

MEMORANDUM

Date: November 12, 2007

To: Janet Moore
From: Edward M. Lebow
Subject: Cross-Cultural Reflections on Negotiating with Japanese Businessmen

The following is a list of some points to keep in mind when negotiating with Japanese businessmen. Not surprisingly, many of the same techniques that are applicable to negotiating with any well-informed party that has interests separate from one's own apply to negotiating with the Japanese. However, certain nuances do exist, and attention to them can help bring about a more successful negotiation, both in ease of process and in substantive outcome.

1. Establish personal rapport. It is well known that human relationships are particularly important to Japanese people and that one must establish personal rapport with one's fellow negotiators before proceeding to substantive matters. An atmosphere of mutual interest rather than a trading off of self-interested points will engender greater trust in most Japanese. Therefore, it is a good idea to break through the formalities and get to know the negotiators for the Japanese side. The best way to do this is to meet for dinner or some other event before the initiation of negotiations so that people get to know each other. It is possible in this way to interact solely on a personal level; it is a gesture of goodwill and trust. This is far superior to the usual perfunctory and transparent small talk that precedes some negotiations.
2. Avoid placing a negotiating lawyer in the forefront. Because of the Japanese mistrust for a negotiator that pushes for the advantage for one side rather than cooperating toward the mutual advantage of the entire project, the Japanese businessman is especially wary of the lawyer as a negotiator. A lawyer is seen as a hired gun, interested only in furthering the goals of his client and not in contributing to a harmonious business environment beneficial for both parties.
3. Learn the extent of the Japanese negotiator's authority. Sometimes an American negotiator will assume, because he has the authority to bind his corporation, that his Japanese counterpart has equivalent authority. This is not always the case. Often the Japanese negotiator will be required to check with his superiors in Tokyo before approving a provision, even in principle. Therefore, it is imperative for the U.S. negotiator to know if he is dealing with a party who will bind the other side or who will merely take negotiated proposals to the home office for final approval.
4. Specify the authority of your negotiator. Make it clear to the Japanese precisely what he or she can and cannot do.

5. Do not hurry. It is ironic that the Japanese, who are reputed to rely on a spirit of goodwill and compromise in business relationships, will spend hours on what seems to be the most trivial and irrelevant detail in the contract. This tendency may be the result of a deliberate tactic to wear down the American negotiator. It may also represent a feeling that because the American negotiator takes the written contract seriously, the Japanese will do likewise. In either event, the American must display patience.

6. Be prepared for long hours. The Japanese as a people work long hours. They sometimes have the impression that Americans are soft and can be worn down. Moreover, Japanese negotiators are able to sense that an American negotiator has a deadline that he has to meet, or a plane home that he has to catch, or another commitment. One should, therefore, never give one's Japanese counterpart the impression that one is committed to one's superiors to "bring home the bacon" within a fixed period of time. The use of stall tactics and fatigue, coupled with subtle last minute demands, is a classic Japanese negotiating technique.

7. Speak clearly and avoid idioms. It is sometimes difficult to realize how idiomatic is normal American English. When speaking with any foreigner, and especially an Asian, it is preferable to speak distinctly, moving one's mouth clearly, and maintaining eye contact with the person one is addressing. Normal rules of writing and speech, taught since grammar school, such as, "avoid using the same word twice in the same sentence" must be reversed when dealing with the Japanese. A Japanese person will not necessarily know the meaning of two different words and may not know that they are meant as synonyms. He may be distracted from your point and instead spend much time trying to fathom the distinction between two terms when no distinction is meant. Of course, one should avoid using double negatives, long sentences, and unusually difficult words.

8. Explain ideas several different ways. A Japanese negotiator sometimes will not let you know when he does not understand. To express lack of understanding would be rude to you as well as embarrassing to him. Therefore, he will smile and nod, yet not understand. One way to avoid this is by explaining the same idea several different ways. One can also ask follow-up questions that demonstrate whether the Japanese negotiator has in fact understood all of what has been said. Of course, the question, "Do you understand?" will usually be answered by, "Yes". Therefore, it is better to ask the Japanese negotiator to explain what he likes or dislikes about a particular proposal. This will generally demonstrate if it has been understood. Remember also that the Japanese have a particular difficulty with regional accents. Nevertheless, one must be sensitive not to insult the intelligence or the language ability of one's counterpart.

9. Avoid addressing a Japanese as "You". The Japanese language rarely uses the second person. One should refer to a Japanese person with his name and title. Moreover, Americans tend to invest the identity of the other corporation in the person negotiating for that corporation and will say "You can give us this" or "We will give you that". In Japanese speech, one never says "You". A Japanese can feel insulted if the second person is used consistently in negotiation. It is better, therefore, to speak of Mitsubishi doing this and Toyota doing that. In addition, unless invited, do not address a Japanese by his first name. Instead, say, "Mr. Tanaka", or, if more familiarity is desired, say, "Tanaka-san".

10. Avoid winners and losers. Americans will sometimes try to "win" a point in a negotiation. Besides appearing insensitive, this behavior strikes the Japanese as not consistent with long-term business harmony. On the contrary, they see it as narrow and greedy. Therefore, one must be careful not to trade points, or win one and lose another. Rather, one must encourage candor, talk about motives, and work towards objectives that are in the mutual interest of both parties. This is not to say that one cannot negotiate firmly for one's side. It is, however, a matter of sensitivity.

11. Be alert to indirect no's. Because the Japanese do not like winners and losers, they do not like to say, "No". Therefore, an American negotiator must be alert to the indirect ways in which a Japanese negotiator says, "No". Sometimes a Japanese negotiator will discuss the deficiencies of a proposal. Other times he will suggest better alternatives. Sometimes he will switch the topic, and other times he will merely engage in prolonged inactivity. Although these are all ways in which the Japanese reject a proposal, an American negotiator must also realize that sometimes the failure of a Japanese negotiator to give an immediate answer is a function of the consensus negotiating process of the Japanese and of the negotiator's limited authority and thus is not a final "No". Again, sensitivity is required on the part of the American negotiator. For example, the Japanese will sometimes say, "We note your point." This means that, "We have heard you, but we cannot answer you now. We have to check in with Tokyo and will get back to you."

12. Avoid direct no's yourself. Because the Japanese are uncomfortable saying, "No", they are also uncomfortable hearing, "No". Therefore, avoid turning down a proposal from the Japanese side too directly. Be sensitive. Use the same methods they use. Never embarrass someone who has made a proposal by turning him down directly in front of his peers.

13. Write down as much as possible. When dealing with any non-English speaker, it is a good idea to have the outlines of one's proposal written down in clear, concise fashion for easy reference.

14. Use numbers over ten thousand slowly. The Japanese counting system works on powers of ten thousand and not on powers of one thousand. For example, the number 20 million is expressed in Japanese as 2,000 ten thousands. A Japanese will understand a high figure, but it sometimes takes him a few moments to do the calculations in his head to move the zeros to their appropriate places. Give him time to do this. Again, writing is helpful.

15. Avoid interfering in negotiations with the Japanese government. Allow the individual company to negotiate with its government. It is accustomed to doing so. Any interference from an American company would only complicate matters and work to the detriment of both parties to the negotiations.

16. Elicit all of the Japanese negotiator's ideas. As a general rule, Japanese businessmen prefer short contracts and desire to rely on mutual good faith in the event of unforeseen developments. This can sometimes lead to a tendency to defer difficult issues until the relationship is established, with the expectation that the point will be worked out later on. It is imperative, therefore, for an American negotiator to draw out all the hidden ideas and assumptions in the mind of the Japanese side, so that misunderstandings can be avoided.

17. Take all of the above with a grain of salt. The negotiators for large Japanese corporations are usually sophisticated individuals who have lived abroad and are accustomed to dealing with foreigners. They often are familiar with U.S. notion about "negotiating with the Japanese". They may, therefore, use the attempt of the American side to maintain harmonious relationships as a way to keep positions adverse to them out of the contract in the hope that they will be able to use their leverage later on to avoid concessions. In short, the American negotiator must evaluate the sophistication and motives of his Japanese counterpart. He must be sensitive not only to avoiding a culturally biased American point of view, but also to being manipulated by a clever Japanese negotiator who senses an American trying to negotiate in the Japanese style. Thus, the importance of point number 1. Getting to know one's opposite number in a casual environment before the outset of the negotiations will contribute not only to a smoother start once actual negotiations begin, but also from a tactical point of view will provide the American negotiator with a chance to evaluate his counterpart before sitting down across the table from him.