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for Industrial Cooperation

一般財団法人

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**Japanese Business Culture**

Particularities – Challenges – Solutions

# Why Japan?

- Third-largest economy in the world after USA and China
- Overall GDP stagnating, but with decreasing workforce  
= increasing GDP per capita
- Growth in several industry sectors (e.g., robotic, biotechnology,  
medicine / health, cosmetics, construction...)
- 127 million consumers with high buying power
- High quality expectations with high prices
- Resourceless country, in particular natural resources

# Cultural Peculiarities

The biggest cultural differences regarding business life to most Western countries are in the following areas:

- Decision making
- Trust building
- Disagreements and negative feedback
  
- Language barrier and English proficiency

# When talking about Culture...

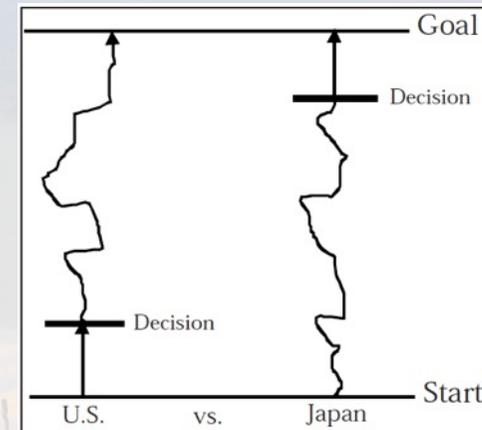
- **[National] Culture** is the customary believe, social forms, and material traits of a racial, religious, or social group; also : the characteristic features of everyday existence (such as a way of life) shared by people in a place or time.\*
- **[Corporate] Culture** is the set of shared attitudes, values, goals, and practices that characterizes an institution or organization.\*
- **Culture is**
  - Always there and everyone is part of it
  - Difficult to get aware of
  - **Not good or bad itself**
  - But accepted behavior in one culture can be considered “wrong” in another

# Decision making in Japan

- “The nail that sticks out gets hammered in” – famous Japanese proverb.
- In Japan decisions are usually not made by one person, but by all people involved or impacted by the decision together.
- Very often, several departments, e.g., procurement, design, engineering, R&D, etc., are involved in the decision making.
- Everyone involved in the decision making has to be informed and decisions then are done unanimously (called Nemawashi and Ringi).
- Depending on the importance, this can cover several hierarchy levels.
- Implementation is usually smooth.
- Changes mean “Back to square one!”



- **Time consuming**
- **Several meetings can be necessary**



Source: Communicating with Japanese in Business, JETRO, 1999

# Trust Building

- Trust is necessary all over the world for doing business.
- However, trust building process differs from country to country:
- In Western countries: **task-based** trust building.  
Trust is built by common goals, tasks, contracts. Rather short-term oriented.
- In Japan: **relationship-based** trust building:  
Trust based on knowing each other, also on a deeper level. Long-term oriented!
- Building trust (and starting business) needs much longer time in Japan than in many countries. However, once achieved, it is rewarded with loyalty.



- **Time-to-sales much longer than in other countries**
- **Several meetings and (social) activities necessary (lunch, dinner, etc.)**
- **Local presence / representation highly recommended**

# Disagreement and Negative Feedback

- Conflicts and disagreements can occur from time to time in business.
- In many Western countries, a direct and frank negative feedback is appreciated or at least acceptable. It will be considered honest and solution-oriented.
- In contrary, in Japan such topics are touched very careful, often only hinted indirectly but very rarely communicated directly to keep the harmony.
- In addition to the spoken word, facial expression and body language are important to understand the meaning.
- Phrases like „...it is difficult, but we will try very hard“ are often hinting to problems and that success is rather unlikely.
- High risk of misinterpreting Japanese persons as being not “honest”. The other way around, Western people can be considered as very “rude” in their direct way.



- **Very common source of misunderstandings**
- **High level of language understanding necessary**

# Product Selection

- Selecting the right product for a market entry to Japan is important.
- Based on the trust building mentioned above, Japanese are very long-term oriented and loyal towards their current suppliers.
- A market entry with a “me-too” product and a cheaper price is usually not possible without additional demand in the market.
- If possible, new, innovative products should be selected that are not available in Japan or have a different USP.
- Prepare for the question, what is the benefit over a Japanese product.
- Of course, cultural and country-specific peculiarities have to be considered.



## Product selection:

- **Innovative**
- **Not (with these specifications) available in Japan**

# Product Selection - Caution

- Because of frequent earthquakes and other natural disasters, products have to be robust and rather easy to maintain.
- Market analysis necessary: is there enough market potential for a product?
- Be aware not only of similar products in the market but also Japanese solutions that provide the same benefit for the customers.
- Also, high-efficient products and solutions that will lead to staff reduction can be hard to market in Japan.



## Product selection:

- **Robustness, easy maintenance**
- **Is there a big enough market / sales potential?**

# Product Selection - Examples

## Positive Examples:

- biodegradable polyester fibers  
→ innovative, “drop-in replacement” for conventional polyester fibers
- liquid instead of solid food supplements  
→ Japanese products already in the market, but different USP
- Power supplies for scientific applications  
→ superior performance, niche market

## Negative Examples:

- Acrylic film for window frame or wooden outdoor furniture lamination  
→ no market, because no PVC window frames used in Japan  
→ less wooden outdoor furniture, mostly with coating instead of lamination
- Innovative road marking  
→ no market, problems due to laws and regulations  
→ “what to do with the employees?”

# Very Important: Service

- “The customer is God” (Japanese proverb): Excellent service is expected from all vendors and suppliers in Japan.
- Consider the service concept already when planning the market entry.
- Often necessary: service partner in Japan, that can quickly solve problems in Japanese.
- In some sectors local partner are mandatory, e.g., medical devices.
- Because many Japanese companies don’t want to deal with international trade or financial transactions, a local importer or distributor can be necessary.



- **Create service concept early**
- **Are local partner necessary for service, sales, or import?**

# Dos and Don'ts in Business Japan

## ➤ General Behaviour

- ❖ Being modest and humble is the key to success in Japan. Leaders are often in the background. And the group is more important than the individual.
- ❖ Senior persons are always treated with high respect. Don't challenge their opinions in front of others or their colleagues. Consider the business partner on eye-level.
- ❖ Relationship and trust are important for successful business in Japan. Always consider the long-term perspective and goal. Don't push for decisions and avoid time pressure.
- ❖ Avoid direct negative feedback, criticism, or disagreement as well as negative emotions (frustration, anger, shouting).
- ❖ Don't excuse, apologize. Apologies are considered a way of expressing being sorry about the circumstance, but usually not considered admitting fault.
- ❖ Be on time. In Japan this is at least 5 minutes before the appointment.
- ❖ Choose a formal, rather conservative business attire. Recently, in hot summer months, without jacket and necktie is acceptable ("Cool Biz"). Avoid bright colors or excess perfume.
- ❖ Try a few sentences or greetings in Japanese. The effort will be highly appreciated.

# Dos and Don'ts in Business Japan

## ➤ Business Cards

- ❖ Business cards are considered as standing for the person itself and have to be treated with respect. Look at it thoroughly and honor the name and position of the person. Hierarchy is important in Japan.
- ❖ Use a business card case. **Never** put a business card in your back pockets.
- ❖ Cards are usually exchanged in parallel from one to the other person. Avoid exchanging them across a table.

## ➤ Socializing

- ❖ Trust is built via relationship. Don't turn down an invitation for lunch, dinner, or any other social activity.
- ❖ Address Japanese persons with the last name + the ending “-san”, for example, “Watanabe-san”. Some Japanese people with more international, mainly US experience, may have a Western first name that they will ask you to use for them.
- ❖ However, don't use the “-san” ending for yourself.
- ❖ It is tradition to pour each other's drinks at events. Don't pour it to yourself.
- ❖ Don't put chopsticks vertical in your rice bowl or pass food with them. When sharing food, use separate chopsticks (or cutlery) or the back of your chopsticks.

**Thank you very much for  
your attention!**

**Time for Q&A**



# CONTACT INFORMATION



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