CULTURAL ENCOUNTERS

INTRODUCTION

This book is about managing cultural differences. Using examples of American direct investments in Japan, I will examine the issue of cross-cultural management from an anthropological perspective in order to demonstrate what an ethnographer can contribute to the field of comparative management studies. It is based upon fieldwork conducted in Japan and the United States between 1977 and 1981, and the summers of 1985, 1986, 1987, and 1988.

I will state major issues concerning foreign direct investment in Japan in this chapter and discuss my ethnographic approach to organizational culture. I will then describe my fieldwork on a United States-Japanese joint-venture company in chapter two. This is the first ethnographic study dealing with the experience of an American firm in Japan, and I would like to describe how I became involved in this study and how I collected the data.

Chapter three will concern the trends of American direct investment in Japan. The discussion on the general trends will provide a macro-view of American direct investment in Japan, illustrating operational problems that American businessmen are likely to encounter in Japan. In addition, a brief history of foreign direct investment will be given in the appendix to provide a more general and historical perspective.

The latter part of the book will focus on case studies. In chapters four and five, I will present case studies of one Japanese com-

pany and one U.S.-Japanese joint-venture company. I will describe a Japanese company, Nippon Kaisha, in chapter four. Using fictitious names to protect real persons and organizations, I will describe a Japanese company, Nippon Kaisha, and an American multinational, United America, that joined together to form a 50-50 joint venture (Nippon United Inc.) in Japan in the early 1970s.

Chapter five, the most important part of this book, gives a detailed ethnographic history of Nippon United leading to the manufacture of plastic wrappers at a plant in Kamiyama, Japan, using United America's technology. This account will trace chronologically joint decision making from the early 1970s to the late 1980s. Today the company is financially successful in the fiercely competitive Japanese plastics and resin industry, but the firm has traveled a rocky road to achieve this level of success.

The study of an international joint venture provides an opportunity for a direct and "close-up" comparison in cross-national frameworks. I hope that it is a good way for understanding better one's own culture in relation to that of the "other."

THE ISSUES

One of the fundamental and irreversible changes in American society in recent years is the globalization of its economic activities. The competitiveness of American business in international trade has become a common topic of discussion, and often a source of aggravation, among business leaders and policymakers. Today, foreign investors pour increasing amounts of money into this country. Public sentiment favoring protection against foreign direct investment in the United States has begun to emerge.[1]

Japan has often been the target of American criticism of foreign direct investment because of the general public's perception that the Japanese market is closed while the American market is open. The phenomenon of "Japan bashing" intensified during the late 1980s. Advocacy of using retaliatory measures against Japan carried an almost warlike tone in an article in the *Harvard Business Review:* "To hit the deficit where it hurts us most, we need a target rifle, not a shotgun."[2]

In examining the history of foreign direct investment in Japan

as well as the present situation, on the other hand, we will see that: While the Japanese market was definitely closed in the past, it is no longer closed in *legal* terms; many American enterprises are extremely successful in Japan; and, most importantly, success in the Japanese market requires intelligent *cultural* strategies.

Given the fact that Japan is a culturally homogeneous unit with more than 2,000 years of tradition, one would expect American enterprises to encounter some cultural conflicts when they cross the Pacific to conduct business in Japan. On the one side is America, where the basic civic principles are individualism and freedom. On the other is Japan, where the governing principles are the acknowledgement of *bun*, or one's place in a group, filled with duties and obligations to parents, teachers, ancestors, co-workers, and employers. Underneath the modern glittering surface of downtown Tokyo with its skyscrapers, computers, and Western music, Japan is still very much an Asian nation, built on Confucian ethics, thought processes, and institutional arrangements. Japanese have never been, nor will they be, like Americans. That, I think, is often the root of frustration and anger with Japan among the American public. I believe that, by looking closely at interactions between American and Japanese businessmen, we will better recognize our cultural chauvinism, either Japanese or American. With such understanding, we will be able to see our differences not as a source of further conflict but of dynamic cooperation.

During much of modern United States history, American businessmen have moved around the world, investing in overseas ventures, exporting goods made in America, and dealing with host countries' politics. Yet, despite our use of sophisticated economic statistics and financial analyses, we often ignore basic cross-cultural issues such as American businessmen's relationships with their foreign customers, suppliers, associates, governments, and competitors.

More studies are necessary to reveal how the multinationalization of business occurs at the human level and what problems need to be solved in the process. We need to learn more about the "people" side of international business.

Ethnographic case studies, which reveal the process of cultural encounters, might benefit the Japanese. Today, more than ever, the Japanese need to critically reexamine their economic history and future direction as Japan assumes new international

roles and responsibilities. During most of the postwar period, the Japanese focused their energy on rebuilding their economy. In this single-minded pursuit of economic goals, social, political, and institutional mechanisms were tailored to create an interlocking web, weaving new features into traditional patterns. These ingredients combined in a highly successful formula for economic prosperity.[3]

The current Japanese institutional arrangements, which seem to have worked well in achieving their economic success in the past, might pose serious difficulties for future globalization. Japan must try to balance policies, which pursue economic internationalism and trend toward free trade and investment, with economic nationalism and policies designed to protect Japan's national self-interests.

Kokusaika, or internationalization, has become a national preoccupation in Japan, and several books have appeared with a strong focus on this issue (c.f. Okimoto 1982; Inoguchi and Okimoto 1989). Not many Japanese realize, however, that *kokusaika* will compel fundamental changes in their society.[4] *Kokusaika* implies that the closely knit society of homogeneous population needs to respond to heterogeneous and often conflicting elements from outside. The problem of striking a balance between Japan's new drive for internationalism and her need to maintain internal homeostasis involves a paradigm shift in Japanese value orientation.

This study presents some insights into the issue by focusing on the problems of American enterprises in Japan. It dramatizes the amount of resistance the internal system generates when an alien entity attempts to enter the system. The problem of American direct investment in Japan is at the same time the problem of Japan's globalization.

Because the United States and Japan account for almost half of the free world's production, cultural encounters between two such different systems must be seriously examined.

CULTURAL ENCOUNTERS IN JOINT VENTURES

The joint venture is where two different institutions encounter each other in the most immediate way. A joint venture is a com-

pany where each of two or more firms has a nonmarginal equity position and where at least two parties in some way share the responsibility for managing the joint venture company. In the present study, the joint venture is 50-50, meaning that the two parent companies equally contribute the capital, and that they jointly manage the joint-venture company.

Firms form joint ventures for various reasons: better economy through larger scale of operations and risk spreading through sharing of technological, commercial, or financial risk are frequently mentioned. Multinationals enter into joint ventures principally for the following reasons: (1) need for local marketing know-how; (2) need to expand an integrated structure; and (3) need for resources (capital, etc.); (4) need for technological cooperation in research and development; and (5) need to circumvent economic nationalism of host countries (Shishido 1986). The parent firm could spread the risk by sharing the ownership of the joint venture.

In Japan until the liberalization of foreign direct investment in the 1970s, the joint venture was often the only form of entry into Japan for many American firms. Until the early 1970s, most direct investments were subject to the approval of the Japanese government, which discouraged 100 percent foreign ownership. In addition, because foreign companies typically found it difficult to operate in Japan, many preferred to form parternships with Japanese firms even when they had the option of forming a wholly owned subsidiary.

A joint venture, as a system, however, contains possibilities for schism, because it is by definition not under the control of a single management. Board directors of a joint venture represent the business interests of their respective parents. Joint ventures, if not managed properly, can exhibit many pathological symptoms.

In international joint ventures, two or more companies of different national origins commit people and resources to an organization, which will be influenced by the parent firms' corporate cultures, operational systems, communication processes, and power structures. The degree of their cultural differences affects the degree of conflict possibility. Thus, the international joint venture is the place where cultural collisions can be most vividly presented and analyzed.

Management scientists have begun to appreciate the case

study method in order to understand international business activities in different cultures under different ownership conditions. Many past studies on Japanese decision-making processes focused on the methods and styles, such as the analysis of the group decision making called *ringi* (c.f. Yoshino 1968; and Hazama 1973) and the studies of communication flows within the organization (c.f. Johnson and Ouchi 1974; Azumi et al. 1976; and Pascale 1978). Previous studies rarely discussed the content of decision making.

To American business negotiators, it is not very important what decision-making style the Japanese use; but it is crucial whether the Japanese agree with the American side. Difficulties in joint-venture operations arise when what the Japanese see as desirable differs from their partner's view.

This is where culture comes in to play: We need to recognize a fundamental fact that people cannot act or interact at all in any meaningful way except through the medium of culture. Lett suggests that this point is overlooked by most other social scientists, including psychologists, sociologists, and economists, "who uncritically base their investigations upon the foundations of their own cultural assumptions." (Lett 1987:59)

In contrast, anthropologists cannot avoid referring to the concept of culture when explaining the human condition. Culture may be defined as the learned, shared, interrelated, and symbol-mediated patterns of behavior, attitudes, and beliefs that are dynamically adaptive and that depend on human communication for their existence. This study takes a behavior-oriented approach to culture, although culture can include artifacts, objects, and products of symbolic human interactions.

An organizational culture with its shared assumptions enables its members to perceive, interpret, and evaluate events, people, and phenomena. Unless we understand the underlying system of meanings, we can not act effectively. In cross-cultural decision making, cultural strategies are needed to understand the basic objectives, management philosophy, value orientation, and communication codes that guide the other side's behavior. My ethnographic study is intended to address this area of inquiry, by bringing in "meanings" to corporate culture studies.

ETHNOGRAPHICAL APPROACH TO CORPORATE CULTURE

This is the first study directly dealing with the issue of acculturation of American firms in Japan.[5] An ethnographic history will examine in detail the company's adaptive strategies in a new environment and its organizational development. Such studies necessarily take many years, but studies with a historical perspective will help us understand complexities and intricacies of cross-cultural management. They will add a deeper knowledge to macro-level quantitative analyses.

For readers who are not familiar with anthropological methodology, I would like to explain how I approach industrial ethnography, and, more specifically, organizational culture.[6] My methods follow four governing principles of industrial ethnography: 1) participant observation; 2) emphasis upon cultural process; 3) cultural interpretation; and 4) comparative framework.

The first methodological principle requires that the investigator gains an intimate firsthand and direct familiarity with his or her subjects. An ethnographer should not be an observer outside the system of concern. He or she attempts to understand the inner workings of the office by an intensive process of observing the people over a long period of time and participating in their activities.

Anthropology attempts to explain social phenomena by placing them in local frames of awareness. Interpretative anthropology has always had a keen sense of the dependence of what is seen upon where it is seen from and what it is seen with (Geertz 1983:4).

My anthropological camera is set up within the organization, to take a feature film, not photography. I hope that the methodological advantage of operating an "internal movie camera" will become salient when you compare chapter four (The Japanese Company: Nippon Kaisha) and chapter five (The Joint-venture Company: Nippon United).

When I describe Nippon Kaisha in chapter four, I use the traditional "organizational behavior" approach based upon interviews, questionnaires, and written reports. Although I had access to key documents, and I conducted a number of open-ended interviews with Nippon Kaisha people, I was not directly in-

volved in the corporate operation of Nippon Kaisha. I was an out-sider attempting to take many snapshots of organizational activ-ities at different events. More of an ideal rather than actuality seemed to be realized in this situation. Nippon Kaisha people tended to tell their *tatemae* (formal side) of the organization. It was more difficult to reach their *honne*, or true feelings, because I could not participate in the internal organizational processes to verify their views.

In the subsequent chapter on the joint venture, on the other hand, I moved my anthropological lens inside the organization. I was directly involved in the decision-making process of the joint-venture company as an interpreter. I observed the actual opera-tion of the company, recorded the process of organizational adjustment, and noticed the people's sense of conflict and accom-modation, which might not conform to an ideal. I hope that this research method is effective in the sense that I could get behind the façade of the organization to investigate the very real process of managing a company.

Secondly, my research emphasizes cultural context. Nothing has meaning except as seen in some context at a particular his-torical moment. Culture provides a context within which social events, behavior, and institutions can be intelligibly described by organizational members. This fact has been often ignored by or-ganization researchers.

I view corporate culture as an 'unfinished' process of dialogue between different social groups. In the joint-venture company examined in this book, competing managerial ideologies, values, and norms attempt to understand, digest, or sometimes even de-vour, those of the others. It is a story of a meeting between two contending consciousnesses. It is a story of the self versus the others.

Today, we are constantly facing the other cultures in our exis-tence. We realize more than ever that no culture is completely iso-lated or self-contained. Cultural meanings within a nation, a group, or a person often become visible and significant in their relationships to alternatives presented by others. Social phenom-ena, which include economic arrangements, become "real" to the organizational members only through such cultural signifi-cation.

By replicating the voices of Japanese and American managers in this book, I hope to penetrate the cultural deafness of many

past organizational studies. I take the view that organization can be analyzed from a comparative, relativistic, and historical angle, rather than from the steely monologue of scientific rationalism, economic reductionism, or Weberian positivism, which have their ideological roots in Western social sciences. The complexity of human life in an organization is, in my view, composed of "dialogues between partial truths" (Mumford 1990:11). My work is "a cry for breaking out of the information system/logical-positivist/quasi-experimental mold that has placed a mental and emotional straight jacket on organization theory and theorists for too many years" (Ott 1989:ix).

An international joint venture offers a good illustration for explicating this standpoint: To see ourselves as others see us can be eye-opening. To have our fundamental beliefs challenged or belittled is excruciating. To appreciate the others' views is the beginning of a cultural dialogue. But can we also see us among the others? Can we also see our chauvinism inside their chauvinism?

Thirdly, my inquiry is interpretive. Interpretive research would lead informants to describe the content and meaning of events in order to construct a sense of order in their organizational lives. As such stories are told, they often become internally persuasive to the storyteller.

An industrial ethnographer encounters numerous small events during his or her fieldwork. Among various events happening every day in an organization, only certain events are selected by organizational members as memorable, and stories begin to emerge. They are told, retold, modified, and reinvented. Only some stories of memorable events are recorded as texts.

An industrial ethnographer is interested in the dynamics of signification of events by organizational members in their constantly shifting relationships with the others. While historians may start their investigation by opening a recorded text, anthropologists create their own documents. Anthropologists are interested in the process of "texting": How and why a social group selects particular events as being worth remembering; how they narrate stories of their past; how they try to fit their past into their present world-view; and how they invent and reinvent their tradition in this creative process.

As we pass through history, we learn new ways of doing things and incorporate them into our cognitive and behavioral patterns. We constantly reinvent tradition in our manipulation of the past.[7]

An organization is full of half-told stories, remnants of past images, and traces of hidden paths that could have been taken if given the chance. These hidden memories may reemerge as historical consciousness at some future events, and may be written as text, perhaps as a metaphor to interpret newer events.

Unfortunately many social scientists are still blind to this notion of cultural dynamics and view it only as a frozen echo of past. It is vital for us to understand that organizational culture is not a dead object like an entity placed in a museum. Rather, culture is an ongoing dynamic process to create and re-create the meanings of social phenomena. Cultural communication is inherently emergent, with an ongoing dialogue over time between older and newer layers of tradition.

Last in my list of research methodology is an anthropological emphasis upon comparative framework. Concerning the principle of cross-cultural comparison, Dore's monumental work (1973) and the ethnographic works by Rohlen (1974) and Clark (1979) formed the foundation and inspiration for the present case study.

As an applied anthropological work, my study attempts to focus on a dynamic encounter of corporate cultures: what happens when one management system tries to cope with another system built upon a different managerial culture? What will happen in the process in order to create a cross-cultural synergy?

Only a few books have appeared discussing cross-cultural dimensions of managerial decisions in this respect: According to Adler, fewer than one-fifth (18.6 percent) of all cross-cultural management research articles have focused on interaction, in spite of the fact that when people from various cultures interact, the differences among them become salient.[8] Furthermore, the greater the cultural differences, the greater is the likelihood that barriers to communication will arise and that misunderstandings will occur.[9]

Graham (1984) showed that Japanese and American business people modify their "within culture styles" of behavior when engaged in intercultural negotiation. Yoshino discussed possible problems for Japanese enterprises in becoming multinational due to their particular organizational features (Yoshino 1976). White and Trevor (1985) surveyed six Japanese subsidiaries in England and analyzed the Japanese companies' cross-cultural adaptation,

using questionnaires and interview techniques. They contended that further longitudinal investigations will be necessary to establish patterns of Japanese adaptation to the English soil.

Instead of listing differences and similarities of the two systems, I analyze a more intimate level of comparison in corporate cultures by observing the interactions between the two systems in an international setting. This approach will give this book something beyond what is found in earlier ethnographic studies of Japanese management.