) Treaty of Mutual Cooperation and Security between the US and Japan
(1964) Tokyo Olympics
Part II

Difference in Business Practice between USA and Japan

How are Japanese business practices?
Business Meeting (I)

- **Appointments**: by telephone or emails, etc. (personal connections effective)

  Seniority system: older = higher positions

- **Punctuality**: (train time table / example: 9:32AM)

- **Working hours**: (9:00AM-5:00PM Mon-Fri)

- **Holidays**: New year/Year End (12/28 – 1/3), Golden Week (4/29 – 5/5), Summer (mid Aug)

- **Clothes**: Business suit with tie (gray, dark blue, white shirt) / female – dress simple
Business Meeting (II)

• **Introduction:** 5-10 min before the meeting

• **You may be asked:** educational background, age, family, birthplace (you may change the subject politely)

• **Good topics:** Appreciation for hospitality, good impression on Japan, sports (golf, baseball, soccer, Japanese player, etc), economy in general

• **Taboo:** Politics, Religion, War, Black humor, etc.
Business Meeting (III)

- **Name:** Last name basis “--- san” (honorifics)
  “--- san” works for all (except children)
  May call you “Mike - san” or “McKenna - san”
  Never use “--- san” for yourself

- **Souvenir:** end of meeting or visit (not in the meeting) / Japanese open it later.
  May say “No. No. No.” first.

- **Business cards** – very important: use both hands, confirm name, leave it on the table during the meeting
Business Meeting (IV)

- **Decision Maker:** Top management (President, Directors, GM)
- **Negotiations:** Managers
- **Typical process:** Meeting (I) with top management, Meeting (II) with managers, Meeting (III) with top management
  - long term negotiation (some 2-3 years)
  - Do not push hard
  - Prefer verbal agreement
  - Bottom up system (example: Kaizen)
Business Meeting (V)

- Not too straight, not too aggressive, stay calm (Japanese feedback: yes or no)
- No slang (use plain expressions)
- Smile or nodding: does not mean “understood” or “agreed” (some close eyes)
- “Sumimasen”: Use lots of “Excuse me” or “I am sorry.” - regarded as “polite” (honorifics)
- Dinner, gift, appreciation, etc.
- Female: inform her position in advance
- No finger pointing (use hand)
Business Meeting (V)

- **Lunch / Dinner** - Important (relationship/understanding)
  - Payment by the party who invites the other
  - Tell foods you cannot take before order/meal
  - Karaoke bar or bar after the dinner
  - Take off shoes at some Japanese restaurants
  - Seating at dinner (away from front door, good view, host and key guest may sit in a middle) — rectangle table
  - “Kanpai” = Cheers (Host starts eating first.)
  - Manner: Use both hands. Do not stick chopsticks into rice bowl or use it for pointing people. Japanese make noise for noodle.
Business Meeting (VI)

- Use some Japanese expressions – effective
  (Honorifics: Respect for others / humble for yourself)
  Arigato-gozaimasu (Thank you very much.)
  Sumimasen (Sorry., Excuse me., Thank you.)
  Sumimasen-deshita (Deeply sorry. Sincerely apologize. Thank you very much.)
  Ohayo-gozaimasu (Good morning)
  Konnichiwa (Good afternoon)
  Konbanwa (Good evening)
  Doumo (Thank you. / Hello.)
Business Meeting (VII)

• Gestures

  Bowing

  (no eye contact)

  Beckoning
  (use hand, palm down)

  ○ = OK
  × = Negative
Employment System

- Based on lifetime employment and the seniority system
- Changing, but still...
- Job change in Japan (up to 3 times?)

USA: 5 - 7 times or even more?

### Career Change (% / year)

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<th>Male</th>
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<th>25-34</th>
<th>35-44</th>
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Part III

What is important in international business

- some tips for international business -
Tips for International Business (I)

• Perfect Agreement (Negotiations)
  Two people = Two different ways of thinking
  More people, more countries = more complications

 Buyer
 Offer       Agreement        Seller
 Offer       Offer
 Offer       Offer
 Offer       Offer

• What to be discussed/offered/confirmed
  Quality, Quantity, Price, Shipment, Payment, etc.
Tips for International Business (II)

- Pricing

**INCOTERMS**: international commerce terms

EXW, CIF, CFR, FOB, DDP, etc. (13 terms)
Tips for International Business (III)

• Exchange Rate – currency is fluctuating

- **1949-1971** JPY360/USD  Dollar peg system
- **1971-1973** JPY308/USD
- **1973-1977** Floating Rate System JPY260-300/USD
- **1977-1985** JPY180-250/USD
- **1985** JPY250 to JPY160/USD (Plaza Accord) devaluing the US dollar
- **1994** JPY100/USD
- **1995** JPY79.95/USD
- **1995-1998** JPY100-140USD
- **2007** JPY124/USD
- **2009** JPY84.81/USD
- **2010** JPY85/USD

(USD0.0027/JPY \rightarrow USD0.012/JPY)
Summary

Part I
• Brief introduction of Japan, its culture and history

Part II
• Difference in Business Practice between USA and Japan

Part III
• What is important in international business
Thank you!
Arigatou-gozaimasu
ありがとうございます