

Foreign entrepreneurs in Japan: learning to succeed when strategy and business culture collide

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CEOs exploring a foreign market face a variety of strategic challenges—developing a market-creating innovation, disrupting an existing market, building a brand, identifying and embracing a set of customers and scaling up the business. But the people they hire to implement these strategies – managing directors, front-line sales managers and marketers—must struggle with the unique business culture in a particular country. Japan has a famously opaque and idiosyncratic business culture that foreign entrepreneurs, both small and large ventures, cannot ignore. The individuals who succeed gain experience with the interplay between culture, tactics and strategy. Their learning makes them potentially crucial hires for larger companies seeking a foothold in a foreign land. When reading resumes and interviewing managers for such new ventures, stories of entrepreneurs who successfully navigated Japanese markets and business culture may help inform top management’s hiring decisions. Here are the accounts of the careers of two corporate entrepreneurs in Japan.

“Jim Smith”: adapting strategy to culture to win clients

Originally from Texas, Jim was recruited to teach English in a Japanese company. Being fluent in Japanese

helped him when he started computer consulting, which led to a job with an internet company as it grew from 13 employees to 300. Enron recruited him to lead their Japanese broadband internet business, but the venture failed, and he moved on to found his own firm specializing in telecommunications expense management consulting. In 2006 Jim launched a new stand-alone company to provide “cloud” options for foreign and Japanese company clients.

Learning from two catastrophes

His internet business was hit hard by the financial crisis of 2008, but he managed to keep operating even after a number of his client firms went bankrupt. Then, in March 2011 a second catastrophe struck Japan—the earthquake / tsunami / nuclear meltdown triple threat. Instead of fleeing the devastation, Jim stayed in Tokyo and provided service to his clients via “the internet cloud” after the quake. In 2012 his business finally took off as Japanese firms realized that their employees needed a way to work from home in the event of another disruptive event.

Adapting to an opening in the business culture

This was a business culture breakthrough. Japanese companies traditionally valued having their staff actually in the office during work

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hours, but after the disaster, which shut down the trains but not the internet, they saw the value of remote telecommuting. The conservatism of the local business culture had been a major obstacle to Jim’s start up, but now he took full advantage of their changing attitude and exploited this new opportunity.

Jim’s company continued to grow and was finally sold to a U.S. company: he was made general manager of the cloud division of the parent company.

“Paul Taylor”: Leveraging experience to make new starts

Paul first came to Japan to teach English, stayed for three years, then returned to the U.S. to get a Masters of International Management degree. After a variety of jobs there including director of business development for a food company, in 2006 he became director of marketing of North American transportation for a major third-party logistics provider and headed a team working with its 160 North American branch offices.

In 2008 he became the representative director for a Starbucks service provider in Japan. Starbucks had different partners for these different categories. The beverage giant Suntory got Starbucks’ products into Japanese “conbini” chains like 7Eleven, Lawson, and Family Mart. Starbucks also partnered with Ajinomoto via AGF—a joint venture between Ajinomoto and Kraft General Foods—for its dry coffee product lines. Paul had to contend with conflicts over tactics with both these

Japanese domestic giants. Suntory was aggressive and adversarial and wanted to slap the Starbucks brand on every product. In contrast, Ajinomoto was conservative and slow moving, like a traditional Japanese firm. Paul had to work with all suppliers and put them on the same page with Starbucks headquarters in Seattle.

In 2012 Paul saw an opportunity to bring a major U.S. food product, HoneyBaked Ham®, to Japan. Launching an imported meat product in Japan required Ministry of Agriculture approval, a difficult year-long process. Another obstacle was convincing Japan’s luxury hotel chefs – who were reluctant to try the “meat-on-the-bone” hams at first, their version of a business culture issue—to give the business their seal of approval. Paul was the entrepreneur responsible for all aspects of the launch including developing and executing a multi-channel sales strategy and managing stakeholders,

After four years, Paul sold his share in the company and accepted the job of B2B Director at Nestlé Nespresso Japan. At Nespresso Japan KK he is responsible for products and services for its Out-of-Home business unit where he can use all he has learned about the Japanese B2B food business.

Facing another business culture problem

Nespresso’s office and hotel services business depends on long-term relationships with coffee suppliers. Prestigious hotels must obtain the approval of the owner of

the building before they can adopt Nespresso’s machines. Paul’s team must delicately negotiate new relationships, a challenge his industry experience and knowledge of Japan prepared him for.

Asking interviewees about the cultural challenges they have faced

What can managing directors of companies seeking a foothold in a foreign country learn from these young business leaders’ attempts to build businesses in Japan? When interviewing potential key hires, experienced entrepreneurs like Jim or Paul, their answers to these six questions could produce some important insights about surmounting hidden obstacles in a foreign business culture:

- Can you give an example of how you adapted a strategy to adjust to local conditions? What were the tradeoffs?
- Can you give an example of how you demonstrated your commitment to your customers? What was the result?
- What are the risks and benefits of hiring local talent? What were your experiences?
- What lessons have you learned about when to pull the plug on an operation that can’t overcome adverse local conditions?
- Did you ever have to resolve a conflict over protecting the value of brand equity?
- Can you give an example of how carefully developed knowledge of the business traditions of a market enabled you to break through a cultural barrier?

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