Introduction

"Some things change,
some things stay the same"

Some things change...

Much about the business environment of Japan has changed since 1998, when this book was originally published.

* The concept of lifetime employment in large corporations is a distant memory.
* The value of those employees who remain in the large companies is measured less on length-of-service and more on performance.
* Instead of chasing after a few coveted spots in large companies, many young men and women are choosing instead to take control of their own careers; There are numerous examples of people in their 30's and 40's heading start-up companies.
* Over the past five years, the large corporations have aggressively downsized by offering early retirement, cutting back on annual recruitment of new college graduates and by spinning off corporate divisions into wholly owned subsidiaries.
* The number of U.S.-based Japanese subsidiaries has decreased steadily from the late 90's. Within the manufactur-

ing sector alone, the number of factories peaked at 2,126 in 1999. This number has dropped to 1,941 factories in 2003, employing approximately 215,000 Americans[†]. Service-sector businesses that employ many thousands more, such as banks, are not included in this number.

* Companies that competed fiercely against each other have merged or created joint ventures.
* Foreign investment has increased, as has the number of Japanese companies now owned by European and American firms.
* The economic conglomerates, *keiretsu*, are hollow shells of what they were.
* And, to top it off, there is growing concern in Japan about an educational system that still focuses too much on regimentation and rote memorization and doesn't do enough to foster creativity or thinking "outside the box".

This is quite an impressive list that reflects some profound changes in both the business and social culture of Japan. As a result of the Japanese economic malaise, changes that were in many cases long overdue are now in effect. These will undoubtedly benefit the Japanese in the near future.

So, what does this mean for those Japanese and Americans who work together in the Japanese companies that remain in the United States?

Some things stay the same...

Many Americans and Japanese still don't quite get it. In spite of over 20 years' worth of working together in U.S.-based Japanese subsidiaries, many still don't work *together*. They work in separate universes under one roof.

Many Japanese expatriate managers in the United States are still woefully unprepared to manage across cultures. Many haven't even had experience managing in Japan, so it shouldn't be a surprise that they have difficulty managing Americans. Managing Americans is not an easy task even for Americans, much less for people who are trying to survive in a foreign environment, full of different rules,

expectations and in a second language! In spite of the many changes in Japan, the work habits of expatriate managers still reflect many of the conservative values of years past. Long work hours, employee loyalty, expecting minimal pushback from subordinates and not challenging the corporate headquarters are but a few of the expectations that many Japanese managers in the United States still have. Even though senior leaders in Japan are singing the benefits of change, those who are in the United States are stuck in a unique place. Most have been raised in the traditional, slow moving Japanese conglomerate of the past, yet are now expected to be instantaneously creative and quick on their feet. Coupled with the cultural and linguistic challenges they face in the United States, it is no wonder many Japanese expatriate managers reflect business practices common a decade ago.

There are still too many Americans who work with or for Japanese who are still baffled by the rules of engagement and the world of "unspoken understanding" that still guide many Japanese. "Why don't they involve me in decision-making?", "How am I supposed to know what they want if they don't open up to me?" "Why don't the Japanese act on the market information I give them, why don't they trust my opinions"? Facing such ambiguity, it is not uncommon for Americans to "take the bull by the horns" and become overly aggressive, assertive and demanding of their Japanese colleagues.

Yes, some things stay the same. Both the Japanese and Americans have every intention of doing the best job possible, yet the lack of mutual understanding and awareness of how to effectively bridge the cultural barriers eventually undermines far too many teams. Working together effectively is more important now than during any other time in the history of these subsidiaries. Due to the extended weakness of the Japanese economy, the U.S.-based subsidiaries no longer can rely upon the corporate headquarters back in Japan to bail them out when they can't make their sales targets or other goals. Headquarters in Japan can no longer afford to transfer more expatriates to the subsidiary in the United States to solve problems. In fact, close to 10% of the manufacturing subsidiaries in the Unites States have no Japanese managers at all[t]. The result is tremendous pressure for the subsidiaries to make it on their own. This means the Japanese and Americans need to work together and rely upon each

other. The few Japanese expatriates need to rely upon their American counterparts and subordinates like never before. The Americans who run subsidiaries that have no Japanese expatriates must be equally skilled at managing domestic issues as well as interfacing with headquarters in Japan. There is no longer the luxury of having two universes under one roof. Hence the concepts presented here are equally, if not more, important than ever before.

In this book, we take a unique approach to examining the challenges that emerge from the vastly different management styles of Japanese and Americans. In addition to describing and comparing differences, we offer solutions to the problems that arise from them. We methodically examine the most frustrating problem areas faced by Japanese managers and their American subordinates in U.S.-based Japanese companies. Each topic is analyzed in depth, and strategies for problem solving and conflict resolution are provided.

We have attempted to write this book in a format which is easy to understand and follow. Using case studies derived from actual situations, we lead the reader through a series of steps designed to get at both the causes of and the solutions to key cultural conflicts. This analysis is based on our forty combined years of direct, professional experience in researching, consulting, and training Japanese and Americans to work productively together in the United States and Japan.

Research undertaken by the authors on U.S.-based Japanese subsidiaries has identified eight areas in which Japanese and American managers say their business styles most often clash. These are (1) work habits, (2) training and development, (3) responsibility and authority, (4) promotion pace and compensation growth, (5) performance management, (6) informed decision making, (7) feedback, and (8) communication style.

We chose to write about this topic for two reasons. First, the large number of Japanese companies remaining in the United States means a great deal of Japanese-American interaction, which results and will continue to result in friction between the American and Japanese business communities and, very likely, between the United States and Japan in general. Second, there is an urgent and increasing need among managers and employees in these companies for resources which will help them clarify and resolve disruptive clashes in the workplace. This need is particularly acute during times of

economic hardship. Cultural conflicts that are routinely smoothed over when a company is doing well financially, can escalate into company-wide crises when times are tough and nerves are frayed. The decline in morale and productivity which result from culture-based conflicts are also viewed with a more critical eye by company managers when the bottom line is felt to be less secure. Now, more than ever, there is a mandate for lasting, effective resolution of cultural conflicts.

Over the years, information about U.S. and Japanese business relations has become more available. It can generally be divided into three categories: (1) superficial information about how to do business with the Japanese, (2) analyses of the Japanese style of management and how it can be either emulated or surpassed by American corporate leadership, and (3) analyses of the impact on the United States of U.S.-based Japanese subsidiaries, primarily in the area of manufacturing.

This information has come in every conceivable form, from books, magazines, and newspaper articles to the internet, television specials and videotapes. Superficial information about how to do business with the Japanese is usually targeted at the American businessperson who is either relocating to Japan or who is in some way trying to conduct business with the Japanese. Much of it has focused on negotiation strategies and such things as business card etiquette and other professional and social do's and don'ts. Analyses of the Japanese style of management have covered a number of topics, ranging from quality-control circles and statistical process control strategies to consensus management. Only recently have we seen analyses of the impact of U.S.-based Japanese subsidiaries on the United States. This category consists of studies (both supportive and critical) of: (1) the economic impact various subsidiaries have had on their local communities; (2) the extent to which a previously displaced workforce has been revitalized; (3) the effect of the well-publicized Japanese manufacturing systems of total quality control, just-in-time (JIT) supply management, and *kaizen* (continual pursuit of perfection) on the productivity of the American worker; and (4) management and labor/union relations under the Japanese in comparison to more traditional American models.

Although these publications and studies are valuable and have provided a great deal of information, there is a critical area which has

been overlooked to date: the quality of the interface between Japanese and American cultures. Nor has there been much effort to provide practical, tested methods of making the interface successful. What can the Japanese do to become more effective managers of Americans, and what can Americans do to be more competent in dealing with Japanese management? In this book, we will discuss conflicts which are both cross-cultural and intercultural in nature — that is, we will discuss conflicts which arise from the differences between Japanese and American cultures as well as conflicts which arise from the *interaction* that takes place between the two cultures in workplace and social settings. The issues which often arise when Japanese and Americans interact in the workplace result in complex problems which must be addressed in a comprehensive fashion.

Some Japanese companies in the United States attempt to operate under a policy they call "Americanization" or "localization." Others attempt to transfer Japanese management styles and systems to the American workplace, such as was done at New United Motor Manufacturing, Inc. (NUMMI) between Toyota and General Motors. Regardless of the approach, very few (if any) companies are doing anything about managing culture, about examining the impact of culture-based attitudes and behaviors in workplace relationships and processes. A few articles have been written on the subject, and there has been the occasional story about a strike here or there. However, little has been said about the day-to-day frustrations and suffering that occur among Japanese management and their American subordinates in the workplace, whether it's automobile manufacturing, trading companies, banks, or the electronics industry. In particular, the manual on how to improve the quality of these relationships is missing.

Although there is a growing trend to fill top management positions with locally hired Americans, most of the employees in Japanese subsidiaries (including mid-level managers) are American, while top managerial positions are usually filled by Japanese expatriates. During their assignment in the United States, these Japanese executives face the dual tasks of conducting business according to the structures of the parent company in Japan and managing a workforce which has vastly different notions of management-subordinate relations. On the other side, the American subordinates, used to the cultural norms governing employer-employee relations in the United

States, are faced with the challenge of carrying out their duties in a Japanese environment they don't fully understand. Both often end up frustrated and angry, and the consequences range from mutual Japan/America bashing and the erection of defensive communication barriers to high turnover and, in the end, lawsuits.

Language barriers often are blamed for these kinds of problems. But, it is no secret that merely speaking each other's language does not guarantee effective or efficient communication in a business environment. The root of the problem goes much deeper than language differences. Despite the English fluency of his Japanese boss, one American manager of technology in a Japanese company had this blunt comment: "Working with the Japanese grows more and more dislikable. I just don't like them very much. It's frustrating. We don't really understand where the bumps are, why we have problems. They assume we are lazy. We assume they are secretive."

More often, problems arise because of the differing cultural expectations and assumptions each side has regarding management style and subordinate behavior. The common sense rules of the game, as understood by one side, are not the same common sense rules understood by the other. These kinds of expectations are driven by the value system of the society in which one grows up. When these so-called common sense behaviors are not displayed, those who expect them react negatively. This is what led one Japanese senior manager to say of his American management team: "I can't trust them because they set goals which are ridiculously low and easy to achieve, yet they complain that I set goals which are impossibly high. I think you call what they are doing 'sandbagging,' don't you?" The Japanese manager is looking for certain types of behavior he has come to expect from subordinates in Japan. Likewise, the American subordinates are looking for certain behaviors they have come to expect from their previous non-Japanese superiors. In many cases, neither side gets what it is looking for. The result: the high turnover rates and discrimination suits noted above. In one Silicon Valley company, turnover reached 40 percent before something was done to correct the problem. In other cases, Americans have filed suits over being denied promotion opportunities. In one company alone, six women sued for gender discrimination.

These are no small matters, and they call for a new approach on the part of both the Japanese and the Americans. What is needed is

a managerial style and an organizational atmosphere which foster the blending of cultural perspectives and draw strength from differences in culture-based behaviors and attitudes. The alternative to this new style is festering conflict and hostility that can only sap the energy of the organization. The answer lies in what is being identified today as a global approach to corporate management. This does not imply the imposition of a strongly centralized "corporate headquarters" way of doing business on the rest of the world. Multinational corporations have spread around the world in complex networks, employing vast numbers of people from different countries and with different cultural backgrounds. In our opinion the global approach to corporate management does imply the balancing of cultural dynamics between headquarters and subsidiaries or other partners. This great global diversity of business cultures creates an imperative no corporate leader can ignore and a new fact of economic life that corporate personnel, especially at the supervisory or management levels, will have to come to terms with. In the following chapters, we will lay out what we believe is a framework for understanding and dealing with these issues. Armed with this new knowledge, we hope that Americans and Japanese working in U.S.-based Japanese companies can move ahead into the future confident in their ability to manage the stresses inherent in cross-cultural operations. We also hope that this analysis will serve as a model for examining and dealing with cultural conflicts involving other countries and cultures.

A caveat before going on. You will find in the text not only many generalizations about American and Japanese cultures but the articulation of blatant stereotypes as well. These come directly from the conflicts described and reflect the feelings of the Japanese and Americans involved - as derived from interviews and other data. They are, thus, the essence of what the authors were trying to mediate and do not reflect the authors' own views.

†*Japanese Manufacturing Plants in the United States, 2003 Annual Economic Survey.* Published by: Japan External Trade Organization (JETRO), March, 2004.