



## Trade Relations

An indication of the reach of Japan's corporate titans is evident in the abundance of logos splashed across billboards and office towers across the globe. The country's electrical producers and automakers steered Japan's economic Phoenix-like rise from the ashes of the war through surging exports. The likes of Sony and Toyota are now firmly established outside of Japan.

But the level of investment in Japan from abroad falls woefully short of other developed countries. Three years ago, Prime Minister Junichiro Koizumi unveiled a plan to double inward direct investment (FDI) in five years. According to a United Nations report on world investment, FDI inflows to Japan stood at \$7.8 billion in 2004. The government's target is around \$15 billion. In comparison, the United States was the world's largest recipient of FDI at \$96 billion for the same year.

So what's preventing foreign companies setting up in Japan? Research by the Ministry of Economy, Trade and Industry in 2002 cited obstacles such as personnel costs, high rent, high tax rates, anticompetitive business practices and the tough demands of customers.

Through his company, TMT, Thomas Nevins has been advising foreign multinational companies in Japan for more than 25 years on such subjects as downsizing, Japanese labor law and managing Japanese workforces. *iNTOUCH*'s Nick Jones sat down with the Club Member to talk about work culture and management in Japan. Excerpts:

**iNTOUCH:** How would you define Japanese work culture?

**Nevins:** I think clients are often surprised that there can be less harmony than there is often said to be, and that people seem to have more difficulty in making individual decisions and taking initiatives. We can also say that Japanese are very dedicated in the sense of working very long hours and, if things are going well, the teamwork is excellent. So when it comes to execution—although it takes a long time to reach that point—sometimes it is surprisingly fast.

**iNTOUCH:** What common problems do foreign executives face when managing a Japanese workforce?

**Nevins:** They do get frustrated. They often say it really is hard to read the Japanese and get their view. And I will suggest to them not to put out their opinion first because the Japanese are less inclined to contradict.

**iNTOUCH:** Should managers impose a Western style of management or accept Japanese work practices?

**Nevins:** I think that new managers in Japan have a tendency to walk on eggshells around their Japanese managers and staff, or feel that decisions should be made by Japanese for Japanese. I think the role for the expatriate boss in making change has to be

very, very great. That word *gaiatsu*, pressure from outside, is often used, but even within the micro-system of a corporation I believe there is an important role for a foreign executive.

**iNTOUCH:** Do you think foreign managers are well prepared before they arrive in Japan?

**Nevins:** I don't think they are very well prepared, but frankly, even speaking Japanese is not necessarily the answer. Some of my most effective clients spoke no Japanese at all, but they used their instincts. Managing is getting things done through people. And it's getting good product into people's hands. These are universals.

**iNTOUCH:** Do the financial and housing packages of foreign executives cause animosity among other senior Japanese executives?

**Nevins:** It comes up more often than I believe it should because the converse of that is that Japanese executives are also getting nice packages when they are in the United States. Unfortunately, to give what the foreign executive is used to in Tokyo is going to be more expensive than to give a Japanese executive *much* more than he is used to when he is in a foreign country.

**iNTOUCH:** How strong are unions in Japan?

**Nevins:** Unions had their peak organization rate at 38 percent in 1948. That was largely because [General Douglas] MacArthur was supporting them. The union organization rate is now down to 21 percent. They haven't been able to protect jobs, stop staff reductions or even stop pay reductions within companies, but they did focus on unpaid overtime, which worked.

**iNTOUCH:** Staff working very long hours has been an issue for a long time in Japan. What is the current situation?

**Nevins:** If somebody works over 100 hours of overtime a month, you are supposed to report it to the Labor Standards Office. But when you see the lights on [in offices] late at night, a lot of that is people who just don't want to go home. And that certainly shouldn't be paid for by an employer.

**iNTOUCH:** But how much of that overtime culture where employees feel they can't leave before the *bucho* [section head] still exists?

**Nevins:** That is pure craziness and it does exist, [but] to a lesser extent than in the old days. That *bucho* should be leaving or telling his people to leave.

**iNTOUCH:** How hard is it to break that work culture?

**Nevins:** It is difficult to break and there has been a problem with staff reductions. That is why we had fires and accidents at some plants because some key workers left. So there is overwork because of those staff reductions and it's not right. People should have a life and should be able to go home earlier, but the people who die from *karoshi* [overwork] or commit suicide unfortunately were not strong enough to speak up. But [speaking up] is more difficult to do than in some other cultures.

**iNTOUCH:** With the rise in freeters [job-hopping part-time workers], as well as companies not hiring as many full-time workers, do you foresee a skills shortage in Japan?

**Nevins:** Yes, and interestingly companies have realized this and from [last] year [have begun hiring] more school graduates.

**iNTOUCH:** Is some of this about young people rejecting traditional Japanese corporate life?

**Nevins:** I think that's very true. There are often only one or two children [per family]. They already have housing and they know that. There are at least 10 million "parasite singles" living at home. Also, [Japanese parents] are always bankrolling their children. They think they are doing something for their children that maybe their parents weren't able to do for them. But it does take out some of that fire in the belly.

**iNTOUCH:** So does the answer lie in bringing in more foreign workers?

**Nevins:** Fundamentally, there will be a work shortage. Will Japanese industry really find that these kids can do the job? Perhaps not, but I would think that trying to really train them would be better than bringing in large numbers of immigrants. □