

A Study on Japanese Culture and Styles of Business Negotiation

**Dr. Lieh-Ching Chang, Associate Professor, Department of International Business Administration,
Hsuan Chuang University, Taiwan**

ABSTRACT

The economy has been highly developed in Japan and its GDP per capita has exceeded US thirty thousand dollars. The total GDP calculated on a basis of international exchange rate ranks No. 2 in the world. In the meantime, Japan is the fourth biggest export country and the sixth biggest import country in the world. How could Japan jump to be one of the richest countries, the most developed in economy, and the highest standard of life from a defeated nation in the World War II? The efforts behind her success are worthy of deep researching. This article discusses from the viewpoints of Japanese economy and culture, and then explores the Japanese businessmen's styles of business negotiations so as to understand how they expand their business successfully.

INTRODUCTION

Japan is an island nation located in the east of Asia. Its territory is composed of four big islands, Hokkaido, Honshu, Shikoku and Kyushu, and more than three thousand small islands with a total area of 337,700 square kilometers. Japan was founded on February 11th, 660 B.C. In the past, Japan had carried out monarchy for a long time. Now, she is a constitutional monarch country. The Japanese Emperor's power is limited to only a country representative without substantial power, but is loved and esteemed by her people. The population in Japan is around 123.6 million and is the tenth biggest country in the world. The capital Tokyo its satellite cities forming a metropolitan area have accommodated more than 30 million people. It is one of the biggest metropolitan areas in the world. (Wikipedia, 2008)

Taoism and Buddhism are the main religions in Japan. Taoism was a religion developed locally in Japan. The site for a fiesta in honor of a deity is at a shrine. Taoism considers all things in the natural world as deities. As to education, most students continuously enter into higher schools after completing compulsory education. The ratio of students advancing to a higher school is 95.3% (2006). The ratio of students advancing to the colleges is up to 45.5%. The literacy rate is almost up to 100%. The ability of research and development in science in Japan is also ranked top in the world, especially in applied science, mechanism and medical science. There are around 700,000 science research people with annual budget on science research up to USD 130 billion, ranking the third in the world. Japan also takes the lead in the areas of electronics, automobiles, machinery, industrial robots, optics, chemistry, semi-conductors, and metals in the world. Japan is not only the biggest country in automobile production but also the main production place in industrial robots (Wikipedia, 2006).

LITERATURE REVIEW

General Economic Conditions

Japan's economy development started in 1952 when the allied forces terminated occupation. Japan restored its production level before the start of the war. At that time, the total GDP was only one third higher than that of France or UK. But in the late 1970's, the total GDP in Japan had dramatically reached the sum of UK and France, more than half of that of America. Japanese are good at taking the advantage of favorable factors. First, they used low wages followed by economical production scale, modern technology, and sound organization to continuously set up various highly-competitive industries in many areas. Japan is highly developed in economy. Japanese enjoy a high standard of life. The GDP per capita is over US\$ 30,000 ranking one of the tops in the world. It also ranks one of the richest countries, the most developed in economy and the highest standard of life. In Japan, the service industries, especially

in banking, finance, shipping, insurance and commercial service, account for the biggest ratio and take the lead in the world. Tokyo, the capital, is not only the biggest city and economy center, but also considered as one of the best financial, shipping and service centers. Japanese government has been supporting the industry, enterprises, labor force, development in high technology and lower ratio of military budget with great capital to help Japan's economy to develop at high speed. Today, Japan has become a strong nation in technology following America and the second global economic system. In Japan, the distinguishing features in economy are closely associated with producers, suppliers and distributors, the strong business alliance, tight team cooperation, annual merits, and lifetime employment, etc. Lately, for more profits, Japanese enterprises have begun to partly give up these systems (Wikipedia, 2006).

In 2006, the economy in Japan still suffered due to bubble economy. The commodity price continued dropping slightly compared with that in 2005. Deflation went on. As to international economy, the economic conditions in Asia, centered in China, have changed fast. The relationships with Japan have also changed quickly. China has no longer been an export market, an overseas production spot and source of low value-added products to Japan. China and Japan are establishing a new relationship on financial products, services, capital and labor force. (Investment Commission, MOEA, 2007)

Japanese Culture

"Sakura" is the national blossom in Japan. Hsiao (2004) explained that Japanese's love for Sakura is closely related to its social and cultural background. Japanese think that Sakura is the most important symbol of life – "be transient and glorious". Such spirit is identical to samurai spirits. The temporary blooming and fading of Sakura is the same as a samurai's "determination to death". Bushido serves as the foundation of Japanese deity spirit. It combines the concepts of Buddhism and Confucianism. These three schools have been integrated to develop morality and justice uniquely possessed by Japanese. Japanese culture features "shame". "Shame" refers to avoid doing something which loses a person's face. Bushido unconsciously dominates Japanese nationals and has become some power unable to resist.

Wen (1993) pointed out that Japanese culture and customs have been deeply influenced by China. For instance, the classic apparel worn by the Prince Imperial of Japan on his wedding ceremony was a copy of that in Tang and Sung dynasties in China. 1,200 years have passed. However, Japanese still keep their traditional culture and further glorify it. Japanese have imitated, transplanted and digested Chinese culture. After Meiji Restoration, Japanese positively absorbed western culture and achieved a blend culture of Japanese and Western styles. Feng (2004) mentioned that Japanese have possessed unique wisdom in various aspects either in politics, economy, technology or culture. Lin (1997) suggested that Japanese are pursuing perfection in materials in the society. They admire individual accomplishments and believe in humanism. An individual's specialty is considered important cultural property and is encouraged by the government. Humanism valuing technology and citizen cultivation is the greatest social resource in Japan. They advocate technology and skills without shutting themselves from others. Consequently, they are able to be innovative on a basis of tradition. Japanese do not copy everything. They have been impacted by Chinese and western culture. They sensitively adapt themselves to the world trend of development while continuously and quickly receiving new concepts and things. They combine the new trends with their traditional culture and then create a new type of hybrid culture.

The Operational Modes of Japanese Enterprises

Cheng (2002) pointed out in his study that most Japanese investors operate their business in a conservative manner. They do not expect to make reinvestment to gain greater profits. They hope their companies can grow stably. Therefore, Japanese companies seldom face pressure arising from difficult fund dispatching under their financial policy. Cheng (2002) made some observations on Japanese enterprises as follows:

1. Japanese investors are not as changeable as American investors. They don't care about short-term profits.
2. Japanese companies do not distribute dividends based on a proportion of profits. Contrarily, dividends are distributed at a fixed proportion of a value per share.

3. In a Japanese company, the administration department and employees are the ones who truly possess the company rather than shareholders. Retained earnings are used to facilitate the internal growth of a company so as to ensure sufficient protection for employment.
4. Few outsiders come to join the board of directors in a Japanese enterprise. Most members of the board of directors are from higher management levels. Some of them are from a subsidiary. The directors won't come from the groups which are not related to the enterprise.
5. In Japan, the rate of corporate debt is 1.6. This means that the debt is higher than the value of a company. It is because a Japanese company usually has close ties with banks so it can be funded.
6. The culture and values possessed by Japanese enterprises are greatly influenced by Confucian concepts. The enterprises also value long-term oriented factors. Their values encourage themselves to adopt long-term effective strategies and policies. Such culture, values and criteria also encourage investors to review an enterprise from a long-term point of view. For example, the high deposit rate and less concern about short-term loss or profit by shareholders picture such culture and values. They will try their best to reach their goal even they get frustration during a short time.
7. "Vertical" connection exhibits in Japanese society. The decision-making comes from upper level to lower level. Japanese value their loyalty to an organization. Once Japanese employees identify with a goal or target, they will absolutely obey orders to achieve such goal even if the conditions change.
8. Traditionally, Japan is highly good at imitation. It introduces foreign technologies and then makes improvement and innovation. This is one of the factors for Japanese to operate a successful company.

Japanese Style of Business Negotiations

The economist, James C. Abegglen (2006), pointed out that the relationship of lifetime mutual reliance has been existed between the Japanese enterprises and their employees. This not only involved the aspect of economic benefits but also the aspect of employees' loyalty to an organization and mutual sharing of responsibilities. The Japanese enterprises offered care for accommodation, food, shops, etc. in addition to distributing salaries. Therefore, the Japanese operated enterprises based on the concept of "home". The hiring relationship was similar to parent-child relationship. The destiny leading an employee to an enterprise meant a lifetime employment. Even though the Japanese enterprises introduced American way of management, the nature still rooted from familism. In Japanese culture, it is group oriented and human-relationship oriented. This is the so-called Japanese undue leniency (running familism and beneficialism). Under such special Japanese corporate culture, unique styles of business negotiations have been formed. The characteristics of the styles are described as follows respectively: (Fan, 2002)

1. Establishing the relationship of negotiations: Japanese possess unique ways of negotiations. They are considered to be "tough in negotiations" or "the knights of the round table". Japanese believe that good human relationships help facilitate business interactions and development. They value human relationships very much. Human relationships and the degree of trust determine the establishment of business relationships with Japanese. Japanese also believe that a certain form of introduction is beneficial to faster establishment of business relationships between both parties. Therefore, Japanese businessmen will try to find someone or a company they have worked with to be the introducer before any negotiation is started. For further exploring the information about their rivals, Japanese businessmen often invite them to a hotel or other places.
2. Decision-making program: in a decision-making program or process, Japanese always make each member involved in a negotiation feel important about his or her participation. There are two features: first, it is from lower level to higher level. The higher level makes an approval. The lower level or subordinates make discussions over a certain project before submitting it to a higher level for making a final decision. This process works on a basis of sufficient discussions which lead to easy implementations. However, poorer efficiency is shown due to excessive time for decision-making. Second, the agreement on a negotiation goes before group decision-making. Japanese businessmen often divide their members into several groups in the process of negotiation. No one is held responsible for the overall process of negotiation. The decision requires the opinions given by all of the members. Any decision will be carried out only when all of the members reach to an agreement.

3. Concept of time: it takes longer time for Japanese businessmen to make decisions since group decision-making comes after overall agreement. Japanese businessmen are often criticized by the foreigners involved in the same negotiation. It is not practical to hastily reach a consensus in the process of negotiating with Japanese. Japanese businessmen do not pay attention to deadlines or limited time. They carry out the negotiations in a peaceful and calm manner under the pressure imposed by their rivals. In addition, it requires a lot of time to develop private relationships with Japanese in order to freely express their opinions in negotiations.
4. Ways of communications: Japanese businessmen value “face” pretty much. They do not like to have conflicts in a public place. They usually communicate with people in an indirect and tactful manner. The way they express themselves is mostly clear and understandable. However, some replies which sound affirmative may be negative in reality. Such indirect communications may mislead their rivals. Once Japanese agree to a proposal and make their decision, it would be very difficult to change. They often stick to their arguments. Changing a decision requires the agreement reached by all of the members taking part in the negotiations.
5. Attitude toward contract: Japanese businessmen have their own set of standards and principles. They think mutual trust is the most essential part while doing business and it is not necessary for them to sign detailed contracts. Such concept has been changing recently. However, even if there is a written form of contract, the contents in it are simple and brief. They mostly depend on oral agreement. A written agreement only serves as a reference when disputes arise therefrom.

In addition to exploring the Japanese businessmen’s styles of negotiation, it requires to be familiar with the customs in Japanese’s daily lives so as to minimize the occurrence of conflicts. Seven points are organized as follows:

1. Food, clothing, accommodation and transportation: Wen (1993) pointed out in her study that Japanese put great emphasis on their traditional Japanese clothing – kimono. Each adult has several kimonos. They wear it depending on the occasions. Different clothing is worn on different occasions so as to present their identities. As to food, they prefer light flavor and uncooked cuisine, such as sashimi. The staple is rice related food. Fruits can be said as luxurious products since the prices are pretty high in Japan. The Japanese architecture features tatami. Sometimes there is only a table in a room without any other materials. It’s very clean and simple which shows a frugal style. As to transportation, Japanese always obey the laws. They wait in line for getting on a bus after the passengers get off a bus. Things are in order though there are many people around. In regarding to entertainment, Japanese lack a sense of humor and a channel to let out their feelings. They need other channels to release their depressed emotions and desires so they love outdoor sports and drinking. Japanese enterprises emphasize on the cultivation of employees’ loyalty so they often hold incentive tours on consecutive holidays.
2. Customs: offering a gift is quite common in Japan. Gifts are offered upon colleagues’ promotion, wedding, child birth, birthday, festivals, etc. Such etiquette has been the historic legacy which is given a new meaning of the age. The custom of presenting a gift is also popular while doing business. In the business circle in Japan, they pay much attention to etiquettes. Their appreciation for other people is often shown from offering a gift or their hospitality. Gifts are usually offered by the end of a year or on other festivals. Japanese will remember you even if you send him or her a small souvenir. Such souvenir not only represents your sincerity but also explicitly expresses that your relationships have already been beyond business bounds. Such souvenir indicates your friendship with him or her and your care for his or her “face”. In such case, he or she shall never forget the “favor” you give.
3. Social life: Wen (1993) suggested that Japanese are fastidious about social ranks and complicated etiquettes. Some Japanese females knee down at the entrance of a hallway to greet visitors. They always stoop down and talk gently. Japanese are very polite. Before negotiating with others, they will say “excuse me”, “good afternoon” or “good evening”. The concept of “customers first” perfectly exemplifies Japanese spirit in the service industry. Their services make all customers feel like a VIP. They demand perfect conditions for any production. Therefore, they offer products with high quality. Liao (1996) pointed out that the social dialogues in Japan vary under different conditions. The language used by a boss to a subordinate, a subordinate to a boss, by a man or a woman is different. This is so-called “honorific expressions”, which shows the politeness and seriousness of Japanese language.
4. Ways of doing business: Pan (1971) indicated that Japanese businessmen are quite subtle while doing business. They are good at playing psychological maneuvers. It takes time for them to think things over. They are not good

at immediate decision-making. They do not express their emotions on their faces. Japanese businessmen are famous for their diligence. They are not opportunists because of being down-to-earth and less flexible. They will not escape from the key issues while meeting a bottleneck arising from any negotiations. The break through their difficulties in a “sincere, respectful and diligent” manner. Japanese businessmen are extraordinarily sociable and self-disciplined. Such gregarious spirit enhances the cooperation among Japanese staff. They are supported by group actions or think-tanks so as to complete doing business together. Lin (1997) pointed out that Japanese had to receive the reforms by its alliances after being defeated in the war. Such reforms represented comprehensive negation and abandoning of its past so as to establish a new national identity and recognition. Under such huge changes, it is surprising that Japanese could accept such adverse circumstances calmly. They successfully combine the most important virtue exhibiting in group awareness – social discipline with the sense of responsibility conceptualized in the individualism. Their strong and solid ability in adaptation and learning spirit has created miracles in the business circle in Japan.

5. Awkward verbal communications: Wilkinson (1992) found that Japanese businessmen deeply believe that a true and sincere attitude cannot be expressed through words. Therefore, the relationships between two parties are determined by if both parties can sense what the other is thinking about without having a word. In Japan, people do things by following their job titles. They wear what suits their identities. They also have to pay attention to the brands they wear. They have to be very careful while speaking. They are not allowed to say something which is not proper at their level. The linguist Suzuki Takao (2006) wrote in his book titled “Language and Culture” that Japanese culture features careful observations on peoples’ talking and facial expressions. It is also a culture which is considerate and understanding. Everyone relies on others and expects that others will do something which fulfills their preset positions. In a Japanese company, a superior and a subordinate sometimes reach an agreement through the method of being “from heart to heart”. In Japan, the so-called good relationships are not referred to good contracted relationships. Instead, it is a relationship which “shares ideas without verbal expressions”.
6. Adore western countries: Japanese treat westerners either from Europe or America as outsiders. Most Japanese are pretty polite and try their best to please foreign visitors. As long as foreigners know how to use chopsticks or speak little Japanese, they would feel ultimately surprised. The comprehensive westernization of Japan has brought Japanese the concept that the things from the west should be learned. Therefore, Japanese still think that the west is more advanced and has better concepts in every way. Japanese adore westerners while treating them. Facing such an intimate predominant culture, it is very difficult for Japanese to open their hearts to the westerners. The extreme politeness, patience and passion from Japanese businessmen to western countries attribute to the complex of Japanese’s admiration to the west. (Chen, 2003)
7. Avoid conflicts as much as possible: “caring about face” is the common quality shared by Japanese. It represents an individual’s honorable record as well as the origin of confidence. “Face” strongly affects everything presented by Japanese. The language which hurts “face” or an action negatively influencing reputation will lead things to a deadlock. “Face” is the first thing that Japanese value. Therefore, please remember to constantly make Japanese feel they have “face” while getting along with them. Japanese value morality and favor. They think “a person shall never be able to repay one over ten thousand of favor given by others”. When they get favor, they’ll try to repay. Such concept is common but important to Japanese. Japanese dislike confrontations between people. For avoiding such condition, Japanese businessmen will try their best to conduct their works when all group members reach an agreement. It is unforgivable to sacrifice group benefits for obtaining personal satisfaction or overemphasize oneself regardless of the existence of a group. (Chen, 2003)

CONCLUSIONS

The establishment of a corporate system is closely associated with Japanese culture. During the period of the feudal society, patriarch-dominated leadership, loyalty to an organization and collective consciousness of identity belongingness significantly influence Japanese corporate culture. The employees working for a Japanese company though receive lower salary, they feel stable and safe since the company will hire them for a lifetime. The employees

do not have to worry about being laid off. The seniority system and more protections and benefits help diminish employees' dissatisfaction of low initial salary and the chance to change a job. On the contrary, Japanese companies will also request and build employees' loyalty to the company and their recognition of belongingness. It is an obligation for employees to be loyal to an organization. In such case, Japanese employees will become more disciplined and diligent. With such unique samurai spirit, the styles of negotiations presented by Japanese businessmen different from those by other countries are concluded as follows:

1. Good obedience: in Japanese culture, group spirit is extremely valued. The members in an organization are strictly demanded to obey superiors. In Japan, each individual is placed on a gear. Individuals rotate as fast as the wheel. It is common and reasonable for Japanese to work overtime. The whole social organization exemplifies a running track with white lines. It seems that there is a whip swooshing behind you. Once they are on the track, individuals have to go on even if they are exhausted. This is the attitude they hold at work. Therefore, they have to obey the arrangements and instructions given by their companies and superiors. (Chi, 1994)
2. Law-abiding and faith-keeping: the residential area isn't spacious in Japan. For maintaining the safety and stability and harmonious atmosphere on the islands, people have to constantly review their behaviors so as to avoid conflicts with other people. Everything is considered by placing groups as priority. They have to keep themselves disciplined and behaved all the time. (Chu, 1992)
3. Prudent attitude: it is quite competitive in Japanese business circle. They are highly demanding in product and service quality. They have to do business in a prudent and strict manner so as to make customers satisfy and to survive. (Chu, 1992)
4. Concept of hierarchy: in Japanese society, males are superior while females are inferior. It is considered justified that women should help their husbands and educate their children at home. Therefore, it is very difficult for women to obtain the same treatment and positions as men do at workplace. In Japanese companies, different levels are clearly clarified. The concept of superiors and subordinates is deeply rooted in people's minds. Subordinates have to obey and respect superiors. Honorific expressions are used while speaking to seniors. (Yi, 1997)

REFERENCES

- Abegglen, J. C. (2006) · 21st-century Japanese management : new systems& lasting values, New York : Palgrave Macmillan
- Chen, H. L. (2003), *Misunderstood Japanese*, Di Teng Publication Co., Ltd.
- Chi Tao (1994), *Japan into Depth*, Sanmin Bookstore Co., Ltd.
- Fan, C. T. (2002), *Corporate Business Negotiations*, Hsin Lu Bookshop.
- Feng, W. (2004), *Japan's Wisdom: the melodies of Japanese People*, Hsin Chao She Culture.
- Hsiao, H. C. (2004), *Feng Ching in Japan*, Mu Tsun Books.
- Investment Commission, MOEA (2007), *ROC Monthly Report on the Investments Made by Overseas Chinese and Foreigners*, Taipei: published by the editor.
- Lin, M. T. (1997), *The Society in Japan*, Sanmin Bookstore Co., Ltd.
- Liao, H. H.(1996), *Interesting Phenomenon in Japan*, Dao Tien Publication Co., Ltd.
- Liu, K. C. (2002) *Study on the relationships between administrative culture and operational performance ~ Comparisons of operational performance of the electronic industry among Taiwan, Japan and America.*, Chinese Culture University, Institute of International Business Administration.
- Pan, H. K. (1971) · 《Japan and Japanese》, Central Daily News
- Suzuki Takao (2006), 《Language and Culture》, Bunshun.
- Translated by Chu Hsin-Min (1992) · 《How to do business with Japanese》 Fang Chih Publication Co., Ltd.
- Wen, C. H. (1993), *Impressions over Japan*, Chien Hsing Culture.
- Wilkinson, E. (1992), *Japan VS. West: Impressions & Facts*, Chung Hwa Book, Taiwan.
- Wikipedia (2006 & 2008), Japan, <http://zh.wikipedia.org/w/index.php?title=%E9%A6%96%E9%A1%B5&variant=zh-tw>
- Yi, H. (1997), 《Japanese with Unquestioning Thoughts》 Chien Hsin Culture Publication Enterprise Co., Ltd.