



# Cultural Challenges in Business Development between India & Japan

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## Challenges in India-Japan Relations

The big potential in India-Japan relations has already been talked about aplenty for the last few years and is very evident now. The young and dynamic Indian demography offers a huge market for a maturing and shrinking Japanese population. India, in its fast development and demands of 1.2 billion people, is in much need of Japan's technology, expertise and investment in such fields as infrastructure, energy and healthcare. And in the true sense of a global partnership, the vibrant global Indian community can be the trusted partner of Japan in Tokyo's need for globalization.

There have been some good stories of success in bilateral business development in the recent years, but still these are quite few compared to the potential and the need for both countries. While some of the good news has been encouraging, many of the discussions that took a long time and effort but did not materialize have also created a sense of frustration on both sides.

The difficulties arise from differences in the business styles of the two countries, further aggravated by extremely low exchange of people and information.

Japan is a highly organized country with profuse availability of precise information and predictability. Accordingly, all the efforts for detailed planning before taking any decisions in domestic businesses help in phenomenal risk reduction and the execution becomes very smooth with all the prior due diligence. In the highly organized Japanese corporate structure, roles and responsibilities are also very fine-grained and hence the culture of consensus-based bottom-up decision-making has also been very effective locally. Furthermore, being a very homogenous country, it is relatively easy to capture the market situation in simple aggregates and averages in Japan.

On the other hand, India is a country of great dynamism, diversity and volatility. It's also very difficult to gather information in India and on top of that the business environment changes very fast. Hence, naturally, the Indian style of decision-making is also very different from Japan. The decisions need to be made based on a high level of macro evaluation of the situation and hence top-down in nature. This results in faster decision-making in India, but slower execution as all the details and planning need to be done on the run, along with dynamic balancing with changes in circumstances. Also, the averages and aggregates in India have less relevance for most business purposes due to the huge diversity and market segmentation.

The prevalent saying in India's business circles is "No time for talking, immediate decision and action only," while Japanese style requires a lot of discussions in advance. While Japan has a very high degree of organizational capacity, even to the extent of redundant employment, India has a very small management and technical class compared to the huge population and scale of required development and the growth opportunity in the country.

The differences of business styles get further aggravated as there is

an exceptionally low level of people and information exchanges between Japan and India. As a result, the Japanese side tends to seek too much information and the impossible holistic understanding of India, ending up in disappointment, while the Indian side gets frustrated waiting too long for a decision from a potential Japanese counterpart. In the process, many very worthwhile opportunities get lost.

## Indian Business Entry into Japan

Japan has high minimum standards for everything and accordingly has a higher minimum cost of setting up business, and on top of that also a long initial gestation period for relationship building is required in Japan. First of all, Indian companies are not aware of the potential with Japan, some who are aware do not have enough information and contacts to start businesses in Japan, and finally many of the few who take the leap of Japan entry have ended up with the frustration of higher costs and lack of results for longer periods of time compared to more familiar markets like in the United States. We also often hear of the difficulties of the branches of Indian companies to adapt to the unique Japanese practices while the head offices have grown with the Western style of business culture and processes. In addition to the business difficulties, often the single representative from India for initial exploration faces significant lifestyle difficulties in Japan.

The global Indian community is very well spread out across the world but northeast Asia (Japan, China and South Korea) and South America are the two regions with exceptionally low presence and contact. Still, apparently that's not a determining factor for the special difficulties between India and Japan.

Recently I started writing various articles and small reports on our activities to promote bilateral relations and I specially share them with my Indian friends across the world. In response to a recent article, a friend commended me as being very brave but wondered how I manage to do this. He mentioned their company's previous efforts to build a business in Japan. While they did not get any significant results even after years of stay and significant investment here, they saw very fast growth of their business in South Korea and South America. Before too long, they decided to close their office in Japan and have no plans to try again for the time being. We frequently come across such examples.

## Japanese Business Entry into India

The case for Japanese companies' entry into India is very strong. There is a huge and diverse market for virtually any product in India. Given the dynamism and the spirit of experimentation in India, there is a potential for even creating new markets for various products which may hardly be present in India yet.

Japanese companies' interest in India came up significantly since the beginning of this century. While the interest got created, there was

not enough information about India and hence a lot of market research activity started first. But with the dynamism and diversity of India, the research outcomes were not easy to interpret from a Japanese perspective. Furthermore, the results would change with different instances of research. The middle management of Japan also was not motivated to enter the Indian market for lifestyle reasons among others. In the process, potential Indian partners also got frustrated and this created a vicious cycle which has continued till recently.

The global financial crisis created a favorable twist. First, it shook both Indian and Japanese companies to come out of their comfort zones and look at each other more seriously. With the demonstrated strengths of the Indian economy and stability of the Indian political scene, along with a better understanding of the nature of India, the apparent reasons for delaying the entry into India have started to diminish. We now come across Japanese companies telling us that they have spent too much effort for research in India and would like to now enter within a few months' time. We even come across Japanese companies telling us that there is no point in detailed market research and would instead like to create a market of their own, which is a very valid proposition in many cases.

With the high Japanese yen at present and future appreciation of the Indian rupee anticipated, the timing for investing in India market entry is especially ripe.

### New Momentum

While a few years back friends in India used to just wonder what I'm doing in Japan as they had no idea and had hardly heard of any other friend being here, recently there is a definite rise in interest and awareness, though of a mixed nature. Many friends have had some negative experiences of, what they felt, the slow decision-making from Japan, but many other friends are now looking for business opportunities with Japan. I get more and more requests from India for potential tie-ups with specific Japanese companies. Instances of Indian companies investing into Japan are on the rise. For me, the first Japanese person I met was my first Japanese company's president, but recently there is also a fast growth in the number of Japanese people in India and hence it's no more such a rare thing to have a Japanese acquaintance in India and get some firsthand information about Japan (though nothing compared to the much faster growing exposure to South Korea and China). There is also a growing Japanese professional community which knows well about India and even aspires to live there.

As the immediate opportunity and interest are growing, we need to address all the problems collectively to create a critical mass of successful examples of cross-border businesses. For this, we need integrated platforms to provide physical facilities, help with introductions and business relationships, cultural and linguistic issues, professional services and lifestyle support.

The Marunouchi India Economic Zone in Tokyo is the first such platform in Japan jointly created by Mitsubishi Estate Co., Deloitte Touche Tohmatsu LLP, and Sun and Sands Advisors. By bringing together Indian companies in Japan and Japanese companies working with or interested in India, many of the above issues can be automatically resolved. In addition to advantages such as mutual interaction, concentration of interest and economies of scale, the business network of Tokyo 21st Century Club, bilateral bridging expertise of Sun and Sands Advisors and professional services of Deloitte Touche Tohmatsu are offered as a one-stop window for various matters of concern for companies in the zone.



*The partners and members of the Marunouchi India Economic Zone at an inauguration party July 1, 2010 (from left to right) Mr. Kimura (Mitsubishi Estate); Mr. Kiyama (Creative & Bio Green Coal Technology); Messrs. Kaji and Paul Ravi (Tata Consultancy Services); Mr. Abbashek Goel (Cactus Communications); Mr. Sanjeev Sinha (Sun & Sands Advisors and Tata Asset Management Japan Representative Office); Mr. Tembata (InMobi Japan); Mr. Nakamura (Chuo Denryoku); and Mr. Sato (Tohmatsu Group)*

In the yet early stage of India-Japan relations, we need such structured efforts as the Marunouchi India Economic Zone, equivalent facilities in India, projects like DMIC, etc. A natural open-ended momentum of business interaction will follow once we have created a critical mass of people-to-people contacts and enough successful business examples to encourage, convince and emulate.

### Bigger Picture & Way Forward

While the huge economic opportunity in India draws attention from across the world and India will continue to have a good growth despite any occasional mistakes, there is also a need to take an occasional step back and look at the overall direction and structural issues. How about the people's safety and protection of the environment? For example, India continues to have very high incidence of road accidents; especially compared with Japan, there is a huge order of magnitude difference. The reason for the difference also lies in the styles of decision-making. In Japan, people would wait at a red light even if there is no traffic in sight. In India, we would optimize the timing of crossing with a spontaneous self-judgment. In the environmental context, adoption of eco-friendly technologies in India is of a matter of global concern as one-fifth of the world's population catches up with the industrialized world.

Japan's management style and application of technology in the larger socioeconomic context has a lot to offer not just to India but to the whole world, but Japan is really short of self-promotion. That's another area where I'm sure the Indian partners will be of great help to Japan as India has a remarkable capability to understand the virtues of other cultures and global outreach. We already see some movement in these directions as the Japanese management practices are reaching India along with technology and investment and, on the other hand, Japanese managers are going to India to learn global management. It's a gradual but accelerated process, and as we see more and more of bilateral interaction and mutual understanding, there will be no looking back in realization of the huge untapped potential of collaboration between India and Japan. **JS**

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