

By John Pfeiffer

## How not to lose the trade wars by cultural gaffes

*A California professor works to make the bargaining table a 'level playing field' for all*

Seven executives are trying to do business in a Tokyo conference room: four Americans (a vice president in charge of sales and his associates) and three Japanese middle managers. The Japanese are deferring to their visitors, nodding and listening with pointed respect, especially to the vice president. The Americans respond with the same formality even though they tend to avoid hierarchical behavior, preferring to put everyone on an equal footing. Things are off to a bad start—and about to get worse.

Three more Japanese enter the room, all senior executives in their late 50s, all obviously outranking their compatriots, and all treated with due respect. This puts the Americans in a bind. Having worked hard to be the middle managers' equals, they must readjust to a new situation. In the midst of their efforts, in comes another Japanese, the president of the corporation. The Americans are now caught in an escalating confusion of statuses, of who defers to whom and, sure enough, the rattled vice president makes a major tactical blunder, suggesting an inappropriate meeting at an inappropriate time and place, as negotiations grind to an embarrassing halt.

One of the Americans, a 31-year-



Under the analytical eyes of John Graham and television cameras, an American and a Japanese shake hands before a bargaining session.

old graduate student, never forgot this 1979 debacle. John Graham, professor of marketing at the University of Southern California's School of Business Administration, has made a career of studying bargaining styles throughout the world. He is interested in business dealings, of course, but beyond that he sees successful bargaining—negotiations in which both parties come away feeling good—as a basic model for social and political progress on the world scene. He has gathered a mass of data from direct observation, interviews, question-

naires and, above all and uniquely, from videotapes of executives role-playing with real-life fervor. His library contains 150 cassettes recording behavior not only in the United States and Japan, but also in ten other cultures.

Graham's main focus, however, has been on our dealings with the Japanese, and no wonder. They are murdering us at the bargaining table. In 1980 the difference between what they sold us and what we managed to sell them amounted to about \$12 billion, a figure that today has soared

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Photographs by Mark Kauffman

to \$58 billion. Many factors help account for this staggering trade gap, notably Japan's aggressive marketing of reasonably priced, high-quality products, coupled with the difficulties foreign firms face trading with Japan: import-restricting regulations, complex distribution systems and unfamiliar business practices.

But Graham, who has studied anthropology as well as business, stresses the influence of clashes between the natives of radically different "tribes" and believes that cultural factors outweigh economic factors: "U.S. companies are sending some of our best executives on suicide missions. They're totally unprepared to bargain with the Japanese. It's kamikaze-style marketing." Two proverbs highlight the difference between Americans and Japanese. Ours: The squeaking wheel gets the grease. Theirs: The pheasant would not be shot but for its cry.

When it comes to understanding the other culture, they are light-years ahead of us. They have been studying us for a long time, since 1853 when America's Commodore Matthew

Perry in a memorable display of gunboat diplomacy kicked open Japan's closed door. The Japanese promptly sent a delegation of Samurai warriors to America, not to fight but to fathom the ways of the "red-faced" foreigners.

Present-day descendants of these early observers are still at it. Almost all of the 10,000 to 15,000 Japanese executives living in the United States speak English, while only a few hundred of our innocents abroad have bothered to become conversational in Japanese (although the number is increasing). Furthermore, Japanese firms make a special point of studying our ways of doing business. During the past five years they have sent several thousand young executives over here to earn MBA degrees at American universities. American firms have done nothing comparable.

Graham's research is part of the effort to catch up culturally, to understand the Japanese at least as well as they understand us. His business-

*Mr. Pfeiffer is writing a book whose thesis is that business executives are leaders in social science research.*

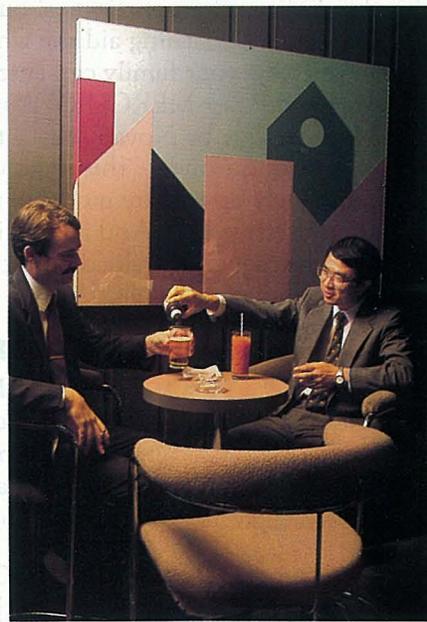
game program includes Japanese and American students as well as established executives representing many of the Fortune 500 corporations and Japanese companies such as Toyota, Toshiba (electronics), Daiei (the Japanese equivalent of Safeway), Suntory (alcoholic beverages) and Dentsu (the world's largest ad agency). Japanese players bargain with Americans, selling toys (trucks, dolls, airplanes) or buying citrus fruits (oranges, lemons, grapefruit) under the watchful eyes of three remote-controlled video cameras—one to provide wide-angle views of posture and body movements, and the other two for close-ups of each participant's face.

The games document a deep undercurrent of awkwardness and discomfort. Americans are fast workers—with one another, that is—and complete deals in an average of 25 minutes. Cross-cultural sessions last longer. When buying, the Japanese come up with innumerable questions about the product; when selling, they go into considerable detail to explain their own offerings. A typical American response: "Fine, OK—now let's get down to numbers." Still, the Japanese pace prevails. Americans must adapt, anticipating sessions that last for 40 or more minutes.

Real life presents similar problems. Americans are quite comfortable with what Graham calls "nontask sounding"—light personal conversation before getting down to the immediate business at hand—provided it doesn't last too long. For them, ten minutes seems appropriate, about the limit for what they consider killing time. For the Japanese, however, such nontask sounding is the heart of the matter, an essential element in the bargaining process, at least as crucial as the final deal itself. Concerned with long-term, personal relationships, they are ready to chat for an hour, for an entire morning or for more. The bigger the deal and the more important the dealers, the longer the preliminaries.

Graham participated in one top-level encounter that involved the purchase of gas turbines. It started with a night on the town—a deluxe Tokyo restaurant and nightclub, then more restaurants and nightclubs, the theater, a visit to a geisha house—followed by an extensive tour of the plant and an afternoon of golf. Graham shot in the upper 90s and still beat his Japanese partner, obviously a far superior player but too polite to show it. "It's practically impossible to lose to your Japanese host," he says. And that is typical. A statistic to mull over: the Japanese spend about 1.2 percent of their gross national product (about \$13 billion) on business entertainment, more than they spend on national defense.

Split-screen studies highlight major cultural differences. Several videotapes reveal a fascinating dance of the eyes, an "out-of-sync bobbing of heads." An American looks across the bargaining table at his Japanese counterpart, who promptly lowers his gaze, only to look up when the American looks down to take notes. As soon as the American raises his



In Japan, aggressive tactics are fine over drinks but not at formal sessions.



A lone American businessman can be disastrously confused when faced with three Japanese counterparts, all of different rank.

eyes again, the Japanese reassumes the head-down position, and so on.

There are cultural reasons for this up-and-down interaction. Japanese children are expected to bow their heads while being scolded, to show that they are humbled and ashamed, while American children must keep their heads up to show they're paying attention ("Look at me when I'm talking to you!"). This sort of body language is difficult to change and easy to misinterpret. Japanese executives cannot help regarding the "forthright" American eye-to-eye posture as impolite and insensitive, while Americans consider looking down as a sign of shiftiness.

Video records also have something to tell us about the subtleties of Oriental "inscrutability." Interviewed after business (and social) encounters, Americans often complain that you can't tell where you stand with the Japanese because they hide their feelings behind poker faces. Observations fail to confirm this impression. Take frowning, for example. It turns out that the Japanese in the study actu-

ally frown more often than Americans do, by precise playback count 5.3 times versus 3.8 times for every ten minutes of bargaining. The count for smiling is 11.7 versus 10.8.

What's happening is that Americans tend to be blind to what they consider inappropriate facial expressions. At a particularly sticky point in negotiations, say when bids are far apart and prospects for settlement seem slim, an American executive naturally expects to see a serious expression on his opposite number's face. Instead he sees a broad, cheerful smile, a disconcerting mark of two traditions that are worlds apart. The Japanese smile is a very special thing. By way of explanation Graham cites the following comment of a perceptive 19th-century observer: "The most agreeable face is the smiling face, and to present always the most agreeable face possible . . . is a rule of life." With our most successful overseas rivals, it's inscrutable, yes—but poker-faced, no.

In the same spirit of maintaining harmony, the Japanese tradition is to

avoid a direct "no" at practically any cost. They may ask a counterquestion, promise an answer at some later date, change the subject and even occasionally leave the room. Another common response is no response at all, a dead silence. "This drives Americans up the wall," Graham comments. He recalls how one American reacted during a taped bargaining session held at Toyota's U.S. headquarters in California. The executive had just made a proposal involving the opening of new production facilities in Brazil and waited for a reply . . . and waited . . . and waited.

In ordinary conversation the usual response time is a few tenths of a second, and a five- to ten-second delay can be puzzling. This time, 15, 20, 25 seconds passed as three Japanese executives sat tight, eyes lowered and hands folded on the table. Finally the American blurted: "I don't think this is getting us anywhere!" He was right. The meeting ended in a stalemate. He should have bided his time and, in due course, quietly asked another question.

According to Graham, ignorance of native bargaining rituals accounts more than any other single factor for our unimpressive sales efforts with the Japanese and, of all rituals, the buyer-seller relationship is most crucial. The buyer is king in all countries, but more so and with a vengeance in Japan. Special courtesy words mark the difference in status. For a buyer, the seller's firm is referred to as *otaku* (your company), while the seller traditionally responds with *onsha* (your great company). So Americans, who rarely mind being deferred to, do fine as buyers. But being deferential is hardly their style and they tend to play the seller's expected role reluctantly.

You can see the results on videotape. One episode starts with a few minutes of amicable small talk, only to turn sour when the Japanese buyer opens the bidding with a flagrantly low offer for a citrus shipment. The American responds bluntly as he would to a fellow countryman: "That's not possible at all! There's no way we can negotiate!" The Japa-

nese has never been spoken to that way. He bows his head, flashes a smile of pain and immediately offers a considerably higher price. They finally arrive at a deal, but that American will have a lot of trouble selling anything in Japan.

For their part, the Japanese are capable of behavior that may well strike an American as rude. While he is trying to get an important point across, they may suddenly start talking to one another, in Japanese of course, or get up and leave the room. Upon occasion, even senior executives may be observed "listening with their eyes shut," a Japanese euphemism for dozing off. The recommended response is to keep cool during such episodes, which, Graham assures us, "are not to be taken personally, but simply reflect a different view of appropriate behavior."

Ours is a typically ethnocentric problem. We believe that our way of doing business—informal, cards on the table, get to the point, take me as I am—is the only right way and that the world would be a much better place if everyone were just like us. This John Wayne style can be our undoing overseas: "We must learn to adjust our behavior," Graham emphasizes, "and gain an appreciation for subtler forms of negotiation."

These are lucrative times for experts on how to bargain with the Japanese and Graham qualifies as an expert. But he prefers doing research



Japanese smile frequently, but often at times Americans consider inappropriate.

to cashing in on the consultant's role. (For one thing, he is working closely with his wife, also a professor of marketing at the University of California, Irvine, on a study of male and female bargaining styles.) *Smart Bargaining: Doing Business with the Japanese*, a book on the subject coauthored with Los Angeles business consultant Yoshihiro Sano, is available in American and Japanese editions, since it includes advice for executives on both sides of the Pacific. Here are four of their major pointers on bargaining with those inscrutable Americans:

- Americans do not understand why nontask sounding is so important to us. They consider it small talk. But we arrive at trust primarily through personal relationships, while they rely on lawyers to write tight contracts and settle disputes. We strongly recommend American-style written contracts with Japanese jurisdiction. The written contract is your only assurance of compliance.

- Americans often present proposals backward. Instead of explaining why they want something and then saying what they want and using persuasive tactics, they do things the other way around. They want first and explain later. And sometimes they don't bother explaining at all. Therefore, you must not hesitate to ask questions, even though you may get short, impatient answers.

- Watch out for *akushitsu na teguchi* (dirty tricks). Americans are generally honest and frank, the latter even to a fault. However, you should be aware that a few Americans may use dirty tricks: bringing you into a stark meeting room filled with uncomfortable chairs; escalating demands; raising prices, say 5 percent a day, to hasten negotiations; price padding, particularly by those who think "they know the Orient"; ambiguous authority, saying they'll have to talk that over with their superiors. How to handle all this: speak up, ask for a more comfortable room and chair, call their bluff.

- Last—but very much not least—

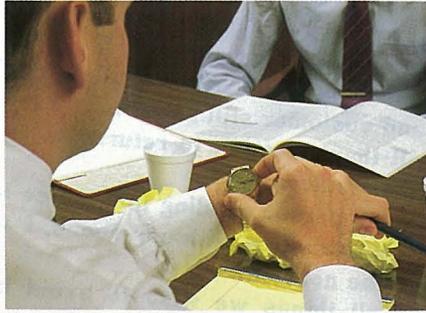


Unlike Japanese or Americans, Brazilians are forever patting, prodding, poking.

America is a most heterogeneous culture. Not everyone acts like John Wayne. The roles of minorities and women are changing fast in the United States. You should anticipate key negotiating roles being filled by women and minority executives. They should not be treated any differently than the Caucasian male executives to whom you are accustomed.

The California investigator is winding down the intense phase of his Japanese research and beginning to concentrate increasingly on the behavior of other nationalities. He is part of an expanding network of colleagues at Dortmund University in West Germany; the University of California, Berkeley; the Institute of Technology and Higher Education in Monterrey, Mexico; Korea University in Seoul; the Université de Grenoble Institut d'Etudes Commerciales in France; McGill University in Montreal; and other institutions.

Preliminary observations of the Canadians, our No. 1 trade partners (the Japanese rank No. 2), indicate that they take their low-key time, selecting words deliberately, rather like the British and in marked contrast to Americans whom they often consider pushy and a bit on the reckless side. An outstanding characteristic of the Mexicans, our No. 4 partners, is that the buyer enjoys high status as he does among the Japanese, although not quite to the same hyperpolite degree. Also, kinship weighs heavily in Mexican business circles,



So as not to seem impatient, Americans are advised to put their watches away.

often at least as heavily as economics. You buy from your first cousin and sell to your sister's husband, for example, even at some financial sacrifice. Interestingly, family ties are also crucial in Japan, only there the "family" consists of business colleagues rather than blood relatives.

With an eye on mounting competition among Far Eastern nations, Graham and his associates are undertaking special studies of Japan's neighbors. The South Koreans, already No. 7 on our trading list and definitely on the rise, "show us not to generalize about Orientals." They resemble the Mexicans and Japanese in giving the buyer superior status, often speak out even more frankly and bluntly than Americans and are more emotional than the Japanese, much readier to laugh and get angry. One of the most intriguing things about the Chinese in the People's Republic of China, potentially the world's largest market, is the difference between their bargaining style and that of Chinese businessmen from Taiwan. Graham has videotaped experimental games in Tianjin, China's third largest city. Judging by the tapes I saw, the mainland Chinese appear to be more aggressive than the Japanese, occasionally finding themselves talking at the same time; but otherwise, they are very much like Americans.

The Taiwan Chinese, on the other hand, are notable for an out-of-phase quality unlike anything Graham has

observed elsewhere. He refers to it as "no reciprocity" behavior. What happens is that one Taiwanese bargainer may be in a cooperative mode, well on the way to reaching an agreement, only to see that for no particular reason his counterpart across the bargaining table is unenthusiastic, annoyed or even downright angry. The strange thing is that often this anti-social behavior pays off: the initially cooperative negotiator gives in across the board.

Of all bargaining styles on file in Graham's cassette library, the Brazilians' is by far the most dynamic. Our No. 1 trade partners in South America do not know the meaning of silence. They are nonstop talkers and it would be something to view them bargaining with the Japanese on videotape. They make physical contact with one another frequently. Japa-

nese and Americans never touch one another, while the Brazilians make a habit of touching, poking, patting. Also, they are the world's top naysayers, uttering "no" more than 40 times per half hour as compared with 4.7 times for Americans and only 1.9 times for the Japanese.

Graham regards his work in the broad perspective of current efforts toward world peace. An eminently practical idealist, he sees a rapidly growing change in international competition, an emphasis due largely to the Japanese: "They have changed the whole game in world leadership, a complete switch from the military game, which is no good, to the economic game—from guns to butter." Moreover, he is convinced that Gorbachev and the Soviets are beginning to see things in the same light and plans to invest heavily on that hunch.

At the University of Southern California, John Graham can watch four separate negotiating sessions on his split-screen monitors.

