

Doing business with the Japanese:

**Solely a matter of effective cross
cultural relationship marketing?**



Case study: TenCate Enbi Singapore Pte.

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EXECUTIVE SUMMARY

The purpose of this case study was to develop a plan which enhances the market penetration process of TenCate Enbi Singapore in the Japanese market, and therewith strengthen its position in the Asian office equipment and printing industry. Japanese Original Equipment Manufacturers were an important strategic target group for the component supplier and previous efforts to penetrate this market has not lead to sustainable results. Management presumed that cultural and relationship issues were an important factor in their failure. To gain insight into the exact causes of these difficulties, the researcher took a deductive approach towards the research and developed a framework which identified the elements of effective cross cultural relationship marketing. Following the research framework, the situation at TenCate Enbi Singapore was analyzed. Data was collected from a purposive sample and multiple methods were used to acquire all the data.

Findings revealed that the sales force of the organization lacked knowledge on the Japanese business culture, ways to overcome cultural barriers and they did not recognize the importance of knowledge sharing. In addition, the effectiveness of the organizations' entry mode for the Japanese market was open to question. The above lead to difficulties in gaining new Japanese customers. Subsequently, the researcher designed an implementation plan with implications for both the sales force and management. Whereas the sales force needed to improve their skills through training and communication, management needed to stimulate a culture where knowledge is being captured and shared. Furthermore, findings also suggested that doing business with the Japanese is not solely a matter of effective cross cultural relationship marketing but a matter of effective marketing at all levels. At strategic level, the organization was advised to have a close look at its positioning strategy, while at tactical level it should investigate the possibilities of making improvements in their value chain management activities. Furthermore, the researcher recommended TenCate Enbi Singapore to evaluate its entry mode and further develop their approach towards sustaining customer relationships.

This research was characterized by 2 practical limitations which had an impact on the validity of the research. Most information concerning the organizations' positioning strategy in the Japanese market was 2nd hand. In addition, the execution of the observational study remained limited. Both limitations had an influence on the strength of the conclusions drawn in this research.

Overall, looking from a marketing perspective, this case study has identified what interventions are required before the organization is ready to penetrate the Japanese market. In addition, the added value of this case study can be considered twofold. First, the nature of the implementation plan is rather universal and can therefore be applied to other Asian strategic target groups as well. Second, other TenCate subsidiaries aiming for business in Japan can benefit from this research. It provides useful insight into how an organization should prepare itself in the field of for example, etiquettes & ethics and negotiation protocol in order to minimize cross cultural misunderstandings.

LIST OF ABBREVIATIONS

AM	After Market
B2B	Business to Business
CM	Contract Manufacturer
CSF	Critical Success Factor
HP	Hewlett Packard
HQ	Headquarters
KM	Knowledge Management
KS	Knowledge Sharing
MCD	Multi Criteria Decision Analysis
MNC	Multi National Corporation
OEM	Original Equipment Manufacturer
TC	TenCate
TCE	TenCate Enbi
TCES	TenCate Enbi Singapore
TCEZ	TenCate Enbi Zhuhai
TQM	Total Quality Management

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CHAPTER 1: The need for change

“We can never be certain about the future and therefore we must continue to be flexible and adaptable so that we can react quickly to the needs of our clients and our market place”.

- Talal Abu Ghazaleh -

1.1 Introduction

This chapter introduces the organization for which the research is carried out. It describes the problem which the organization faces and presents the intended outcome of the research in terms of knowledge to be gathered.

1.2 Background of the organization

TenCate Enbi (TCE), functions as the principal of this research. More specific, this research is carried out for TenCate Enbi Singapore (TCES), managed by Mr. R. Awe. TCE is a major global player in the development and production of (technical and transport) rubber rollers and other components based on rubber and foam technology. The products are used for image transfer in printers, copiers and fax machines, paper transport, automated teller machines and for postal sorting machines. TCE is a subsidiary of TenCate (TC), a Dutch multinational corporation (MNC) located with its headquarters (HQ) in Almelo, the Netherlands. TC combines textile technology with related chemical processes and operates in 3 different sectors, namely Advanced Textiles & Composites, Geosynthetics & Grass and Technical Components. TCE belongs to the Technical Components sector. (www.tencate.com, 2008)

TCE is established in 1950 as the first rubber ball organization in the Netherlands. Over the years, it evolves from the simple and basic rubber formulations and recipes to become more focused and concentrated on paper and media transportation systems. Over the last 30 years, the organization has expanded its manufacturing presence and in 1992 Enbi is bought over by TC and becomes TCE. In 1997, TCE follows its biggest customer Hewlett Packard (HP) to Asia and opens the manufacturing location in Singapore. Singapore is seen as the central hub for penetrating the Asian and in particular the large Japanese market. The TCE group is strategically well located in the world with manufacturing facilities in Europe (2 locations plus HQ situated in Beek, the Netherlands), North America (2 locations) and Asia (2 locations: Singapore and China). Every location operates autonomously; they have their own profit and loss responsibility with own manufacturing, sales, marketing and product development facilities. TCES counts approximately 150 employees, of which around 100 are direct workers and 50 workers carry out an office function. The organizational chart can be found in appendix 1.

TCE's mission is to become the most competitive worldwide supplier of precision rubber rollers and their assemblies for office automation equipment markets. They believe that through continuous training and improvement of their know-how and application of technological and innovative processes, they are always ready to provide the highest level of service and support to their

customers. (www.tencate-enbi.com, 2008) TCES' principal adds to this by stating: "when organizations need a rubber application, TCES should be their first consideration to think of".

1.3 Products and markets

TCES' core business is the development and production of transport and technical rollers for the office equipment and printing industry. Whereas the transport roller is mainly used for paper transfer, the technical roller focuses more on image transfer. Both types of rollers are used in laser printers and copiers. TCES has more than 10 years of experience in the development and production of the transport roller whereas they only have a few years of experience with the technical roller.

The office equipment and printing industry can be divided in 2 main markets, namely the Original Equipment Manufacturers (OEMs) and the After Market (AM). First of all, OEMs can be defined as organizations that buy components which are incorporated into the products they produce. (Wikipedia, 2008) Established names in this market are for example HP, Canon and Xerox. Most of TCES' customers are of European and North American origin, and most of them moved their manufacturing to low labor cost countries such as China and Vietnam. Nowadays, OEMs are focusing less on manufacturing and more on R&D, product design and marketing. They are turning to 3rd party manufacturers, known as Contract Manufacturers (CMs) for help. (ISupply Corp, 2006) Secondly, nowadays OEMs face great threat from TCES' 2nd main market, namely the top quality remanufacturers (AMs). AMs can be defined as organizations which produce cartridges that are "copied" from the original A-brands and established names in this market are for example Prinrite and Nukote. The newest generation of remanufactured and compatible cartridges cost up to half as much as the original OEM cartridges. OEMs are fighting against these organizations to maintain control over their replacement ink and toner cartridges. This is considered as very difficult, especially since many end users value the quality of AM toners cartridges equal or even better than the cartridges provided by OEMs. (Lyra Research Inc, 2007)

1.4 Industry developments and strategic directions

The most important industry development from the past years is probably the ascending of CMs as a 3rd party. CMs can be defined as organizations which provide customized services based on the special design and complex assembly needs of OEMs. (Wikipedia, 2008) They are specialized in finding the best suppliers for their particular end customer. This development had significant implications on value chain management at TCES. For example, in the past TCES had a 100% share as a rubber roller supplier for HP but with the introduction of Flextronics as their CM, share was reduced to 15% and it created 7 or 8 new competitors. Subsequently, an increase in competition has lead to lower margins for TCES. In general, CMs are known for "squeezing out" suppliers by forcing them to offer products at the lowest price possible. This development forced TCES to pursue a more diversified strategy and conduct business with a larger group of customers.

Furthermore, both markets in which the TCE group operates, exhibit a healthy growth of 10% on average in 2007, in particular the replacement market for color laser printers is growing relatively fast. However, there are considerable geographical differences, with the European and North American market displaying a continuing decline because most organizations moved to Asia. (TC annual report, 2007) In Asia, China is seen as the fastest growing market and this region is considered particularly cost sensitive; many local suppliers have specialist manufacturing capability, taking advantage of the low labor costs. (Pira International, 2007) Furthermore, Japan is still seen as the leader in the development of primary inkjet technology along with organizations in the US and UK. Experts say that 80% of all roller business comes from Japanese OEMs. Even though Japanese OEMs also moved their manufacturing to low cost countries, R&D, product design and marketing remains at Japanese HQ. (iSuppli Corp, 2006) In addition, Japan has a strong local market with many competitive component suppliers such as Tokai rubber and Hokushin. (TCE benchmarking study, 2008)

One can conclude that the office equipment and printing industry has changed significantly over the last years and in order to cope with these external factors, TCES has developed a business strategy consisting of 2 phases. At the moment, TCES pursues the phase 1 "survival mode" strategy indicating that it is aggressively seeking new business opportunities just to "fill the mill". Financial results for TCES have been disappointing the last couple of years. (TC annual report, 2007) The development and production of transport rollers for OEMs are seen as the vehicle which keeps the factory going. Even though profit margins continue to decrease, the rollers can be sold in relatively high volumes. Associated with this strategy is the plan to change the organizations' negative image and gain lost grounds with some major customers. This phase should be completed by the end of 2008.

In 2009, TCES commences with phase 2, aiming at business continuity and growth. The technical roller offers opportunities mainly in the AM. As mentioned, the replacement market for laser printer cartridges is growing relatively fast. In addition, efforts will be made to product development in a new niche market. TCES has the capabilities to become a supplier of rollers used for the production of large billboards and is aiming at future cooperation with for example HP and Océ.

As previously mentioned, Japan is still seen as the leader in the development of primary inkjet technology and TCES considers Japanese OEMs as an important strategic target group. However, previous efforts to penetrate this market has not lead to sustainable results and this was caused by protracted qualification procedures. (TC annual report, 2006) In other words, the steps from initial product development towards mass production were perceived as too long and tedious by the Japanese OEM. This brings the researcher to the following objective for the research:
Develop a plan which enhances the market penetration process of TCES in the Japanese OEM market and therewith strengthen its position in the Asian office equipment and printing industry. TCES considers market penetration as a suitable growth strategy since both the product and market already exists.

1.5 Problem formulation and research questions

As just mentioned, the steps from initial product development towards mass production is a long and tedious process. Thorough testing of products and long time to approval become severe for manufacturers who operate in a market where product life cycles are being cut down constantly.

Management presumes that cultural and relationship issues are an important factor causing these qualification delays. As TCES is aware of, Japanese OEMs prefer to buy from local suppliers with local entities or local manufacturing facilities. In addition, relationships come before doing business in Japan and this consumes a tremendous amount of time. Even though the organization tries to conduct business with the Japanese for a couple of years now, they still experience many difficulties and have the feeling that they lack knowledge on the Japanese business culture and customer relationship management. Management of TCES wants to improve the performance of the organization by addressing these cultural and relationship issues. So, (1) they want advice upon how they can prevent and overcome cultural barriers they face when aiming for business with Japanese OEMs, (2) they want advice upon how they can obtain Japanese customers, (3) they want advice upon how they can maintain and strengthen their cross cultural customer relationships.

Based on the information mentioned above, the problem can be formulated as follows:

What kind of interventions are needed in TCES' cross cultural relationship marketing approach to successfully conduct business with Japanese OEMs and strengthen its position in the Asian office equipment and printing industry?

In order to answer the main question, the following research questions are developed:

1. What is cross cultural relationship marketing?

- a. What are the elements of business to business marketing?
- b. What are the main characteristics of the Japanese business culture?
- c. How can an organization prevent and overcome cultural barriers?
- d. What are the elements of an effective cross cultural relationship marketing approach?

2. How is cross cultural relationship marketing applied at TCES?

- a. What are important elements of TCES' current cross cultural relationship marketing approach?
- b. What are important elements of TCES' desired cross cultural relationship marketing approach?

3. Considering the elements of an effective cross cultural relationship marketing approach, which interventions are required for TCES in their approach to achieve the desired state of performance?

4. How could these interventions be implemented?

1.6 Research approach and structure

This research can be identified as applied research; its purpose is to improve the understanding of a particular management problem. (Saunders *et al*, 2007) Secondly, it can be defined as an evaluative research since it evaluates a program in the field of the effect of social interventions. (Berk, 1995) It requires the researcher to use a deductive approach whereby the theory derived from the theoretical study is used to shape the approach which is adopted to the qualitative research process. (Yin, 2003) Figure 1 presents the structure of the research and the following is a succinct outline of this thesis:

Chapter 2 commences with a thorough theoretical study on business to business (B2B) marketing emphasizing on the concept of relationship marketing. In addition, it describes the main characteristics of the Japanese business culture emphasizing on cultural barriers. The chapter results in a research framework identifying the elements of an effective cross cultural relationship marketing approach applicable in the Japanese context. The goal of this chapter is answering *research question 1*.

Chapter 3 continues with the research methodology, describing all important aspects of the field research. The research framework as described in chapter 2 serves as the basis from which the field research is conducted and results are presented in *chapter 4*. The goal of chapter 4 is answering *research question 2*.

Chapter 5 continues with analyzing the gap between the current and desired situation, in other words identify which interventions in the organizations' current approach are required in order to achieve the desired state of performance. The goal of this chapter is answering *research question 3*.

Additionally, in *chapter 6*, a plan is designed to implement the interventions with the highest expected value. The goal of this chapter is answering *research question 4*.

At last, in *chapter 7*, conclusions and recommendations are drawn and the researcher reflects upon the whole research process.

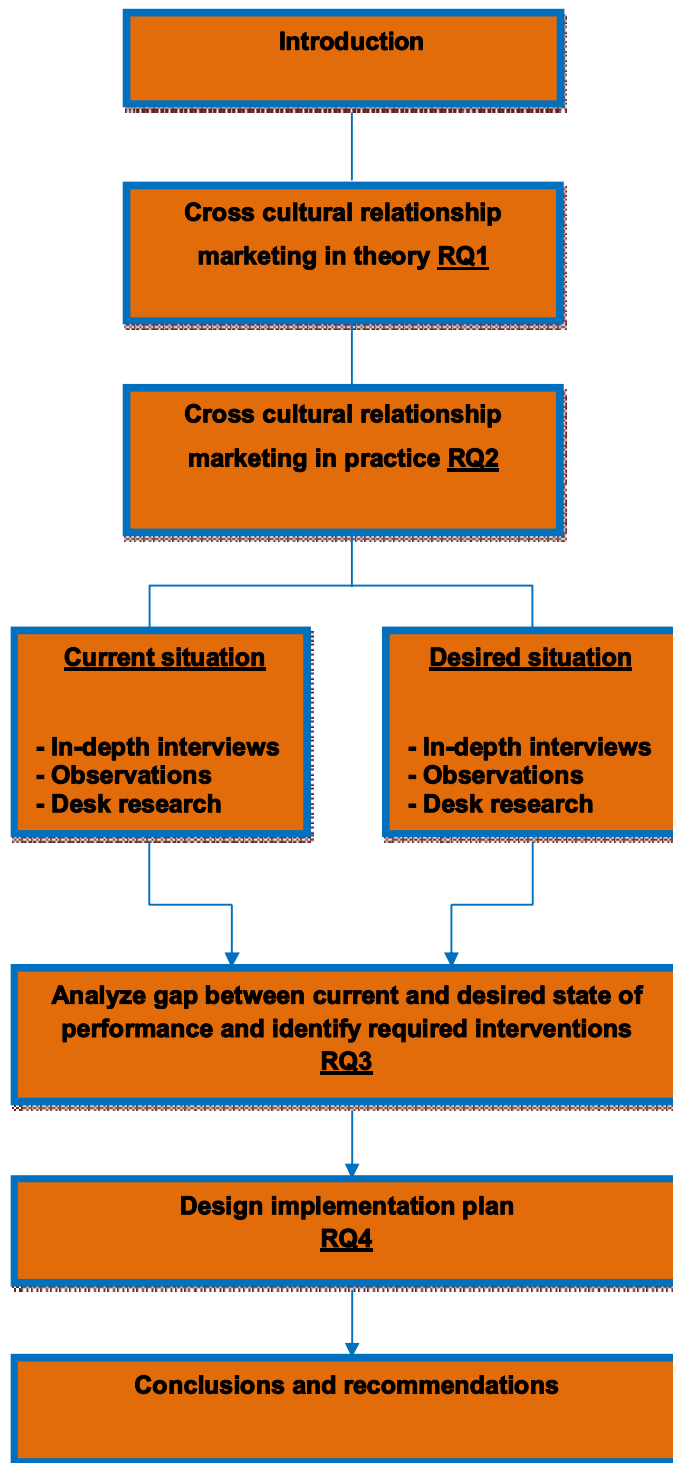


Figure 1: Structure of the research

CHAPTER 2: Cross cultural relationship marketing in theory

“The aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself”.

- Peter Drucker -

2.1 Introduction

The aim of this chapter is to provide an answer to the 1st research question:

What is cross cultural relationship marketing?

First of all, the main elements of B2B marketing are explained focusing on the concept of relationship marketing. In addition, it describes the main characteristics of the Japanese business culture emphasizing on cultural barriers. All the gathered theory will result in a framework identifying the elements of an effective cross cultural relationship marketing approach applicable in the Japanese context.

2.2 The elements of B2B marketing

B2B marketing is an organizations' selling of its product or service to other organizations which in turn use or resell them. Relationship marketing is part of B2B marketing, however it cannot be seen in isolation. This can be illustrated with a model as developed by Anderson and Narus (2003) presented below. It shows that gaining customers and sustaining customer relationships is the last part in the whole business market process. Therefore, before one is able to identify the elements of relationship marketing, it is important to place it in the broader concept of B2B marketing.

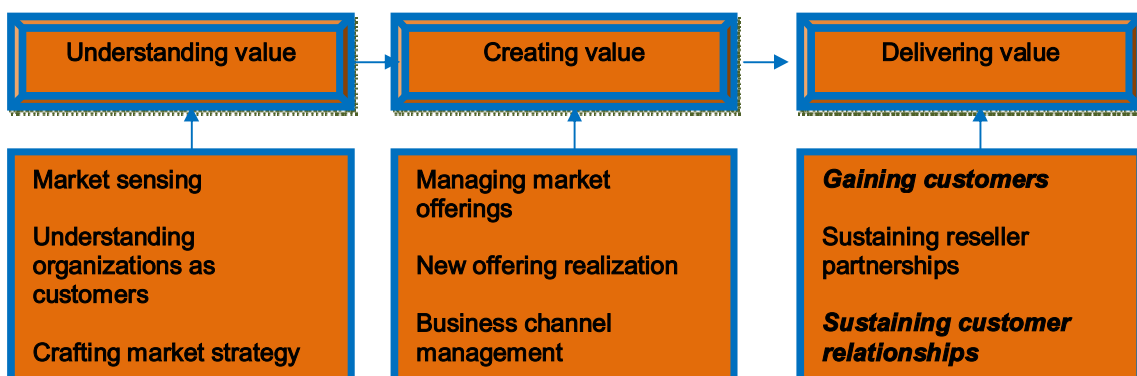


Figure 2: Business market process, adapted from Anderson and Narus (2003)

B2B marketing commences with an organizations' understanding of whom they are and what they have the market to offer. This is also known as “understanding value”. When this has been identified, an organization must decide upon what they want, or in other words how they can “create value”. At last, it must decide upon how they are going to achieve this; how they will “deliver value”. To summarize, only when an organization understands its value (strategic marketing) and is able to create it (tactical marketing), it can also deliver it (operational marketing) in a proper way. All these

elements are interrelated. This section discusses all levels of marketing but emphasizes on relationship marketing, the focus of this research.

2.2.1 Strategic marketing: Differentiation and positioning strategy

The B2B market is predominantly concerned about functionality and performance and expanding an organizations' business across borders requires less adaptations than for consumer markets. This because offerings are valued similarly across borders. (Anderson and Narus, 2003) An organizations' core strategy can be seen as the hub of marketing; it is where an organizations' strengths meets market opportunities. The essential of business marketing is to understand what the customer does, and would value. (Anderson and Narus, 2003) It has two parts: the identification of a group of customers for whom the organization has a differential advantage and then positioning itself in that market. (Kotler *et al*, 2002)

Firstly, differentiation is seen as the process of distinguishing the differences of a product/service from others in order to make it more attractive to a particular target market. This is where competitive advantage can be created. An organization should demonstrate the unique characteristics of its product/service so that value is created in the eyes of the target customer. (Kotler *et al*, 2002 and 2006) Therefore, it is important to clearly identify an organizations' strengths, weaknesses and research its competition. (Heard, 2007) Most people argue that the implication of differentiation is the possibility of charging a price premium, however this is too easy to state. When customers highly value the organizations' offer in comparison to competing offers, price may not be the most important determinant in buying a particular product. (Sharp *et al*, 2001) This is also recognized by Anderson and Narus (2003) who state that fulfilling customer requirements over time in a superior way does not necessarily mean that the supplier always will have the lowest price in the marketplace, but that it strives to provide superior value. A market can be differentiated along the lines of product, service, personnel or image. The ease of developing technological innovations means that products are becoming more difficult to differentiate. Nowadays, service and image are the primary ways people distinguish between products. Furthermore, as methods and systems become more common, the differentiation of personnel becomes more important. (Kotler *et al*, 2002)

Secondly, positioning relates to the perception a market has of a particular organization, product or service in relation to the perception it holds towards competitors operating in the same category. (relative competitive comparison) More specific, marketers try to create an identity or image in the minds of their target market for e.g. its product. They positively influence the perception of its product through strategic actions. To conclude, when an organization has clearly identified their group of customers for whom they have a differential advantage and know whom they want to be in that particular market, they "understand their value" and are ready to move on to the next level where the concept of building customer relationships comes in.

2.2.2 Tactical marketing: Building on customer relationships

An organization needs to understand the determinants of customer value and satisfaction. (Heard, 2007) These determinants consist of the product, service, personnel and image values that a customer receives from the organizations' marketing offer. In order to create customer satisfaction, organizations must manage their own value chains and the whole value delivery system in a customer centered way. Value chain activities range from purchasing to sales to logistics. Total quality management (TQM) is a popular approach for constantly improving the quality of e.g. products, services and marketing processes. (Kotler *et al*, 2002) To conclude, when the organization has identified how to build on customer relationships, it understands how it can "create value" and is ready to develop their relationship marketing plan.

2.2.3 Operational marketing: Relationship marketing

Relationship marketing can be defined as the process of creating, maintaining and enhancing strong, value laden relationships with customers and other stakeholders. (Kotler *et al*, 2002) Or in terms of Andersen and Narus (2003), it consists of gaining customers and sustaining customer relationships.

Gaining customers is a process consisting of the following steps:

1. Prospecting new business relationships;
2. Assessing fit between potential customer requirements and supplier's offering;
3. Making initial sale;
4. Fulfilling initial order.

Effective business negotiations are seen as the key to establishing the deal.

In addition, Heard (2007) argues that in the Japanese OEM business, the focus in the gaining process should lie on customizing the market offering, choosing the right entry mode and developing the right customer approach.

However, the goal of an organization is not only to gain customers but also to sustain them over time. (Anderson and Narus, 2003) Relationship marketing emphasizes the continuing relationship between an organization and its customers to deliver long term value. The measure of success is long term customer satisfaction. (Levitt, 1983) Furthermore, relationship marketing can be seen as cross functional marketing, organized around processes that involve all aspects of the organization. It has a strong link with internal marketing and it involves building relationships at many levels; social, legal, technical and economic, this all resulting in high customer loyalty.

Now when the term relationship marketing has been defined, it is important to identify when it can be applied. According to Berry (1983), it is applicable when customers have alternative products to choose from, when the customer makes the selection decision and when the product or service is desired on an ongoing basis. In addition, one can distinguish different levels of relationships that an organization can form with its customers. These can range from "basic" where there is no follow up after sales, to "partnerships", where an organization continuously works with the customer to discover

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ways to deliver better value. (Kotler *et al*, 2002) The choice of a particular relationship level is a tradeoff between profit margin and number of customers. A manager should match the type of relationship it pursues with the characteristics of a particular customer. (Anderson and Narus, 2003)

When this choice has been made, it is important to identify which specific marketing tools an organization should use to develop strong customer bonding and satisfaction. Kotler *et al* (2002) distinguish between 3 tools which an organization can use:

- *Financial benefits*; for example reward programs. Financial incentives do build customer preference but can be imitated easily by competition and therefore may fail to differentiate the organizations' offering on the long term;
- *Social benefits*; these benefits can be added to the financial benefits. It is where the personnel of the organization works on increasing the social ties by learning about customers' needs and wants and then trying to individualize and personalize the product and service offerings;
- *Structural ties*; these benefits are added to the financial and social benefits. For example, a business marketer might supply its customers with computer linkages or special equipment that helps the customer to managers their inventory or orders.

Now when all important aspects of relationship marketing have been clarified, one can move on to developing an approach towards relationship marketing. According to Levitt (1983), every organization has its own approach but the scholar formulates the following general steps in the relationship marketing process which are applicable for any organization:

1. Chart the service delivery system, set standards;
2. Identify critical service issues;
3. Set service standards for all aspects of the service delivery process;
4. Develop customer communications systems;
5. Train employees on building and maintaining a good relationship with clients;
6. Monitor service standards, reward staff for exceeding service levels, correct sub standard service levels;
7. Ensure that each employee understands the importance of quality and relationships in marketing philosophy.

In addition, Kotler *et al* (2002) mention the following main steps in establishing a relationship marketing program in an organization:

1. Identify the key customers meriting relationship management;
2. Assign a skilled relationship manager to each key customer;
3. Develop a clear job description for relationship managers;

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4. Have each relationship manager develop annual and long range customer relationship plans;
5. Appoint an overall manager to supervise the relationship managers.

Furthermore, the framework as developed by Anderson and Narus (2003) contains the following elements:

1. Fulfilling mutually agreed upon customer requirements;
 - Thinking strategically about relationships
 - Delivering superior value with relationship specific market offerings

Managers should address behavioral issues; fostering honest and open, two way communication between firms.
2. Pursuing continuity and growth;
 - Working together/ pursuing growth
 - Evaluate relationship outcomes and reassign accounts
 - Periodically update the value provided

Managers should develop coordination mechanisms; building mutual trust.

Managers should turn to new business arrangements to pursue growth.

There is a certain overlap between the 3 different approaches while each approach has its own unique characteristics as well. For example, the approach of Levitt (1983) can be considered as process based on a rather rational, strategic level. On the other hand, the approach of Kotler *et al* (2002) focuses more on the people involved managing the relationships, on a more emotional, tactical level. The approach of Anderson and Narus (2003) is unique in a sense that it not only focuses on sustaining customer relationships but emphasizes growth between business partners.

To conclude, this section has clarified that relationship marketing provides the key to gaining customers and sustaining customer relationships but that it cannot be seen in isolation. Successful relationship marketing requires an effective marketing strategy at strategic, tactical and operational level. However, the question remains if a marketing strategy can be applied effectively across cultures without any adjustments. Kotler *et al* (2002) mention that even though products and services in a business market are valued similarly across borders, attention should be paid to any cultural influences so the social elements of a particular market offering can be customized to the foreign customer at hand. Heard (2007) adds to this by stating that in particular the Japanese are very sensitive for these social elements. However, before an organization is ready to customize its market offering, it should understand the institutional and cultural background of the particular customer. In other words, understanding the key variables of the foreign business culture. The next section digs deeper into this matter and discusses the Japanese business culture and the implications it has on an organizations' relationship marketing approach.

2.3 The Japanese business culture in a nutshell

De Mente (2004) once said: “As long as key areas of Japanese behavior are based on circumstances and etiquette rather than principles, outsiders must know a great deal about the origin and essence of their situational morality in order to deal with them responsibly and effectively”. Furthermore, even though Japanese managers of large OEMs are becoming more experienced in doing business with foreign counterparts nowadays, as long as the Japanese market remains strong, a foreign organization has to prepare itself in the field of ethics, etiquettes and negotiation protocol in order to minimize cross cultural misunderstandings. This section explains what an organization should understand about a foreign culture and zooms in on the Japanese business culture and associated cultural barriers.

2.3.1 Defining and exploring culture

Culture can be defined as “patterns of human activity and the symbolic structures that give such activities significance and importance”. (Schneider and Barsoux, 2003) Culture helps to understand how organizations are created, developed, managed and changed. Understanding a culture helps to understand a particular organization.

Furthermore, culture can be characterized as consisting of 3 levels. (Schein, 1988) The 1st one is behavior and artifacts, this is the most observable level of culture, and consists of behavioral patterns and outward manifestations of culture. The next level of culture is values, they underlie and to a large extent determine behavior. In relation to behavior and artifacts, values are not directly observable. The 3rd level is assumptions and beliefs. An organization needs to dig into this deepest level in order to understand a foreign culture and the following is an overview of the underlying assumptions of the Japanese culture.

Underlying cultural assumption	The Japanese:
<i>Relationship with nature</i>	Cannot deal with uncertainty, instead they prefer predictability and stability.
<i>Nature of human activity</i>	Find it more important who you are (personal character) than what you can do (quality of thinking).
<i>Nature of reality and truth</i>	Take time to reflect, plan and adapt to situations.
<i>Human nature</i>	Perceive anyone whom they do not know as a stranger or enemy.
<i>Nature of human relationships</i>	Put great emphasizes on people instead of tasks. The collective is more important than the individual.
<i>Perception of time</i>	Find that time is not money but they do spend time in a sequential and linear fashion.
<i>Perception of space</i>	Limited physical space; island. The degree of formality (personal space) compensates for the lack of physical space.

<i>Perception of language</i>	Communicate implicit, it is dependent on the person and situation. Information sharing is emotional, indicating that some people have more privileges than others.
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Table 1: Underlying assumptions of the Japanese culture, adapted from Laurent (1983)

When an organization has identified the assumptions above, it can move on towards understanding the impact culture has on business and in particular on management practices and organizational processes.

2.3.2 Culture and management practices

The impact of culture on management practices can be explained in terms of Hofstede’s cultural determinants (2001). These determinants assist in differentiating cultures and consist of power distance, uncertainty avoidance, individualism/collectivism, masculinity/femininity and the Confucian values. The primary cultural determinants applicable in the Asian context are those related to relationships between people in terms of power and status and relationship with nature, for example how uncertainty is managed and how control is exercised. A detailed explanation of these cultural determinants can be found in appendix 2 and the figure below presents an overview of the determinants applicable in the Japanese context.

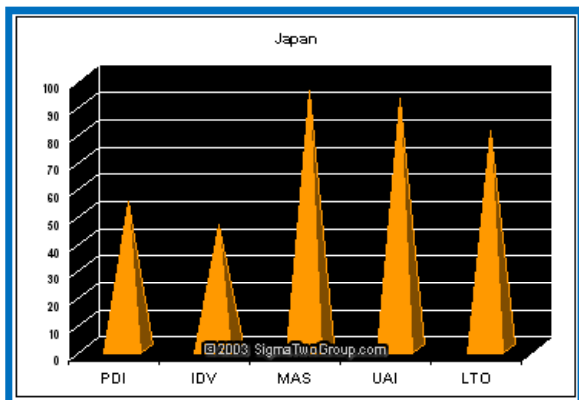


Figure 3: Cultural determinants Japan, adapted from Hofstede (2001)

It is known that in general, managers from Asia perceive great feelings of uncertainty with the environment. They believe they do not have much control over the environment and are therefore more inclined to adapt to the situation. This is especially the case for Japanese organizations where management practices are formalized and specialized. In general, employees are motivated by stability and security. This can also be seen in figure 3 where Japan scores very high on the “uncertainty avoidance” determinant. In addition, the country scores even higher on the determinant “masculinity”. Whereas the nature of human relationships in daily life is focused more on people than tasks, when it comes to business, the Japanese are also heavily concerned with task accomplishment. At last, Japan scores high on “long term orientation”, indicating that they are very long term oriented. This cannot only be seen in life time employment at organizations but also in customer relationships.

At last, the following key words further typify the Japanese management style and contribute to the emerging Japanese cultural profile: thrift, perseverance, centralized decision making, coordination at the top, strong role of staff, analytic abilities, pyramid of people, informal relationships, group harmony, cooperation and group achievement. (Schneider and Barsoux, 2003)

2.3.3 Culture and organizational processes

The influence of culture can also be seen in organizational processes such as the nature of decision making, policies and procedures, information processing, communication and planning and control. (Schneider and Barsoux, 2003) In Japanese organizations, they can be identified as follows:

- Nature of decision making;
(strong hierarchy, high degree of details, high degree of bureaucracy, high need for agenda, focus on consensus decision making)
- Nature of policies and procedures;
(detailed presentation of issues and presentations in general)
- Nature of information processing;
(relatively slow pace of negotiation and value of time)
- Nature of communication;
(high degree of informal exchange of information)
- Nature of planning and control;
(strict planning, being able to define one owns basic interests well)

To conclude, the underlying cultural assumptions of uncertainty, control, management practices and organizational processes determine the interpretation of strategic issues. Therefore, an organization should analyze this in order to understand the actions of a potential foreign customer and it simultaneously helps an organization to better anticipate to the actions required for collaboration. (Schneider and Barsoux, 2003)

2.3.4 Experiencing and overcoming cultural barriers

Buchanan (1989) in his research on cross border business, found that senior executives ranked cultural differences as the number 1 problem in foreign business deals. He argues that cultural malaise often goes unrecognized. According to Durlabhji (2004), cultural barriers in Japan are the results of the attitudes, values, expectations, and behavioral predispositions of the Japanese people. Many Western but also Asian organizations suffer from cultural barriers due to a large physical and psychic distance. Furthermore, according to De Mente (2004) the largest barrier for Western organizations is to get close to the Japanese inner circle, or in other words establishing a close working relationship. This can be illustrated with the following figure:

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Figure 4: The Japanese inner circle, adapted from De Mente (2004)

The left circle represents a Western organization, showing a large thick inner core and a thinner outer shell which is easy to penetrate. This organization is easy to approach within a relatively short period of time. However, the larger inner core prevents an individual from really opening up. The right circle represents a Japanese organization, showing a small, fragile inner core and two barriers designed to keep strangers at a distance. This organization is difficult to approach and it takes a long time before the heavy, protective guard is penetrated. However, once one is inside the relationship is very personal. The Japanese perceive everyone whom they do not know as a stranger and they are very suspicious of letting anyone inside their personal space. Subsequently, this makes it impossible for foreign, especially Western, organizations to get into the Japanese inner circle. However, there are means to get closer to the inner circle and establish a good working relationship.

Schneider and Barsoux (2003) argue that individuals as well as teams should possess certain competencies for managing cultural differences and conflicts effectively. For example, individual managers need to have interpersonal relationship skills, linguistic ability and tolerance for uncertainty and ambiguity. These competencies are derived from the individuals' background and education but can certainly be developed by an organization. However, overcoming cultural barriers is not only a result of successful individuals, but also one of multicultural teams. Nowadays, teams are seen a solutions to problems of external adaptation, responding to complexity by bringing together a variety of perspectives. (Schneider and Barsoux, 2003)

Having the adequate competencies for managing conflicts is one thing, but applying them in practice is another. Negotiations are seen as the most common method for managing the cultural and relationship issues which can arise in conducting business with foreign partners. (Graham, 1984) The key factor in Japanese business negotiations is the interpersonal relationship and therefore it is of crucial importance to form an accurate impression of one's partner and make them feel comfortable. (Graham, 1984) Kwintessential (2008) agrees with the above and adds that a successful relationship with a Japanese partner relies on three factors: sincerity, compatibility and trustworthiness. First of all, sincerity means that one is compromising, understanding and that one wants to conduct business on a personal level. Secondly, compatibility is established when one is seen to be concerned about the

personal relationship, the well being of the organization and not just focused on financial gain. At last, trustworthiness relates to the faith put in one in order to protect from loss of face.

Next to Graham (1984), Cavusgil *et al* (2002) argue that negotiating in Asia can be extremely difficult due to very diverse cultures. Based on the format of Acuff (1993), they provide a comprehensive overview of the nature of negotiation in Asian emerging markets. In addition, Usunier and Lee (2005) state that in intercultural marketing negotiations, national styles of business negotiating can be identified. Negotiating power in international settings can be enhanced by identifying a set of strategic archetypes used by foreign negotiators. The following is an overview of the Japanese business negotiation style. It is based on the format of Acuff (1993) but made applicable in the Japanese context by adding information derived from consultancy agencies such as Eurotechnology (2008), Kwintessential (2008) and Graham (1984).

Negotiation factors	Comments
<i>Pace of negotiation</i>	The Japanese are slow negotiators and believe time is not money.
<i>Negotiation strategy</i>	The Japanese prefer detailed preparation of organization documentation. Presentation of issues should be done in order of priority and the issues should be presented formal and orderly. In addition, discussions are persuasive and communication consist of small talk and is rather indirect. Concerning offer vs. agreement, the initial offer is not too high.
<i>Personal relationships</i>	High emphasis on personal relationships, mainly established prior to negotiations.
<i>Influence of 3rd parties</i>	Rather high influence of 3 rd parties.
<i>Distance</i>	Large physical distance in seating arrangements.
<i>Silence</i>	Silence is a virtue, it is a way of reflecting.
<i>Decision making</i>	Decision making is rational but influenced by personal relationships. There is a strong hierarchy and bureaucracy within Japanese organizations. They make decisions as a collective whereby group consensus is important. There is a high need for details and agenda.
<i>Administrative factors</i>	High need for an agent or local partners.
<i>Emotional factors</i>	Moderate degree of rationality and high degree of sensitivity.

Table 2: Negotiation factors, adapted from Acuff (1993)

One can say that the key ingredient for overcoming cultural barriers is a sales force which has the competencies to conduct effective business negotiations. However, business negotiations can be influenced by many internal and external factors. Therefore, an organization needs to develop a comprehensive approach towards conducting effective international business negotiations. Ghauri and Usunier (1996) developed an international business negotiation framework representing the main

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variables influencing the business negotiation process. These variables are business structure, atmosphere, strategic factors and cultural factors and should be understood by an organization.

In addition, it is important to identify the different steps in a business negotiation process. In general, it consists of 5 stages and the development of these stages depends on the time, issues and costs involved. The more time each stage takes, the more conflict and distance is perceived by all parties. (Cavusgil, 2002) The stages can be identified as follows:

Stage 1: Pre-negotiation planning

A good preparation is of paramount importance before one can commence with a business negotiation process. Variables influencing the business negotiation process need to be understood.

Stage 2: Offer

A business negotiation process commences with the first contact between the parties concerning a venture and ends when the vendor submits a final offer. Adequate information about the customer's needs and requirements need to be gathered. Important in this stage is to exactly define the problem which needs to be solved.

Stage 3: Strategy formulation

After the offer, various informal meetings will take place in which the parties discuss whether it is realistic to achieve the objectives of everyone involved. Important in this stage is to identify possible obstacles and strategies need to be developed on how to overcome these obstacles.

Stage 4: Face-to-face negotiations

At this stage, the parties should evaluate the alternatives presented and select those that are compatible with their own expectations. Important in this stage is to focus on flexibility and maintaining a positive working climate.

Stage 5: Implementation

In this last stage, the focus lies on compiling the contract. Many experts state that writing the contract is a negotiating process itself due to different languages, terms and conditions. Therefore, it is recommended to write a summary after every meeting in order to avoid any misunderstandings and delays in the business negotiating process.

Overall, it is important to identify what can be considered as a good outcome for the parties involved. A good agreement is one that leads to successful implementation. The outcome should be related to the objectives of all parties involved.

To conclude, now when all important aspects of the Japanese business culture and associated cultural barriers have been identified, it is time to describe the elements of an effective cross cultural relationship marketing approach. This is explained in the next section.

2.4 The elements of an effective cross cultural relationship marketing approach

Combining the theories of various scholars, the researcher develops a cross cultural relationship marketing approach suitable in the context of TCES. It is a framework consisting of two parts: gaining customers and sustaining customer relationships. Subsequently, the framework identifies all the important steps in a relationship marketing process while simultaneously paying attention to cultural differences which can occur in every step. Even though the critical elements are Japan specific, the identified steps in the process are uniform and applicable for any Asian organization with whom TCES wants to conduct business.



1. GAINING CUSTOMERS

- Step 1:** Plan the sales strategy that fits the foreign customer
- Critical elements: Study the Japanese business culture
(e.g. typical management practices and organizational processes)
- Study the needs and wants of the Japanese customer
- Customize the marketing offering
(e.g. tailor the social elements)
- Develop an adequate business negotiation strategy
(e.g. a strategy which addresses internal and external factors influencing the business negotiation process)
- Step 2:** Choose the right entry mode
- Critical element: Find a partner who possesses the credibility and trust of the person within an organization to whom the organization wants to be introduced

2. SUSTAINING CUSTOMER RELATIONSHIPS

- Step 3:** Chart the service delivery system of the organization
- Critical elements: Identify key customers meriting relationship management
- Assign competent managers to each key customer

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- Step 4: Identify critical issues in every step of the process**
Critical elements: Understand social issues which are critical to the Japanese
(e.g. issues such as sincerity, compatibility, trustworthiness)
Tailor the social elements of the market offering to satisfy the customer
(e.g. personal networking by playing golf to build on loyalty)
- Step 5: Develop customer communications systems**
Critical element: Address behavioral and language issues which are important to the Japanese
(e.g. behave predictable, communicate issues in a clear, detailed manner)
- Step 6: Train employees on building and maintaining a good relationship with the foreign customer**
Critical element: Focus on cross cultural competences both on individual and team level
(e.g. interpersonal relationship skills, linguistic ability, tolerance for uncertainty and ambiguity)
- Step 7: Pursue growth**
Critical elements: Evaluate relationships and reassign accounts when necessary
Work together with the customer to develop new business arrangements
- Step 8: Monitor service standards, reward staff for exceeding service levels, correct sub-standard service levels**

As previously mentioned, relationship marketing cannot be seen in isolation. Therefore, the framework shows elements of B2B marketing at all 3 levels. Even though the focus lies on analyzing TCES' cross cultural relationship marketing approach, elements on strategic and tactical level need to be identified first.

To conclude, this chapter provided an answer to the 1st research question. Overall, it has identified the concept and importance of relationship marketing in Japan. The framework as presented above identifies the ingredients needed for effective cross cultural relationship marketing in Japan and forms the basis from which TCES' approach is analyzed in chapter 4.

CHAPTER 3: Methodology

“Before everything else, getting ready is the secret of success.”

- Henry Ford –

3.1 Introduction

This research can be defined as a single, embedded case study with TCES as the unit of analysis. (Yin, 2003) Subsequently, the researcher uses a deductive approach towards the research process. This chapter describes the selection of the sample, data collection and analysis procedures used for analyzing TCES' current and desired cross cultural relationship marketing approach and ends with a short evaluation of the research process.

3.2 Sample selection

The data needed in this research are collected from a relatively small, diverse group of people and can be classified as a purposive sample. (Saunders *et al*, 2007) The researcher identified diverse characteristics (sample selection criteria) prior to selecting the sample, these are based on their criticality to the issue of cross cultural relationship marketing. (Patton, 2002) From here, logical generalizations can be made regarding the key themes. The 3 purposive samples are:

Sample 1: People working within the TCE group

Criteria: they should either execute a function within the sales/marketing department or have experience with the Japanese business culture.

Sample 2: People working for an external organization but affiliated with TC

Criteria: they should have in-depth understanding of the organizations' market offering and have knowledge on the Japanese business culture.

Sample 3: People working for an external organization conducting business with Japanese organizations

Criteria: they should have at least 5 years of experience with the Japanese business culture.

The above formulated criteria are set in order to obtain a reliable and rich set of data. Appendix 3 provides an overview of all participants and their professional background.

3.3 Data collection

This research can be further defined as a multi-method qualitative study using various techniques for data collection. (Saunders *et al*, 2007) The field research consists of in-depth interviews, desk research and observations.

First of all, the interviews can be characterized as semi-structured and unstructured and are non-standardized and qualitative in nature. (Saunders *et al*, 2007) During the semi-structured interviews, the researcher has a list of themes and questions which need to be covered, although these vary from interview to interview. The unstructured interviews are informal in nature which means that there is no predetermined list of questions which need to be asked. However, the researcher does have a clear idea of the aspects which need to be explored during the interviews. Obtaining information about the organizations' cross cultural relationship marketing approach requires semi-structured interviews and is derived from the 1st sample. Topics on strategic level are discussed with higher level management while topics on tactical and operational level are discussed with middle and lower level management/employees. In addition, obtaining information about their knowledge on the Japanese business culture and the associated cultural barriers requires a non-directive approach in the form of unstructured interviews. The employees should be able to talk freely about the barriers they experience or have experienced with the Japanese and how they tried to overcome these difficulties. Here, additional information is derived from participants of sample 2 and 3 who elaborate on their personal experiences with the Japanese business culture. In addition, they elaborate on the difficulties TCES experiences. All interviews are conducted either face-to-face or via a Skype connection. In addition, most interviews take place on a one-to-one basis, with the exception of 1 group interview. Next to the interviews, the researcher conducts desk research by studying documentation on the organizations' business strategy and sales and marketing activities. At last, the researcher follows an inductive approach towards the observations. Since the possibility of attending customer meetings are limited, she will use the opportunities she does get to develop a theory based on the observations of the empirical data. Appendix 4 provides an example of the interview question lists.

The researcher makes sure that data quality issues related to reliability, validity and generalizability can be overcome, therefore every interview is planned carefully. All face-to-face and Skype interviews are recorded via an audio recorder and contextual factors are written down. The researcher runs 2 pilot tests of the interview to test the structure and the clarity of the questions. Appendix 5 provides a succinct overview of all issues which are taken into consideration prior to conducting the interviews.

3.4 Data analysis

The researcher follows a structured approach towards analyzing the data. First of all, the audio recorded information is transcribed and linked to the contextual setting. Next, the researcher organizes all collected data into categories, she develops labels based on the terms used in the theoretical study to group all data. Then the data is unitized, in other words transferred and filed in the appropriate categories. A visual explication of this process can be found in appendix 6. This rearranged data forms the basis from which the researcher starts the analysis procedure; searching for patterns and relationships.

To conclude, with the research design as formulated above, consistency between the research questions, objectives, methods of data collection and analysis can be guaranteed and data quality issues related to reliability, validity and generalizability can be overcome.

3.5 Evaluation of the research process

All participants being interviewed received a list of topics a week prior to the interview in order to get acquainted with the nature and scope of the interview. The participants were asked to contact the researcher whenever they encountered difficulties. In addition, after every interview a summary was sent to the participant so they could cross check the researcher's interpretation of the information they had provided.

For analyzing the current situation at TCES, a total of 15 people from 3 different samples have been approached, of whom all 15 participated in the interview. The response rate is 100%. For analyzing the desired situation at TCES, the amount of interviews held with participants from sample 1 has been narrowed. Sensitive information concerning the strategic directions of the organization is only shared with employees executing management functions, so some participants were considered not eligible anymore to participate in the 2nd round of interviews. A total of 10 participants from 3 different samples have been approached, of whom all 10 participated in the interviews. The response rate is 100%. The following provides a succinct overview of participant/sample ratio:

<u>Total participants current situation:</u>	15	<u>Total participants desired situation:</u>	10
Sample 1 TCE group	11	Sample 1 TCE group	6
Sample 2 TC affiliates	2	Sample 2 TC affiliates	2
Sample 3 Japan experts	2	Sample 3 Japan experts	2

A total of 25 interviews have been held.

CHAPTER 4: Cross cultural relationship marketing in practice

When Donald Trump was asked recently what he would do if he had it to do all over again, his matter-of-fact, one-line reply was: "I would get into network marketing."

- Donald Trump -

4.1 Introduction

The aim of this chapter is to provide an answer to the 2nd research question:

How is cross cultural relationship marketing applied at TCES?

The interview results are presented according to the structure of the cross cultural relationship marketing framework as identified in chapter 2.4. First, the results sketching the current situation are presented followed by the results sketching the desired situation. The interview results are complemented by the outcomes of the desk research and observations. Due to confidentiality of the research, no names are provided. However, the researcher does highlight which answer comes from which sample. One should be aware that participants of sample 1 are also known as "employees" or "sales force" and participants of sample 2 and 3 are equally referred to as "experts".

4.2 Cross cultural relationship marketing at TCES

Before presenting the results, allow yourself to briefly recall the organizations' business strategy; TCES' current situation can be identified as seeking new business opportunities just to "fill the mill" and work on the organizations' negative image. In TCES' desired situation, the focus lies on business continuity and growth. They want to penetrate the Japanese market and therewith strengthen their position in the Asian office equipment and printing industry.

4.2.1 Strategic marketing: Differentiation and positioning strategy

All employees are able to identify the customers for which TCES currently creates a differential advantage. In addition, they are able to identify whom they want to target in the Japanese market, namely (in order of priority): Brother, Ricoh, Minolta, Epson, Fuji Xerox and Kyocera. Furthermore, the benchmarking study confirms that the organization has a good overview of the key players involved in the Japanese OEM market.

According to the majority of employees, technology¹ and quality² are the determinants which distinguish the organizations' product from its direct competitors. This finding is for the greater part supported by the outcomes of the 2007 customer feedback survey, revealing that concerning product quality, TCES scores higher than its direct competitors. Some others highlight that the after sales processes are the determinants at which the organization excels at. In addition, the majority of employees believe that excelling at technology and quality are necessary but insufficient differentiators

¹ Technology on fusing and imaging

² Quality of the product

for gaining Japanese customers in the future. They believe that the determinants (in order of importance) price³, quality, technology, speed⁴ and location⁵ are valued mostly in the eyes of a Japanese customer.

The above has impact on the way the market perceives TCES. Currently, the organization is working on its negative image. As the principal mentions:

"I believe that TCES has lost grounds with some major customers. Recently, we experienced fierce price issues with one of our largest OEM customers, and I believe the market perceives us as an organization with so called Asian production but European pricing".

As the business strategy reveals, it is TCES' focus to turn from a product focused towards a customer focused organization again. Especially in the Japanese market, all employees recognize the importance of a clear positioning strategy. Currently, they believe that the Japanese perceive TCES as a technology driven organization producing good quality products. This perception is confirmed during an interview with 2 Japanese suppliers.

However, many employees show their concerns about the price dimension. One employee mentions: *"I believe the market, and especially the Japanese OEMs, perceive our product as one of high quality, reliable and durable. However, with product life cycles becoming shorter, customers may start to value price more".*

The majority of employees believe that the only way to enter the Japanese market is to offer either a higher quality product at an equal price or offer an equal quality product at a lower price. In addition, they believe it is of crucial importance to continue working on the organizations' reputation and position itself as a technology driven, customized component supplier offering European quality at competitive Asian prices.

4.2.2 Tactical marketing: Building on customer relationships

All employees are able to identify how they work towards creating customer value and providing customer satisfaction. The 2007 customer feedback survey reveals that concerning overall customer satisfaction, TCES scores 84 out of 100 points. The determinants which are tested are: product quality, delivery performance, response to quality complaint and general support. The average score from the past 5 years is 86 out of 100 points and competitors' scores are not available.

The business strategy reveals that TCES uses the value chain model as developed by TC HQ in order to identify ways to create additional customer value. This model consists of 4 cornerstones which are applicable for every TC subsidiary. These cornerstones are: end user marketing, differentiation, innovation and cost leadership. Appendix 7 elaborates on these cornerstones. Furthermore, the employees as well as the business strategy reveal that TCES always works towards continuous

³ Price of roller component

⁴ Speed of product development

⁵ Location as in geographical location of supplier

improvements in all areas of the value chain so as to provide customers with a good quality product and associated services. Even though the organization does not pursue a particular TQM program, they do use standard operating procedures in order to guarantee effective operations.

In order to stay competitive in the market now and in the future, TCES focuses on the following:

1. Eliminate defects in the shortest time possible;
2. Continuous improvement on the quality of the rollers;
3. Develop the prototype sample in the shortest time possible;
4. Provide the customer with solutions and good after sales service;
5. Continuous improvement of productivity and efficiency.

Key performance indicators are established in every important area of the value chain.

Employees mention that in the desired situation, TCES will use the same marketing tactics in order to build on the relationship with the potential Japanese customer. However, the majority elaborates on difficulties they foresee when creating their value for the Japanese. Concerning the price dimension, TCES will be considered as an "expensive supplier". Concerning the speed dimension, TCES will face difficulties with product development capabilities; preparing prototypes after order confirmation is considered as too slow. At last, the Japanese will most likely perceive TCES as an "overseas supplier" since the manufacturing location is located in Singapore. In relation to this, while prototype samples are developed in Singapore, the product development for the larger projects all take place at the R&D centre in Beek, the Netherlands.

4.2.3 Operational marketing: Relationship marketing

TCES' current relationship marketing strategy is based on the 3-S philosophy containing the following:

1. Seek higher allocation in all programs and customers;
2. Seek new parts and new programs in all key OEM customers;
3. Seek new customers.

Starting with point 1 and 2; these are based on the 80/20 rule, indicating that 80% of all business should be generated from the top 20 accounts. Important here is to find ways of selling more of the same or new products to existing customers, so finding the highest allocation possible. In addition, TCES should always look for new customers. Especially in the desired situation, the focus lies on actively seeking new Japanese customers.

Furthermore, the strategy of the sales force towards gaining customers can be summarized as follows:

1. Join relevant business associations to develop personal network;
 - *Exchange name cards to create awareness*
2. Investigate activities of the target customer;
 - *Search for in-depth target customer information; identify what kind of components they need*
 - *Identify current suppliers of the target customer*
3. Investigate strong points of TCES in relation to current supplier/competitor;

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4. Study cultural differences between TCES and potential customer;
5. Approach potential customer via personal network;
6. Visit customer for presentations and information sharing;
7. Start negotiations, most often with the design and purchasing team;
8. Develop prototype samples.

The researcher asks if the sales force could elaborate upon their study on cultural differences between TCES and the potential customer. The majority answers that this is based on the iteration of past experiences. In other words, based on their experiences gathered throughout the years working for different organizations. Only 2 of them mention that TCES has Japanese colleagues working in the Netherlands whom they contact incidentally to ask advice when targeting Japanese customers.

At the moment, TCE contracts a local sales representative who functions as “customer and supplier support in Japan”. He represents the whole TCE group and is contracted via the R&D department in Beek. 50% of his time is reserved for TCE and according to the principal he is hired on the following criteria:

- Japanese origin;
- In-depth understanding of the Japanese business culture;
- Good contacts with Japanese OEMs;
- Reliable information sources in Japan;
- Loyal, commitment; spirit of “never giving up”.

Furthermore, when asking about how the sales force takes into account cultural differences when delivering the particular product and its service elements to a customer, the majority answers again that they do not consciously adapt their approach to the specific situation at hand, it is based on the iteration of past experiences. For example, when TCES conducts business with Western customers, they charge them a fee for the development of a sample. However, they know that in Asia, customers expect the samples to be free of charge, it is considered as service. Consequently, when TCES believes the Asian customer has sufficient potential, they will not charge the Asian customer with the fee.

When discussing TCES’ desired situation, the participants mention that they will pursue the same relationship marketing approach for gaining Japanese customers but want to focus more on studying foreign business behavior. The majority is unable to explain how they would engage in this process and only a few mention that they could talk to their Japanese colleagues in the Netherlands to gain additional knowledge. In addition, some participants mention that they doubt the effectiveness of TCE(S)’ sales representative in Japan. They mention that he experiences fierce difficulties with the English language and believe that gaining new customers with a different partner or a new entry mode contributes to achieving organizations’ objective.

Concerning sustaining customer relationships, the entire sales force acknowledges that relationship marketing is very important for TCES because in general, customers have long time horizons and high switching costs. When for example an OEM buys a complex component from TCES, it carefully researches competing suppliers and chooses one from whom they can expect state-of-the-art technology and reliable, long-term service. Subsequently, the sales force identifies most of their customer relationships as long-term and project based. With some customers, TCES even establishes partnerships. The focus in a relationship lies on loyalty, commitment and patience. There is no standardized way of deciding which type of customer relationship to pursue. In general, it is a tradeoff between (potential) profit and resource availability. Concerning account management, sales managers are assigned to accounts with which they have affinity with. The sales force believes that it is important to have synergy between the sales manager and the customer. Social benefits are perceived as the most important marketing tool for developing stronger customer bonding and satisfaction. One participant mentions:

“Becoming friends first is a prerequisite for doing business in Asia. The personnel of TCES works on increasing the social ties by organizing social drinks, dinners and buying small presents for (potential) customers”.

Furthermore, based on the 3-S philosophy, TCES tries to pursue growth by developing new business arrangements. Participants explain that during customer meetings they always try to find out if their customer has new products coming up and if TCES is able to develop provisional samples for them. Service standards are monitored by the yearly customer satisfaction surveys. No clear information is obtained concerning the rewarding/ reprimanding of staff for exceeding/underperforming service levels.

When discussing TCES' desired situation, the sales force mentions that they would slightly adapt their relationship marketing approach for sustaining relationships with Japanese customers. There should be an increased focus on personal networking by making frequent customer visits and organizing social gatherings such as playing golf. TCES knows the decision makers and influencers within the large Japanese OEMs. In return, TCES believe that these OEMs are aware of the organizations' capabilities as well. In addition, TCES should show the Japanese customer that the organization works on continuous improvements in operational efficiency and R&D. The above should lead to increased commitment and loyalty as perceived by the Japanese.

4.3 TCES' understanding of the Japanese business culture

This section explains what the sales force knows about the Japanese business culture and related cultural barriers. Here, additional information is derived from the experts elaborating on their personal experiences with Japanese organizations.

4.3.1 Defining and exploring culture

Based on the format of Laurent (1983), the researcher asks the sales force various questions concerning the underlying assumptions of the Japanese culture. The majority of them do not encounter difficulties with answering this question and perceive the Japanese culture as follows:

Underlying cultural assumption	In Japan/ The Japanese:
<i>Relationship with nature</i>	Cannot deal with uncertainty, every activity should be carefully planned and no deviations are allowed.
<i>Nature of human activity</i>	What you can do is equally important as whom you are. Employees possess specialized skills due to extensive in-house training.
<i>Nature of reality and truth</i>	Take time to reflect, plan and adapt to situations.
<i>Human nature</i>	Strangers are perceived as enemies, employees are perceived as family members.
<i>Nature of human relationships</i>	The group comes before the individual.
<i>Perception of time</i>	Time is stressed, the Japanese require immediate answers to their questions.
<i>Perception of space</i>	Space is highly formalized.
<i>Perception of language</i>	Language is high context.

Table 3: Underlying assumptions of the Japanese culture II, adapted from Laurent (1983)

4.3.2 Culture and management practices

Based on the cultural determinants as developed by Hofstede (2001), the researcher asks participants of all samples to formulate key words typifying the Japanese management style. The results are presented in the table below.

Key words as identified by sales force	Key words as identified by experts
Centralized decision making & group consensus	Centralized & collective decision making
Loyalty & commitment	Group harmony, cooperation & achievement
Strong role of staff	Loyalty, respect & commitment
Personal & informal relationships	Personal & informal relationships
Trust	Social control
Reputation	Keiretsu
	Perfectionism
	Pride & loss of face
	Conservative, & adherence to patterns
	Risk avoidance & superstitious

Table 4: Key words typifying the Japanese management style, adapted from Hostede (2001)

The key words as identified by the sales force and experts show many similarities, except for the key words: Keiretsu, conservative, adherence to patterns, risk avoidance and superstitious. These are not mentioned by the sales force.

4.3.3 Culture and organizational processes

The researcher asks the sales force how the influence of the Japanese business culture can be seen in organizational processes. Many of them have difficulties explaining how and by whom decisions are made, and how activities are coordinated in a Japanese organization. In addition, many experience difficulties describing the Japanese business etiquette, for example how seating is arranged during a business negotiation. All provided answers pinpoint at isolated characteristics of a certain process, such as: *“the Japanese always make decisions as a group”, “they prepare all their meetings in detail”* and *“the exchange of business cards is an important protocol in Japanese business”*. Overall, answers remain superficial even after asking probing questions; only 1 participant is able to provide a comprehensive overview of which the summary is provided below.

Organizational planning in Japanese organizations is formalized (in systems) and centralized (strategic planning). Strategic goals and actions are clearly defined and explicitly measured, however when measuring the results there are no strong disciplines/punishments to the person/group who has the responsibility on the target. Furthermore, authorization is well defined in Japanese organizations. The collective is responsible for making the decisions and the Japanese follow a top-down approach. However, approval by many people is required in order to get approval on 1 big issue. Before the final decision maker (who has the authority to give final approval) gives his approval (signature) on the approval request form, many approvals from different divisions and different levels of position could be required. This is called “stamp approval” and has the consequence that when someone involved does not feel comfortable with the vendor at hand, the approval can be disturbed by just 1 person. Furthermore, the Japanese are perceived as detailed oriented, wanting to know everything about the organization where they conduct business with. They are able to define and explain their interests and objectives well and they work out documentation very detailed. Many Japanese organizations work according to the “Plan Do Check Act cycle”. They expect the other party to be well prepared and they should have an answer ready immediately when a question is being asked. When business becomes more complex, they want the functions, activities and responsibilities well defined. However, in many cases the Japanese hesitate to make these more clear and sometimes they keep their guessing. Furthermore, business meetings should start on time and they consider this as very important since this is their way of measuring trust and liability. They want to spend time productive in a structured and sequential fashion. However, it could take a long time before one reaches agreement as Japanese tend to achieve consensus through indirect working. In addition, they have a preference for written contracts. The buyer and seller are perceived as having equal power in a business negotiation.

In addition, the experts pinpoint at important characteristics of Japanese organizational processes. Firstly, the Japanese have a large need for details and transparency while they themselves are not transparent at all. The other party should behave in a consistent way, both orally and written. Secondly, the Japanese prefer oral instead of written contracts whereby consensus needs to be reached in person to person before the final agreement can be set. They are collective decision makers, however the highest boss most often just takes the decision without even seeing all the work involved. At last, even though the Japanese behave enthusiastically, when they say “yes”, it does not necessarily mean “yes”. Overall, the experts mention that the Japanese are tough negotiators and are very time consuming to deal with.

4.3.4 Experiencing and overcoming cultural barriers

The sales force indicates that cultural barriers are mainly experienced with the end customer, so the OEM. With the CM, TCES mainly experiences price and product quality issues. In the past, TCES experienced the following issues when conducting business with the Japanese:

“During that time, we hired a Japanese translator, however due to different ways of expression we’ve encountered some major difficulties during business negotiations. The Japanese were not very open and it was difficult for us to interpret their objectives”.

“Language was considered as the initial large barrier but building a closer relationship, getting into their inner circle, was the biggest hurdle. Maybe they had a mindset or perception blockage with European business. The most difficult was the relationship with those R&D engineers of which most were ethnic Japanese, living in rural villages or towns”.

TCES tried to overcome these difficulties by personal networking; providing the Japanese social entertainment such as playing golf. In addition, during business negotiations they bought the customer a “door gift”, this was supposed to ease the tension and receptiveness. Overall, the majority of the sales force mentioned the importance of always being honest, show commitment and be patient as ways to overcome cultural barriers. Furthermore, when asking in which stages of the business negotiation process these cultural barriers occurred, the majority answered that it occurred in every step of the process. However, the most difficult point was gaining the Japanese OEM as a customer, in other words “to become a vendor”. Japanese OEMs do not open new business accounts easily with new vendors, especially not with foreign organizations. The vendor should be listed on the preferred vendor list which is developed by the OEM. Subsequently, the CM has to work with this list.

When looking at TCES’ desired situation, the sales force foresees various cultural barriers when conducting business with Japanese OEMs in the future. They doubt if TCES is able to understand and manage the high expectations of the Japanese. In addition, they show their concerns about how to

end up at the preferred vendor list. Various participants provide suggestions for overcoming these cultural barriers, for example:

"We should just be patient and wait for an opportunity to come. In other words, wait until the current supplier of a Japanese OEM fails, and that is the moment where we should step in. In the meantime, we should build on our reputation and work on internal processes".

"The ideal situation would be to establish a R&D office close by the Japanese OEM, this allows us to co-develop applications, make frequent customer visits and this would really benefit our reputation; the Japanese will perceive us as more committed".

Next to the sales force, the experts elaborate upon the various cultural barriers which they frequently experience when conducting business with Japanese customers. According to them, the most significant barrier is the Japanese desire for exceptional commitment; the Japanese have a large need for details and this consumes a tremendous amount of resources. For example, during customer visits, an organization should always send their senior engineer along with the sales manager for a thorough explanation of product specifications and technicalities. In general, it can take up to years before an organization has their sincere interest and this aspect is often not understood by Western HQ. In addition, they indicate that organizations often do not fully understand the Japanese business culture and in particular the market structure, one participant states:

"The importance of Keiretsu is often not understood by the supplier and this can lead to serious difficulties in selling your product".

Furthermore, the researcher discusses TCES' situation with the experts and asks them to share their thoughts concerning how to overcome cultural barriers and gain Japanese customers. They advise TCES the following; convince Western management that conducting business with the Japanese is not like conducting business with European customers. Most probably, TCE HQ wants to see results fast, however this is just not possible in Asia and therefore sufficient resources should be made available before TCES is ready to penetrate the Japanese market. In addition, they believe that the organizations' sales force should be trained in order to conduct effective business negotiations. The sales force should understand that many Japanese OEMs are part of a Keiretsu network who prefer to conduct business with vendors within this network. Subsequently, this could lead to difficulties in gaining Japanese customers and TCES should be able to anticipate on this. At last, they recommend TCES to investigate the effectiveness of the current sales representative. When this representative did not meet the organizations' objective, consider to switch to another representative or look out for a new entry mode. The experts believe that connecting with a Japanese partner from a Keiretsu network which has interest in TCES' products is the best way to gain new customers of Japanese origin. TCES should evaluate the possibility of establishing a joint venture with a partner from this Keiretsu network and let that partner handle all the organizations' business in Japan.

4.4 Conclusion

This chapter has identified the main elements of TCES' current and desired cross cultural relationship marketing approach. In general, gaining customers and sustaining customer relationships is based on the 3-S philosophy as developed by the principal. Remarkable in their current approach towards gaining new foreign customers is that the study on cultural differences is solely based on the iteration of past experiences. The same counts for customizing the market offering for the foreign customer. Another interesting finding is that some participants doubt the effectiveness of the current sales representative. In addition, TCES' approach towards sustaining customer relationships recognizes the importance of relationship marketing and the social benefits involved to increase the ties with the particular customer. Related to this, is that TCES is aware of the importance of pursuing growth with a partner. Subsequently, this chapter has identified what changes the sales force find necessary in order to achieve the organizations' desired state of performance. They believe they should pursue the same approach for gaining new Japanese customers but put the emphasis on studying foreign business behavior. However, the majority was unable to explain how to engage in this process and only a few mentioned that Japanese colleagues could be a helpful source. In addition, some mentioned that a different sales representative or a new entry mode might contribute to reaching the organizations' objective. Furthermore, the approach towards sustaining customer relationships should remain the same as well however with an increased focus on personal networking. Again, the sales force failed to explain in detail how they would engage in this process.

In addition, TCES' understanding of the Japanese business culture has been tested. The sales force has a good understanding of the underlying dimensions of the Japanese culture. However, they experienced difficulties in explaining certain elements of Japanese management practices, organizational processes and etiquette and ethics in Japanese business. In addition, their explanation showed some discrepancies with the explanation of the experts. The cultural barriers they have experienced in the past were mainly due to a failure in understanding and managing customer expectations and they lacked a comprehensive strategy for overcoming these barriers. The sales force foresees that the biggest barrier in conducting business with Japanese OEMs in the future is to become vendor. Next to that, they doubt if TCES is able to understand and manage the high expectations of the Japanese. The sales force does not have a comprehensive strategy for overcoming these potential cultural barriers. Furthermore, the experts shared their thoughts elaborating on their personal experiences with Japanese organizations. They described the Japanese need for exceptional commitment as the largest barrier they have experienced and believe that Western management plays a big role in resolving this issue. Sufficient resources, a competent sales force and the right entry mode are the ingredients for overcoming cultural barriers and gaining Japanese customers. At last, this chapter provided an answer to the 2nd research question and forms the basis from which the gap between the current and desired situation, or in other words the gap between survival and growth, can be analyzed in chapter 5.

CHAPTER 5: Analysis and interventions

"Change is the law of life and those who look only to the past or present are certain to miss the future".

- John F. Kennedy –

5.1 Introduction

The aim of this chapter is to provide an answer to the 3rd research question:

Considering the elements of an effective cross cultural relationship marketing approach, which interventions are required for TCES in their approach to achieve the desired state of performance?

Before answering this question, it is important to analyze the gap between the current and desired situation at TCES and identify the elements which need improvement. This is done by comparing the outcomes of the employee interviews, observations and desk research with the outcomes of the theoretical study and information provided by the various experts. Similarities and differences are described following the structure of the cross cultural relationship marketing framework as developed in chapter 2.4. Subsequently, the required interventions are identified and this chapter ends with a conclusion.

5.2 Gaps on strategic and tactical level

Concerning TCES' positioning strategy, the current and the target customer base has been clearly identified in the business strategy as well as by the employees of TCES. Therefore, it is clear for whom the organization wants to create a differential advantage in the Japanese market. However, the differentiators with which TCES wants to create its competitive advantage appear necessary though insufficient for the Japanese market. Next to product quality and technology, being competitive on price, speed and location is of crucial importance according to the employees. In other words, there is a gap between what TCES has to offer and what the Japanese value. In addition, whereas TCES wants to be seen as an organization offering "European quality at Asian competitive prices", employees believe that the Japanese perceive TCES as a technology driven organization, however with "Asian production at European prices". In other words, there is a gap between how TCES is seen and wants to be seen. In relation to this, employees believe that the Japanese only want to conduct business with TCES when they receive either a higher quality product for an equal price or an equal quality product for a lower price. Contradictory to this belief are the findings from Sharp *et al* (2001) and Anderson and Narus (2003) who argue that when customers highly value an organizations' offer in comparison to competing offers, price may not be the most important determinant in buying a particular product. Furthermore, in line with findings of Anderson and Narus (2003), TCES is well aware of the increasing importance of the service and image of an organization, nowadays seen as the two primary ways people distinguish between products. This can be seen in the organizations' business strategy to gain lost grounds with customers (image recovery) and focusing on after sales processes (service element). According to the experts and theory, this is especially relevant in the

Japanese market where a strong reputation and excellent service are a prerequisite for conducting business. To conclude, the following figure summarizes the main gaps identified at strategic level.

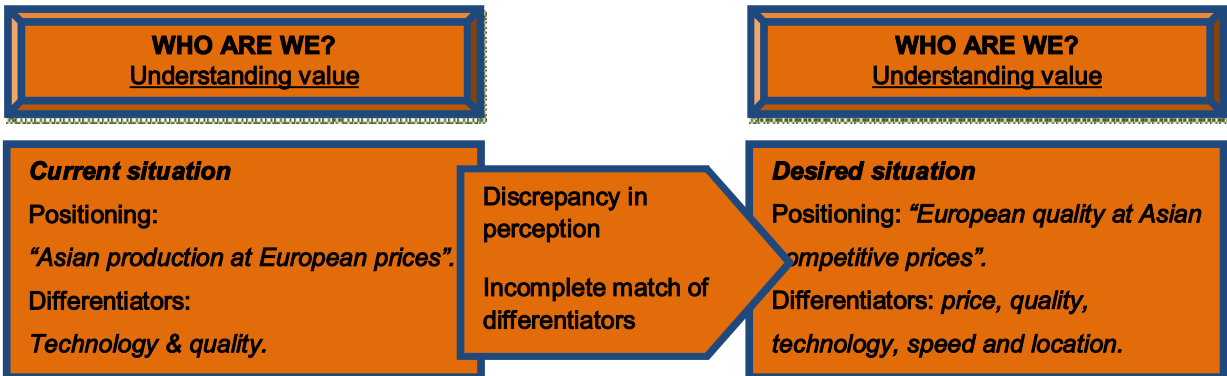


Figure 5: Gaps at strategic level

Concerning building on cross cultural customer relationships, TCES understands the determinants of its market offering, however they foresee difficulties creating these for the Japanese market. In other words, there is a gap between how TCES currently manages its value chain activities and how they should manage them when they want to be competitive on pricing, speed and location. To conclude, the following figure summarizes the main gaps identified at tactical level.

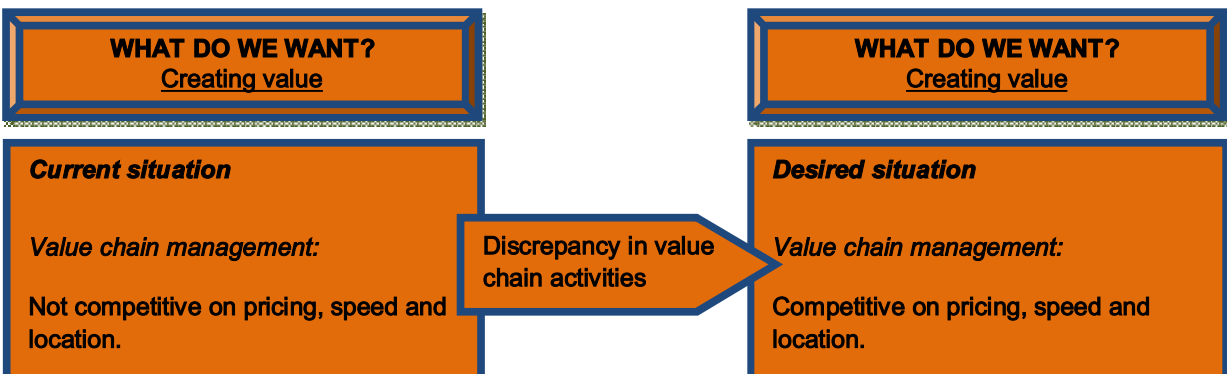


Figure 6: Gaps at tactical level

5.3 Gaps between the current and desired cross cultural relationship marketing approach

Concerning cross cultural relationship marketing, the approach of the sales force is based on the 3-S philosophy. In general, even though the steps vary, their approach towards gaining Japanese customers is in essence the same as the approach described in the cross cultural relationship marketing framework. Both approaches recognize the importance of studying a foreign business culture, identifying the needs and wants of the foreign customer and subsequently customizing the market offering. However, there are certain discrepancies. For example, even though the sales force recognizes the importance of it, they lack an active study on the key variables of the Japanese business culture. As a consequence, they are not able to take advantage of this knowledge in their process of identifying the customers' wants and needs and customize the market offer. Furthermore,

according to the framework it is important to have a partner who possesses the credibility and trust of the person within an organization to whom one wants to be introduced. However, the sales force doubts the effectiveness of the current partner and consider a new partner or mode. This finding is supported by the experts. Concerning sustaining customer relationships, participants are able to identify the key customers meriting relationship management. The sales force has competences to manage relationships, however when managing these beyond borders, they lack cross cultural competences. Furthermore, the sales force only has superficial knowledge on customer communication systems and foreign business behavior. Their approach of pursuing growth is based on the 3-S philosophy and is in line with the approach as formulated in the theory. In addition, service standards are monitored correctly by conducting the yearly customer satisfaction surveys. Unfortunately, information concerning how management rewards/ reprimands its staff for exceeding/underperforming service levels remain unknown. A possible explanation for this could be the sensitivity of the subject.

Concerning the way the sales force perceives the Japanese culture, this is in line with findings from the theoretical study. One could say that they understand the underlying dimensions of the Japanese culture. In addition, concerning the influence culture has on management practices, they are able to identify many important determinants which are also mentioned in the theoretical study and by the experts. Remarkable is that none of the employees mention the influence a Keiretsu network can have on an organizations' management practices while this determinant is identified as crucial according to the experts. Furthermore, one can say that the sales force experiences significant difficulties in understanding which implications culture has on organizational processes. The only person who is able to provide a comprehensive overview of Japanese organizational processes, does not identify the power/dependence relationship and the Japanese contract preferences in a correct manner.

Summing up, TCES lacks knowledge on the Japanese business culture in the following areas:

- *The Japanese management practices:*
The meaning and influence of Keiretsu on TCES' business
- *The Japanese organizational processes:*
The nature of decision making and policies and procedures
- *The atmosphere in business meetings:*
The power/dependence relationship between the parties involved
- *Etiquette and ethics in Japanese business:*
The protocols followed during a business meeting

The barriers which TCES has experienced with Japanese customers in the past were mainly due to TCES' failure to understand and manage customer expectations. This can be derived back to a lack of understanding of the Japanese business culture. According to the employees, the most significant barrier in gaining Japanese customers is to get into their inner circle and become vendor. TCES did not realize that getting into that inner circle is simply not possible for a foreign organization. (De Mente,

2004) One can get close and establish a good working relationship but will never become “one of them”. Subsequently, the above described barrier can be derived back to the cultural determinants of Japanese loyalty and commitment for their current suppliers/ partners. (Hofstede, 2001) According to the experts, the problem of becoming vendor can also be caused by the Japanese business structure. Vendors which are part of a Keiretsu network can be preferred by the large Japanese OEMs. Overall, the sales force lacks a comprehensive strategy for overcoming cultural barriers. Where both the theory and experts mention that pursuing an effective business negotiation strategy is the solution to this problem, employees’ answers remain superficial.

The gaps found in the cross cultural relationship marketing framework can be summarized as follows:

1.GAINING CUSTOMERS

Step 1: Plan the sales strategy that fits the foreign customer

- *Lack of knowledge Japanese business culture*
- *Therefore unable to clearly identify the needs and wants of the Japanese customer*
- *Therefore unable to customize the market offering*
- *Lack of an adequate business negotiation strategy for overcoming cultural barriers and gaining customers*

Step 2: Choose the right entry mode

- *Effectiveness current partner open to question*

2.SUSTAINING CUSTOMER RELATIONSHIPS

Step 3: Chart the service delivery system of the organization

- *Lack of cross cultural competences of sales managers*

Step 4: Identify critical issues in every step of the process

- *Lack of understanding Japanese business culture in gaining process (step 1)*
- *Therefore unable to fully understand critical elements in this step*

Step 5: Develop customer communications systems

- *Lack of understanding Japanese business culture in gaining process (step 1)*
- *Therefore unable to fully understand critical elements in this step*

Step 6: Train employees on building and maintaining a good relationship with the foreign customer

- *Lack of training on cross cultural competences both on individual and team level*

Step 7: Pursue growth

Step 8: Monitor service standards, reward staff for exceeding service levels, correct sub-standard service levels

5.4 Required interventions

In order to eliminate the gaps found in the framework as presented above, certain interventions are required. First of all, related to step 1, the sales force should understand all underlying cultural assumptions of uncertainty, control, management practices and organizational processes since they determine the interpretation of strategic issues. By understanding these issues, actions of the potential Japanese customer can be understood better and it simultaneously helps the sales force to better anticipate to the actions required for collaboration. In succession of this, the sales force needs a business negotiation strategy for overcoming cultural barriers and presenting their tailor made market offering in an effective way.

Furthermore, related to step 2, it is important that the entry mode is in line with the strategic directions of TCES. Therefore, the effectiveness of the current entry mode should be evaluated. At last, related to step 3 and further, when TCES has successfully gained Japanese customers, it has to make sure that they can sustain them as well. Therefore, the sales force should understand how they can maintain and strengthen their cross cultural customer relationships.

To summarize, the following interventions are required:

- 1. Training the sales force on understanding the Japanese business culture:**
 - *Resolves gaps as identified in step 1,3,4,5, and 6*
- 2. Training the sales force on conducting effective business negotiations:**
 - *Resolves gaps as identified in step 1,3,4,5, and 6*
- 3. Evaluation of the entry mode:**
 - *Resolves gaps as identified in step 2*
- 4. Training the sales force on maintaining and strengthening cross cultural customer relationships:**
 - *Resolves gap as identified in step 6, and sets the basis for successful execution of step 7 and 8.*

Unfortunately, it is not possible to write an implementation plan for all the above identified interventions. Due to a lack of resources, the researcher has to make a trade off and pick out the alternatives which are most beneficial for TCES given the current and desired situation.

As can be seen clearly from the framework, training of the sales force is a prerequisite for gaining customers and subsequently sustaining customer relationships; it resolves almost all gaps. Therefore, the researcher considers it as a logical step to design an implementation plan aimed at improving the skills of TCES' sales force through training and communication. This finding is supported by the multi criteria decision analysis (MCDA) which was applied in consultation with the principal. The results of this analysis can be found in appendix 10.

To conclude, an implementation plan will be designed elaborating the following interventions:

- Training the sales force on understanding the Japanese business culture;
- Training the sales force on conducting effective business negotiations.

5.5 Conclusion

Even though TCES understands the determinants of customer value and satisfaction, it is unable to deliver this value for the potential Japanese customer. The organizations' current cross cultural relationship marketing approach takes into account cultural differences, however insufficient efforts are made to fully investigate the Japanese business culture. Subsequently, this holds them back from tailoring their market offering to the potential Japanese customer at hand. Remarkable is that the knowledge on the Japanese business culture is in-house, however captured only by a few employees and not effectively shared within and between departments. Based on logical reasoning, confirmed by the MCDA, interventions are identified which if implemented correctly, lead to achieving the organizations' desired state of performance. First, the sales force should be trained in understanding the Japanese business culture so actions of the potential Japanese customer can be understood better. This simultaneously helps the sales force to better anticipate to the actions required for collaboration. In succession of this, they need a business negotiation strategy for overcoming cultural barriers with the Japanese and presenting their tailor made market offering in an effective way. At last, this chapter provided an answer to the 3rd research question and forms the basis from which the implementation plan can be designed in chapter 6.

CHAPTER 6: Penetrating the Japanese market with improved skills

“Your earning ability today is largely dependent upon your knowledge, skill and your ability to combine that knowledge and skill in such a way that you contribute value for which customers are going to pay”.

- Brian Tracy -

6.1 Introduction

The aim of this chapter is to provide an answer to the 4th research question:

How could these interventions be implemented?

The next section of this chapter introduces the training methods and study tool used for improving the skills of TCES' sales force. The following 2 sections elaborate upon how the training sessions can be implemented at TCES. It provides a global outline of the content to be discussed during these sessions. Subsequently, it presents practical information on the Japanese business culture, their negotiation style and what implications this has for TCES' sales force. The focus here lies on providing information upon variables and dimensions not clearly identified throughout the field research. This chapter ends with a conclusion.

6.2 Improving skills through training & communication, dare to share!

Knowledge management (KM) is an approach for learning, capturing, sharing and exploiting knowledge, experience and good practices. (Collison and Parcel, 2001) As mentioned in chapter 2, as methods and systems become more common, the differentiation of personnel becomes more important. (Kotler *et al*, 2002) Miller and Shamsie (1996) add to this by arguing that knowledge is a valuable intangible asset for creating and sustaining competitive advantage.

In the case of TCES, by adopting new ways of working and improving the level of knowledge sharing, they can achieve benefits in effectiveness. In short:

- *KM creates competitive advantage* -> with effective KM, TCES can outperform other organizations facing the same difficulties with entering the Japanese market;
- *KM identifies, captures and shares good practices in organizations* -> the knowledge on the Japanese business culture is in-house, however not effectively shared;
- *KM creates a culture of continuous improvement and learning* -> this is in line with the mission of the organization.

The sales force can improve their skills through training and communication in which the focus lies on gaining knowledge, sharing information and rehearsing. Training should be provided in the form of organizing seminars in which the sales force actively studies the key variables of the Japanese business culture. Next to the sales force, employees from other departments (e.g. engineering) who most probably come into contact with the Japanese in the near future should join. The researcher considers seminars as a suitable method since it emphasizes intense studying followed by group

discussions about what all participants are learning. Furthermore, knowledge in a seminar is not gained by passive listening but by reading and discussing which makes the process interactive and interesting for the sales force to participate in. Once the study on the key variables of the Japanese business culture has been completed, it is time to train the sales force on conducting effective business negotiations. This type of training should be provided in the form of organizing pro-active workshops in which the sales managers of TCES actively rehearse how to conduct effective business negotiations with the Japanese. The researcher considers workshops as a suitable method since it enables small groups of people to concentrate on a specific area of concern. It requires hands-on practice and active participation of all group members. Overall, whereas the focus in the seminars lies on studying, the emphasis in the workshops lies on rehearsing. In both methods, participants should try to create a knowledge circle; the training sessions should become a learning before, doing and after activity.

Next to suitable training methods, TCES needs a tool which identifies the key elements and boundaries of their study. Based on the outcomes of the field research, the international business negotiation framework as developed by Ghauri and Usunier (1996) has slightly been adapted to make it applicable in the context of TCES. The scholars used the variables: business structure, atmosphere, strategic and cultural. In the new model, the cultural variable is replaced with the etiquette and ethics variable. The latter is considered as crucial in Japanese business negotiations. Instead of placing culture into the framework as a variable, it now fulfills the role of a perspective; a lens to look through. The line of thought behind this new model is that the sales force should look at the business negotiation process from the perspective of Japanese cultural traditions. They should understand that these traditions shape, to a large extent, the business structure in Japan. Whereupon, the business structure has an impact on the Japanese way of conducting business (-> atmosphere, strategic and ethics and etiquette variables). Overall, this framework is considered as a suitable tool for overcoming cultural barriers and gaining new (Japanese) customers. It provides insight into why the Japanese behave the way they behave in business negotiations. Section 6.3.1 further elaborates upon this framework and explains in detail how the variables influence each other in a business negotiation process.

6.3 *Understanding the Japanese business culture through interactive seminars*

Now when the training methods and tool have been identified, it is important to elaborate upon how the plan can be implemented at TCES. Based on the line of reasoning of Collison and Parcel (2001), Ghauri and Usunier (1996), and complemented with information derived from Kwintessential (2008), the seminars can be implemented as follows:

First of all, the principal should assign an employee (project manager) to prepare and lead the internal seminars and decide whom, next to the sales force, should participate in these seminars. The project manager is preferably the person who holds the key knowledge about the Japanese business culture

and is able to promote knowledge sharing. Secondly, an introductory meeting needs to be scheduled with all participants in order to agree upon a shared set of goals which are based upon gaining in-depth knowledge on the Japanese business culture within the time frame of TCES' plan to penetrate the Japanese market. In addition, they should decide upon a suitable setting for these seminars; they could take place in one of the conference rooms at TCES where audiovisual equipment is available.

The learning before activity starts with preparations made by the participants prior to the start of every seminar. The project manager should assign everyone the task of studying a certain variable of the international business negotiation framework, this could either be the business structure, atmosphere, strategic or ethics and etiquettes variable. The focus in their study should lie on exploring and understanding the areas in which the majority of the interviewed employees lack knowledge. Depending on the time available, 1 or 2 variables of the framework are discussed per seminar. Employees can obtain information from various sources ranging from studying this thesis, contacting their Japanese colleagues in the Netherlands, consulting websites, reading literature or approaching experts in their personal network. Subsequently, they prepare a power point presentation in which they highlight their most important findings and develop a short multiple choice quiz for their colleagues. During the seminar, the employees present their findings (learning by doing activity) and discussions take place to share information. At the end of each presentation, the employees take a quiz to examine if they understood the key dimensions of a certain variable. The employee responsible for the variable takes the lead in evaluating the outcomes of the quiz. An example of questions to be asked in a quiz can be found in appendix 8. At the end of the seminar, employees reflect upon the content of the presentations and decide if another seminar is needed to further investigate certain variables of the Japanese business culture. (learning after activity) TCES' intranet should be used as a knowledge database in which the presentations can be captured and exchanged. The project manager should become some sort of administrator; managing the database by filtering the relevant from the irrelevant information.

The main advantage of gaining and sharing knowledge via these seminars is that the study load can be divided equally over the participants with the exception of the project manager who should be allocated a sufficient amount of resources (time and money) to organize the sessions. The success or failure of a seminar depends on the willingness of every participant to make the necessary preparations and participate actively.

To conclude, now when it is clear how these seminars can be implemented, it is time to dig deeper into the content of this type of training session. The next section explains the international business negotiation framework and provides practical information on the Japanese business culture. The focus lies on the variables and dimensions not clearly identified throughout the field research. The sales force could use this information as study material.

6.3.1 Practical information on the Japanese business culture

As mentioned in the previous section, the international business negotiation framework identifies the key variables and underlying dimensions of the Japanese business culture which TCES should understand and it subsequently shows how these variables influence the business negotiation process. This can be illustrated with the following figure:

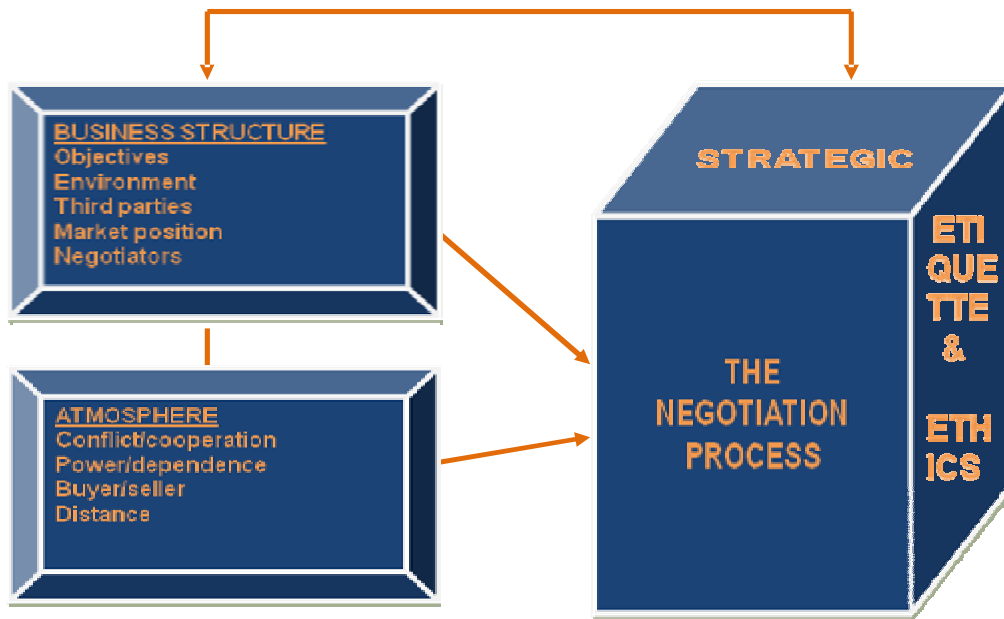


Figure 7: The international business negotiation framework, adapted from Ghauri and Usunier (1996)

The *business structure* variable is shaped by the cultural and institutional background of the parties involved and has a (in)direct influence on all other variables in the framework. Firstly, this variable influences the *atmosphere* in a business negotiation. The atmosphere can be seen as the perceived milieu around the interaction, or in other words it is about how TCES, the Japanese OEM and possible 3rd parties perceive each other's behavior and other elements of the business negotiation process. The magnitude of the various atmosphere dimensions may change in the different stages of the negotiation process. Subsequently, both the business structure and atmosphere variable influence the negotiation process. Furthermore, two variables directly influencing the business negotiation process are the *strategic* and *etiquette and ethics* variable. The strategic variable relates to organizational structure and processes and affect strategic management practices of the parties involved. Furthermore, the etiquette and ethics variable relates to the unique set of rules within which the Japanese conduct business. Variations in protocols of the involved parties can hinder the negotiation process. The rest of this section elaborates upon the underlying dimensions part of the above explained variables.

Field research revealed that the following areas were not clearly identified throughout the field research:

- *Business structure variable:*
The meaning and influence of Keiretsu on TCES' business
- *Strategic variable:*
The nature of decision making and policies and procedures
- *Atmosphere variable:*
The power/dependence relationship between the parties involved
- *Ethics and etiquettes variable:*
The protocols followed during a business meeting

The Japanese business structure

First of all, the *objective* dimension is the desired end state all parties want to achieve. A key value in Japanese society is harmony, also known as “*wa*”. The Japanese perceive harmony of crucial importance in working productively and they place great emphasizes on politeness, personal responsibility and working together for the group instead of for the individual. In business negotiations they strive towards finding a common objective which creates a win-win situation for all parties involved. The Japanese business objective is in line with TCES' business objective.

In addition, the *environment* dimension deals with the political, social and cultural background factors of the parties. Variation in this background often hinders the negotiation process. An important background factor in Japan is the nature and evolution of Keiretsu and the impact it can have on business. The Keiretsu can be defined as loose conglomerates of organizations with a major bank and trading organization at the core of the group. One can distinguish between 2 major types of Keiretsu networks. First of all, the “financial Keiretsu” characterized by their horizontal relationships across industries. In general, they only have one enterprise in each industry so they can achieve economies of scale and avoid competition within the group. Furthermore, one has the “distribution Keiretsu” characterized by their vertical relationships controlling the flow of products, services and prices within an industry. The vertical Keiretsu consists of tiers, with for example Canon at the top, followed by a secondary tier of major suppliers, and then a tertiary tier of smaller manufacturers. In general, suppliers within a certain Keiretsu network do not conduct business with the competitors of the organization which is on top of the tier. However, since the start of the economic recession in the early 1990's, the importance of both the horizontal and vertical Keiretsu has decreased. In addition, bank mergers, the internationalization of organizations and the increasing trend of globalization have caused that many of the old corporate groups are opening up and are willing to conduct business with foreign partners. However, critics state that these relationships remain important in Japanese business and economy, and experts foresee implications for TCES' sales strategy. For example, when Canon (member of the Fuyo Keiretsu) needs a rubber roller for a new application, it will first look into their

own network of suppliers before approaching an outsider such as TCES. This can be a significant barrier for TCES when aiming to become vendor.

Furthermore, the *3rd parties* dimension can influence the negotiation process as well. Typical 3rd parties involved in a business negotiation process with a Japanese OEM are the CM, a translator and depending on the entry mode, it could be for example a sales representative. They all can influence the process by their own objectives and the relative power each party holds.

The *market position* is another dimension influencing the negotiation process; the number of buyers and sellers in the market determines how many alternatives are available to choose from, and this in turn affects the amount of pressure imposed by a certain party during business negotiations. Both in the transport and technical roller segment there are many local suppliers which means that Japanese OEMs have many alternatives to choose from. As a consequence, both the CM and OEM are in the position to “squeeze out” TCES.

At last, the involved *negotiators* can influence the business negotiation process with their own experience and negotiation skills. In order to negotiate effectively with the Japanese, TCES’ sales force should possess cross cultural competences such as ability to maintain effective interpersonal relationships, linguistic ability and tolerance for uncertainty and ambiguity. These competencies are necessary because the Japanese are perceived as tough negotiators.

The atmosphere in a business negotiation

First of all, the existence of both *conflict and cooperation* is an important dimension of the business negotiation process. The magnitude of both depends on the objectives of the parties involved. As previously mentioned, in general both the Japanese customer and TCES strive towards finding a common objective. In addition to this, the Japanese are known for their mutual co-operation and are willing to compromise to a certain extent. However, it is also important that the involved 3rd parties adopt a cooperative attitude in order to conduct effective business negotiations.

Secondly, the *power/dependence* dimension relates to the relative power each party holds. Here one can find a strong link with the market position dimension explained earlier since it largely depends on the alternatives to choose from, if either the buyer or seller holds power or is mainly dependent on the other party. The purchasers’ role is predominant in Japanese business, in other words the OEM holds the power in a business negotiation process. In general, the Japanese can be characterized as very persistent and the buyer often outranks the seller.

In addition, *distance* refers to understanding each other’s capabilities, needs and expectations. A large distance can hinder the business negotiation process. The Japanese are considered as hard working and dedicated employees. They see their job as their religion and to many experts, this religious

attitude is the reason behind Japan's economic success. They are very demanding towards themselves but also towards their customers. In general, the sales force is aware of the needs and expectations of the Japanese OEMs however, one could say there is a distance between the OEMs understanding of TCES' capabilities. As identified in the analysis chapter, on strategic level there is a discrepancy in perception and an incomplete match of differentiators which most probably causes a large distance between the parties.

The Japanese strategic management approach

First of all, *the nature of decision making* in Japan is based on group consensus. This means that the opinions of all employees involved will be taken into account when coming to a decision. Individuals are often limited in what they can say because they are not allowed to pass judgments on their own. The Japanese pursue a special system concerning the coordination and execution of decision making. This is done via a so called *Ringi* system which is a process by which decisions are based on petitions (decision proposals) made by lower level managers and this is a characteristic of the Japanese "bottom up" management style. It consists of written proposals by the initiation department and is circulated both horizontally and vertically through all management layers for approval. Managers approve a certain decision by stamping the document with their *hanko* initials in the prescribed place on the paper. When managers disapprove, they do not stamp the document in the prescribed place but put their initials on it sideways or upside down in order to indicate their conditional approval. The employees who initiated the written proposal or *ringi-sho* may informally consult with other employees for a long time before they submit it for the official check. In addition, it is common that employees lower in ranking always try to "read their superior" in order to find out what is actually desired. This can be derived back to the importance placed on hierarchy and collectivism. In general, the Japanese take the time for making decisions since a quick decision may indicate the lack of importance. Whether or not the business proposal is approved by the boss, is mainly determined by whom of the (senior) managers have approved it by the time it arrives. Experts say that when the boss has notified that most important managers have approved the *ringi-sho*, he/she approves it without even having looked at it.

In addition, concerning *the nature of policies and procedures*, business negotiations with the Japanese should start on time; it is their way of measuring trust and liability. They conduct business in a structured fashion, they have a high need for an agenda and every issue should be discussed in detail. They ask many questions repeated in different ways, and it is important to have the answers ready because a failure to do so looks unprofessional. When one is unable to answer immediately, make apologies. In Japanese business, not making apologies for a mistake is regarded as bad as or even worse than the mistake itself. In addition, when business negotiations become more complex, the Japanese want the functions, activities and responsibilities well defined. However, in many cases they themselves tend to hesitate making these more clear and sometimes they keep their guessing.

This can be derived back to their conditioning of speaking vaguely and ambiguously instead of making a clear statement that might offend the other party. Overall, they feel offended real easily.

Concerning *the nature of information processing*, the Japanese have a relatively slow pace of negotiating and value of time. They want to spend time productive in a structured and sequential fashion. It can take a long time before one reaches agreement as the Japanese tend to achieve consensus through indirect working. However, once the agreement has been made they are able to anticipate and move to operations fast. In addition, silence is a virtue in business negotiations, it is when reflection takes place and silence can be accompanied by closing of the eyes. It is important to never interrupt this silence.

Closely related to above is *the nature of communication*. In general, the Japanese are perceived as poor communicators which make it difficult to conduct business negotiations with them. Concerning verbal communication, there is a high degree of informal exchange of information during a negotiation. Intensive and extensive discussion is encouraged at all levels both within (among employees) and outside (with suppliers and customers) the organization. However, where there is open flow of information within the organization to generate and leverage knowledge, outside the organization the Japanese are somewhat reluctant to share information. This can be derived back to their philosophy of creating "learning organizations" and their preference to keep knowledge in-house. (avoid misuse of it and thereby creating possible new competitors) On the other hand, they would expect from TCES to be transparent, comprehensive and detailed. In addition, they are considered as implicit communicators, they assume that the listener is well informed on the subject. Concerning non verbal communication, this is considered as more important than verbal communication since words can have multiple meanings. The Japanese rely on facial expression, posture and tone of voice to tell them what someone feels. This can be derived back to the Japanese strive for harmony and group orientation; they try to measure everything in terms of human feelings. At last, much has been written about the Japanese language which is often considered as a magnificent barrier. However, both theory and experts state that nowadays many employees within the large Japanese OEMs speak English. This can be clarified by the increasing trend of globalization, creating hybrid organizations with international oriented employees.

The last dimension concerns *the nature of planning and control*. In Japan, organizational planning is formalized (in systems) and centralized (strategic planning). Strategic goals and actions are clearly defined and explicitly measured, however when measuring the results there are no strong disciplines/punishments to the group who has the responsibility on the target. Furthermore, authorization is well defined. Many Japanese organizations work according to the Plan Do Check Act cycle, they try to reduce environmental uncertainty as much as possible. When a situation arises which is outside their normal operations and over which they have no control, they do not know what to do and they experience discomfort and embarrassment. Furthermore, the Japanese have a

preference for verbal contracts. Written contracts only hold a supporting function in Japan. If they go against the social norm, which is arrived at and protected by consensus, the written contract is not valid anymore. When conducting business with Westerners, the Japanese are willing to compromise since they are aware that foreigners have a preference for written contracts.

Ethics and etiquettes during business negotiations

In general, personal and business relationships in Japan have traditionally been conducted based on personal obligations owed to others. As a result of exhaustive conditioning over the years, nowadays the Japanese still conduct business within a set of rules that are designed to prevent trouble and avoid uncertainty.

First of all, business cards or *meishi* are considered very important in Japan and are exchanged with great ceremony. These cards tell about the rank of the individual and the status of the organization they represent. Prior to the start of a business negotiation, the Japanese customer will hand their name card and accept yours at the same time. Business cards are given (Japanese side facing up!) and received with two hands and a slight bow; make sure one examines the business card very carefully. They read the received card very careful as well and then formally greet you. When greeting, make sure that there are no barriers such as a table, chair or plant. During the meeting, put the business cards on the table in the order of how the customers are seated. After the meeting, put the business cards in a case or portfolio.

In addition, the *greeting* procedure is very formal and ritualized in Japan. Therefore, the sales force should show the correct amount of respect to the customer based upon their status in relation to their own. If possible, wait until one gets introduced. The sales force should introduce themselves with their full name, followed by the organizations' name. Make sure one uses proper titles when addressing the customer, so always establish their position. The traditional form of greeting is the bow or *ojigi*. Bowing is also used to get attention, to show gratitude, apologies or express sympathy. The far the bow goes depends on the relationship with the customer; the deeper the bow the more respect one shows. For the sales force, it is sufficient to bow the head slightly, since the Japanese would not expect that foreigners understand these unique cultural characteristics. Concerning the greeting, one must greet the most senior customer first and then the others in descending order. The role of the ceremonial representative is fulfilled by the most senior customer. The ones lesser in ranking will most probably do the talking and negotiating.

Furthermore, *seating* arrangements are formal and structured and this creates a large physical distance between the involved parties in business negotiations. The arrangement of seating is dependent upon the seniority, guest/ host relationship, decorations in the meeting room and the position of the door. The most senior customer will be seated furthest from the door while the rest of the people in descending rank until the most junior person is seated closest to the door.

Concerning *meeting* arrangements, business negotiations take place for one of the following reasons: build rapport, information exchange or confirming the earlier made agreement. The sales force is aware that decisions are rarely made in a meeting. Arriving on time for meetings is of paramount importance. Most probably, it takes several meetings for the potential Japanese customer to become comfortable with the organization and the sales force. *Amae* is the key word here, creating a feeling of complete trust and confidence, convincing them that TCES would not take advantage of the Japanese customer.

At last, *gift-giving* is considered as meaningful and ritualized in Japan. The sales force should be aware that the ceremony with regard to gift-giving is often considered as more important than the gift itself. Gifts are given for many different occasions and can be divided in 3 different categories. These are:

1. *Hand gifts*; for small favors;
2. *Midsummer gifts or end of the year gifts*; for rewarding loyalty, expressing gratitude for past business and building up commitment for future business;
3. *Seeking a favor gifts*; these type of gifts can be derived back to the fact that the Japanese find it rude to ask a favor from someone without giving them something in return.

To conclude, this section has provided clear insight into the Japanese business culture and the information can be used as study material. Important here is that the sales force is able to transform the information into knowledge, or in other words, that they understand what they can and should do with it. This cannot be achieved by passive reading at one's desk but by active discussions during the seminars.

6.4 Conducting effective business negotiations through pro-active workshops

Once the sales force has upgraded their knowledge on the Japanese business culture, they are ready to train themselves in the field of conducting effective business negotiations. Whereas the former focused on studying, the emphasizes in the latter lies on rehearsing. The researcher considers workshops as a suitable method since it enables sales managers to concentrate on a specific area of concern. It requires hands-on practice and active participation of all group members. The approach towards the learning before activity (extensive preparations), learning by doing activity (active participation) and learning after activity (evaluation) remains the same as for the execution of the seminars.

The workshops could be divided in 2 sessions in which the focus of the 1st session lies on understanding the general principles of negotiating with the Japanese while the 2nd session puts the emphasis on how to establish a close working relationship with the Japanese. Again, active participation throughout both sessions is essential for success. The content of the workshops could be as follows:

Workshop 1 - General principles of negotiating with the Japanese

- 1. Introduction to negotiation and negotiation skills;**
Review variables and dimensions as presented in the international business negotiation framework and reflect upon how they can influence the business negotiation process.
- 2. Identify and discuss stages in the negotiation process;**
Review the key activities in every stage of the negotiation process.
- 3. Case Study: TCES and Minolta;**
Review upon the cultural barriers which TCES has experienced in the past and discuss how they would resolve these in the future.
- 4. Case study: TCES and Sharp;**
Review upon the cultural barriers which TCES has experienced in the past and discuss how they would resolve these in the future.

Workshop 2 – Getting closer to the Japanese inner circle

- 1. Strengths and weaknesses of the Japanese business negotiation style;**
Draw up a comprehensive overview of the strengths and weaknesses of the Japanese business negotiating style. Discuss how the sales force can anticipate on their strengths and benefit from their weaknesses during the business negotiation process.
- 2. Identify and discuss critical success factors (CSFs) in the negotiation process;**
Draw up a list of CSFs in the various stages of the business negotiation process. This helps the sales force in their journey towards establishing a close working relationship with the Japanese.

To conclude, now when it is clear how these workshops can be implemented, it is time to dig deeper into the content of this type of training session. The next section provides practical information on the Japanese business negotiation style and presents an outline of workshop 2. The sales force could use this information as study material.

6.4.1 Practical information on the Japanese business negotiation style

Based on the knowledge gained throughout the seminars, the workshop participants should draw up an overview of the strengths and weaknesses of the Japanese business negotiation style. Based on information provided in section 6.3.1 this overview could contain the following:

Strengths	Weaknesses
<ul style="list-style-type: none">• Clear unified position;• Power;• Lack of hurry;• Teamwork but explicit leadership;• Tough bargaining.	<ul style="list-style-type: none">• Consensus oriented;• Poor communication skills;• Uncertainty avoidance;• Easily offended.

Table 5: Strengths and weaknesses of the Japanese business negotiation style, adapted from Stam (2008)

When their strengths and weaknesses have been identified, the question remains how the sales force can anticipate on this in practice. The strengths of the Japanese impose challenges for TCES, however since the sales force at this point should be able to interpret the strategic issues and actions of their potential Japanese customer, they are able to anticipate to the actions required for effective negotiations. Subsequently, they are able to benefit from the Japanese weaknesses by developing strategic counter actions, and therewith create opportunities for themselves.

For example, TCES can anticipate on the Japanese *clear unified position* in business negotiations by making concessions where necessary. As long as Japanese OEMs hold the *power*, they are the ones who determine the rules of the game and TCES has to follow them in order to conduct business. This requires the sales force to adopt a problem solving and action oriented approach. TCES' opportunity lies in the business objective which they hold in common with the Japanese, they both strive towards creating a win-win situation thereby willing to make compromises. However, the sales force should not forget the influence 3rd parties can have on the business negotiation process. They should share a common objective as well and it is of crucial importance that all these parties adopt a cooperative attitude since the Japanese strive for harmony. Adjacent to this, all parties should understand each other's capabilities, needs and expectations. This has been a challenge in the past so there lies an opportunity for TCES. They should work on gathering specific information about the customers' needs and requirements prior to and in the early stages of the business negotiation process. With this, they work on creating sincerity, compatibility and trustworthiness.

Furthermore, the sales force is aware that the decision making process consumes a tremendous amount of time. Business proposals may be the subject of 1 or more *ring-sho*. They can anticipate on the Japanese *lack of hurry* by carefully planning their business operations. Communication and information sharing is crucial here; TCES should convince Western management that obtaining a Japanese customer requires a lot of patience but is definitely worthwhile in the long-run. Additionally,

they can benefit from the Japanese *consensus oriented* approach by focusing on the right customer approach. In other words, they should not only build on relationships with all senior employees but also with the ones lower in ranking. Related to this is the Japanese preference for *teamwork but with explicit leadership*. Therefore, TCES' business proposal should be communicated to all decision makers and influencers who can affect the final decision so not only to top management.

Concerning the Japanese language, the sales force should not forget that even though the Japanese customer might be able to negotiate in English, this does not make him a Western negotiator. His strategic management approach will remain Japanese. TCES can anticipate on the Japanese' *poor communication skills* by making sure that they collaborate with a translator or sales representative (depending on the entry mode) who is not only capable of interpreting the words and the contextual factors but also understands their way of thinking. Furthermore, the sales force can benefit from the Japanese high level of *uncertainty avoidance* by preparing all business negotiations very carefully, making sure they are able to elucidate every issue in detail. Answers to questions should be provided in a consistent way, both verbally and orally. Summaries should be written after every meeting to cross check all discussed items. Via this way TCES can create trust and prevent the Japanese from *feeling offended*.

Overall, despite their strive towards harmony, the Japanese are just *tough to bargain with* and only when the sales force is able to respond quickly and with excellent service, they can prove that they have the right capabilities and are trustworthy. Therefore, they should conduct business within the Japanese set of rules, following their unique etiquette and ethics. It shows the organizations' attitude towards Japan and the customer at hand. Furthermore, the sales force should never refuse a request even when it is non-profitable or difficult to execute since the Japanese are aiming for long term relationships. Furthermore, based on the theory of Cavusgil (2002), but replenished with information from Stam (2008) and the interviewed experts, the following overview pinpoints at CSFs in the various stages of the business negotiation process. Understanding these CSFs helps the sales force in their journey towards getting closer to the Japanese inner circle.

Doing business with the Japanese: solely a matter of effective cross cultural relationship marketing?

Stages of the business negotiation process	Critical Success Factors
Pre-negotiation planning <i>This takes place prior to the 1st negotiation.</i>	<ul style="list-style-type: none"> - Extensive studying, sharing and rehearsing of knowledge;
Offer <i>This is when TCES contacts the Japanese OEM for the 1st time and ends when they submit their final offer.</i>	<ul style="list-style-type: none"> - Customized; - Long-lasting impact; - Act of technological leadership;
Strategy formulation <i>This is when negotiations take place concerning product design and concept.</i>	<ul style="list-style-type: none"> - Focus on teamwork; - Adopt a problem solving, action oriented approach; - Build up relative power; (with design and purchasing departments)
Face-to-face negotiations <i>This is when prototype samples are being developed and tested.</i>	<ul style="list-style-type: none"> - Focus on fairness, flexibility and a positive atmosphere; - Focus on long-term leverage; - Adopt a quick conflict resolution approach;
Implementation <i>This is when the product goes from trial -> pre -> to mass production.</i>	<ul style="list-style-type: none"> - Review of benefits and drawbacks; - Objective assessment of deal; - Small final concessions.

Table 6: Critical success factors in the business negotiation process, adapted from Cavusgil (2002) and Stam (2008)

To conclude, this section has provided clear insight into the Japanese business negotiation style and how TCES should anticipate on this in practice. The information can be used as study material and again, the sales force should actively discuss and rehearse all the gathered knowledge during the workshops in order to take advantage of it.

6.5 Conclusion

This chapter has provided an implementation plan aimed at penetrating the Japanese market with improved skills. It provided an answer to research question 4. Organizing training sessions in which the focus lies on KM, KS and rehearsing should lead to an improved understanding of the Japanese business culture and provides insight into how to conduct effective business negotiations. With the successful implementation of all training sessions, step 1 of the cross cultural relationship marketing framework can be executed effectively. Based on the researchers' observations, she is convinced that TCES has the right organizational culture in which employees are eager to learn and cooperate. However, learning and cooperation are necessary but insufficient for effective KM. Knowledge is something intangible, captured in the heads of employees and shared primarily through conversation. In Asia, pride may hold back employees from seeking advice from colleagues and therewith withhold them from sharing knowledge. (Schneider and Barsoux, 2003) In addition, the different nationalities of the employees (i.e. Chinese, Malay, Singaporean) may be of influence in the way they communicate and share information. Overall, it is the principals' and project managers' task to stimulate an organizational culture in which knowledge is being shared. Both KM and KS should become embedded into core processes and ultimately become an "unconscious competence" of the sales force. (Collison and Parcel, 2001)

CHAPTER 7: Conclusions and Recommendations

“If you know your strength it never becomes a weakness. If the market knows your strength then it becomes a weakness”.

- Shailendra Singh -

7.1 Introduction

This chapter commences with an overall conclusion followed by various recommendations for TCES. Furthermore, the remaining sections discuss the limitations of the research and reflect upon the whole research process.

7.2 Conclusion

The objective of this research was to develop a plan which enhances the market penetration process of TCES in the Japanese market and therewith strengthen its position in the Asian office equipment and printing industry. The researcher has identified which interventions were needed in TCES' cross cultural relationship marketing approach in order to successfully conduct business with Japanese OEMs.

First of all, based on theories of various scholars, a cross cultural relationship marketing framework was developed suitable in the context of TCES. The main advantage of the framework was that it identified all important steps in a relationship marketing process while it simultaneously took into account cultural differences which could occur in every step. Further, it described the aspects which the Japanese find important in business relationships. Following the structure of the framework, the researcher analyzed how cross cultural relationship marketing currently is and should be applied in the future in order to reach the organizations' objective.

One can conclude that the main problem at TCES was a lack of knowledge of the sales force. In their approach towards gaining Japanese customers they recognized the importance of studying foreign business behavior, however they did not act like it. To be more specific, they lacked knowledge on the Japanese business culture. While they understood the underlying dimensions of the Japanese culture, they lacked knowledge on certain Japanese management practices, organizational processes and etiquette and ethics in Japanese business. Subsequently, they did not have a strategy for engaging in this study process for the future. As a consequence, it held them back from clearly identifying the needs and wants of the Japanese customer and tailoring their market offering to the potential customer at hand. Furthermore, the sales force lacked knowledge on how to overcome cultural barriers. They did not pursue a comprehensive business negotiation strategy which, as a result, held them back in the process of gaining new customers. One could say that the sales force had insufficient competences to obtain and maintain effective cross cultural customer relationships.

Another conclusion is that the sales force did not recognize the importance of knowledge sharing and they lacked a strategy on how to engage in this process. While the knowledge on the Japanese business culture was in-house, though only captured by a few employees, it was not effectively shared within and between departments. Furthermore, one can conclude that the effectiveness of TCES current entry mode was open to question. An entry mode should be in line with the strategic directions of TCES and a different sales representative or maybe even a new entry mode could be benefit TCES in the process of gaining new Japanese customers.

Summing up, the above mentioned problems (equally referred to as “gaps”) caused step 1 of the cross cultural relationship marketing framework “plan the sales strategy that fits the foreign customer”, to be ineffective. Furthermore, the framework showed that the gaps in the 1st step had significant consequences for the execution of subsequent steps. In other words, when TCES was not able to gain Japanese customers, they could not sustain these relationships either. In order to resolve these gaps, interventions were identified consisting of training the sales force and evaluating the entry mode. The cross cultural relationship marketing framework, supported by the MCDA, identified the interventions with the highest expected value for which an implementation plan was developed.

The objective of the implementation plan is to penetrate the Japanese market with improved skills. The plan can be achieved by organizing training sessions for and by the sales force, in which the focus lies on KM, KS and rehearsing. First of all, interactive seminars need to be organized in which the sales force studies the key variables and underlying dimensions of the Japanese business culture. In succession of this, pro-active workshops need to be organized in which the sales force learns how to conduct effective business negotiations. The international business negotiation framework is used as a tool to define the scope and content of the study. The strength of the implementation plan lies in its broad applicability. Even though this research focused on Japan and the framework was therefore slightly adapted, the main variables in the framework remained the same and can therefore be applied to other Asian strategic target groups as well. The research concludes that the success of the implementation plan depends on whether the sales force is willing to commit themselves to these training sessions and this is where management has to step up. Management should stimulate a learning culture where knowledge is captured and shared.

One can conclude that the objective of this research has been achieved. Improving the skills of the sales force certainly enhances the market penetration process. However, even though the interventions in TCES' cross cultural relationship marketing approach are a necessity, it might not be sufficient for successfully penetrating the Japanese market. As previously mentioned in the theoretical study and identified in the results and analysis chapter, relationship marketing cannot be seen in isolation since it is only when an organization understands its value (strategic marketing) and is able to create it (tactical marketing), it can also deliver it (operational marketing) in a proper way. At strategic level, the researcher identified a gap in TCES' positioning strategy; they are not perceived the way

they want to be perceived. In addition, there is a gap in the differentiators with which TCES wants to create their competitive advantage. Directly related to this is the gap at tactical level where TCES experiences difficulties with creating their value, in other words being competitive on pricing, speed and location.

At last, doing business with the Japanese at TCES is certainly not solely a matter of effective cross cultural relationship marketing but a matter of effective marketing at all levels. The next section digs deeper into the issues on strategic and tactical level and provides some useful recommendations for management to consider. In addition, it elaborates shortly on the identified interventions which were not integrated into the implementation plan; glancing at a new entry mode and remaining close to the Japanese inner circle.

7.3 Show your strengths, work on your weaknesses

As just mentioned, this section digs deeper into the (marketing) issues identified at strategic and tactical level. Since the main focus lies on operational marketing, the recommendations in this section remain superficial by pinpointing globally at improvement areas.

7.3.1 Entering the Japanese market as a technological leader

As the market changes, the requirements become stricter and standards become tougher, TCES should anticipate on this in an adequate manner. If European manufacturing organizations are to survive in the long run, they must be innovative. Therefore, TCES should remain actively engaged in marketing a constant stream of new products as well as developing new applications for its materials. (TC annual report 2007)

In addition, as mentioned in chapter 1, the rapidly growing AM presents an opportunity for TCES and the organization will continue to penetrate into the replacement market with their technical roller. However, when TCES simultaneously wants to penetrate into the Japanese OEM business, it should question its positioning in that market. When TCES wants to position itself as a technology driven, customized component supplier but the market is aware that TCES sells low end products to low end markets as well, what is the chance then that an OEM such as Ricoh wants to engage with TCES in the development of a new generation of products? The researcher recommends management that, even though it is not an issue yet, this should be taken into account on the long run.

Furthermore, the main gap as identified in the analysis has to do with the perception on pricing. The majority of the employees believe that the only way to enter the Japanese market is to offer either a higher quality product at an equal price or offer an equal quality product at a lower price. The researcher disagrees with this statement and supports the finding of Anderson and Narus (2003) who state that fulfilling customer requirements over time in a superior way does not necessarily mean that the supplier always will have the lowest price in the marketplace, but that it strives to provide superior

value. In addition, the experts mention that quality and technology are still the key determinants in Japanese business. Therefore, the researcher recommends TCES' sales force to, in all their marketing activities, put more emphasis on showing their strengths. Closely related to this are the increasingly tough requirements which represent an opportunity for TCES. As an elastomer specialist, TCES holds many patents and this enhances the process of meeting the strict requirements. However, no need to be the cheapest supplier does not mean that they do not have to be competitive on pricing. Field research revealed that TCES experiences significant pricing issues with some of their largest Western customers.

Summing up, TCES should enter the Japanese market as a technological leader. In all marketing related activities they should emphasize their strengths, while simultaneously work on their weaknesses. As previously mentioned, TCES experiences significant pricing issues with some of their largest Western customers and the next section further explores this issue.

7.3.2 *Achieving efficiency in value chain management activities*

In view of the ever shortening of product life cycles accompanied by decreasing profit margins, TCES has to stick to producing a significant part of its product portfolio for volume markets. This, together with the ascending of CMs as a 3rd party had significant implications on value chain management activities at TCES. Pursuing a more diversified strategy with a broader customer base appeared necessary though insufficient to remain competitive on pricing.

If TCES already experiences significant pricing issues with some of their Western customers, it has every reason to fear pricing issues with the demanding Japanese. Therefore, the researcher recommends management of TCES to investigate the possibilities of reducing the cost of individual value chain activities or by reconfiguring the whole value chain. Looking from the perspective of TC HQ's cornerstone model, cost advantages can be achieved by striving towards efficiency. By cooperating internally, for example in the field of purchasing and IT cost advantages can be achieved. Next to that, control of working capital should always be taken into consideration.

7.4 *Glancing at a new entry mode*

Evaluating the entry mode is the 1st identified intervention which was not integrated into the implementation plan. As mentioned both in the theory and by the experts, a suitable entry mode is critical in the process of overcoming cultural barriers and gaining customers. The effectiveness of TCES' current partner is open to question and both employees and experts mention that adopting a new entry mode most probably enhances the market penetration process of TCES in the Japanese market. Even though the evaluation of an entry mode should run parallel to the organizations' marketing strategy, at the moment the researcher recommends TCES to start with improving the skills of their sales force. Evaluating entry modes requires an in-depth analysis of many organizational and environmental factors. (Root, 1994) It can be seen as a total different discipline and out of scope for

this research. However, the researcher strongly recommends management of TCES, after upgrading the competences of their sales force, to carefully analyze the possibility of new entry modes. Resulting from the researchers' own curiosity, she conducted some preparatory work in this area. A quick scan was conducted amongst all employees to further explore their ideas about new entry modes. It is by no means a thorough analysis but it can be seen as a basis from which TCES can further explore this subject. Following the line of reasoning of Root (1994), the following evaluation criteria were developed:

- Investment:** The extent to which TCES has to make financial investments for this type of entry mode;
- Sales:** The extent to which this type of entry mode leads to an increase in sales;
- Market share:** The extent to which TCES can gain market share with this type of entry mode;
- Control:** The extent to which TCES can control its own business in Japan with this type of entry mode;
- Feasibility:** The extent to which the entry mode is feasible looking at the market situation. *(e.g. does it resolve/improve the issue of location, speed and pricing)*
- Overcoming barriers:** The extent to which this type of entry mode helps TCES in overcoming cultural barriers & strengthen cross cultural customer relations.

Participants were asked to identify entry modes which they would find suitable for TCES.

Subsequently, for every alternative they had to assign weights to the criteria. An example of this quick scan can be found in appendix 9. The results of the quick scan are as follows:

Most suitable entry mode according to employees (including quick scan scores):

- | | |
|--|-----|
| 1. Establish a sales & product development office in Japan | 113 |
| 2. Establish a joint venture with a Japanese partner | 109 |
| 3. Acquire a Japanese competitor | 93 |
| 4. Use the current Japanese sales representative | 91 |

Most suitable entry mode according to experts:

1. Establish a joint venture with a Japanese partner from an important Keiretsu network

One can say that the employees prefer a so called export entry mode whereas the experts advise TCES to adopt an investment entry mode. The main difference between these modes lies in the level of control and the amount of resources needed, or in other words it is a conservative vs. a progressive mode. The researcher comprehends the preference of the employees but her own preliminary conclusion is in line with the advice of the experts. Establishing a joint venture with a Japanese partner from an important Keiretsu network is the most suitable entry mode for TCES to penetrate the Japanese market. Where both entry modes are beneficial for minimizing the difficulties with the location and speed determinant, a joint venture at the same time holds the advantage of overcoming cultural barriers. TCES is able to use the partners' knowledge of the Japanese business environment

and they can use the partners' personal contacts with potential customers, local suppliers etcetera in order to get closer to the Japanese inner circle. Subsequently, it helps in resolving the difficulties of becoming vendor with a large Japanese OEM. This is not the case when TCES would establish a local sales and product development office. Even though the sales force knows the influencers within the large Japanese OEMs, they still lack a partner who can introduce them. On the other hand, it is at the same time interesting for a Japanese organization to establish a joint venture with TCES. Next to obtaining technological know-how, it can get access to extensive resources including specialized staff. In general, both parties gain new capacity and, even though in different areas, both parties gain expertise.

However, the main drawback in establishing a joint venture is to find a suitable partner and to build on the right relationship. Overall, with joint ventures high risks and costs are involved.

To conclude, the conducted quick scan is by no means a thorough analysis since it lacks a comprehensive theoretical foundation but it provides useful insight into future possibilities for TCES.

7.5 Remaining close to the inner circle

Training the sales force on maintaining and strengthening cross cultural customer relationships is the 2nd identified intervention which was not integrated into the implementation plan. However, once the sales force has established a close working relationship with the Japanese, the researcher recommends TCES to further develop their approach for remaining close and getting even closer to their inner circle. The basis of this approach has been identified in step 6, 7 and 8 of the cross cultural relationship marketing framework as presented in chapter 2.4. The focus here lies on pursuing growth by thorough evaluation of relationships and working together with the customer to develop new business arrangements. When the above has been transformed into an implementation plan and executed effectively in practice, TCES has reached the 3rd part of their objective which is gaining knowledge on how to maintain and strengthen their cross cultural customer relationships. Overall, even though TCES is not ready to work out this recommendation yet, the researcher considers it as critical for long term success in Japan.

7.6 Limitations

The researcher supposes this research has 2 main limitations. The 1st limitation relates to the organizations' positioning strategy. The way TCES is seen and wants to be seen in the Japanese market and with which differentiators it can and should create its competitive advantage, is based on the perception of the employees at TCES. Even though these employees all have a rich professional background and have a good understanding of the market dynamics in Japanese OEM business, the information remains 2nd hand and can therefore have a negative impact on the validity of the research. In other words, it can influence the strength of the conclusions drawn in this research if the information is biased. The researcher discussed this issue with TCES and they agreed that this could lead to biased results. Together they brainstormed about finding ways to approach Japanese business men

who were familiar with TCES' market offering and willing to share their opinion. Fortunately, the researcher (via a personal contact of a sales manager) was able to interview 2 Japanese suppliers and she asked them to elaborate on the issue mentioned above.

Secondly, the execution of the observational study remained limited. Even though the employees explained their approach towards gaining customers and sustaining customer relationships in a comprehensive way during the interviews, the researcher was eager to observe this process during business negotiations as well. Unfortunately, 2 planned meetings with Flextronics/HP were cancelled and the researcher was unable to attend other meetings. Management believed that the researcher could only attend meetings with customers with whom they had a very strong and long term relationship. In the end, being able to attend these meetings would have strengthened the validity of the research.

7.7 Reflection

This section elaborates on the activities executed during the past 7 months. In order to provide an answer to all research questions, the researcher took a deductive approach towards the research and the following main activities were executed:

1. A theoretical study in order to identify and understand all elements of cross cultural relationship marketing. *(February 2008)*
2. A field study in order to examine TCES' current and desired cross cultural relationship marketing approach. *(March until May 2008)*
3. An analysis study to identify the gap between TCES' current and desired state of performance and identify the interventions needed to penetrate the Japanese market. *(June 2008)*
4. The development of an implementation plan so the proposed recommendations can be applied in practice. *(June/ August 2008)*
5. Identification of other (marketing related) activities which TCES should address before it can penetrate the Japanese market. *(September 2008)*

In general, it has been a time consuming though highly interesting and instructive process of which steps 1 and 5 were carried out in the Netherlands while steps 2,3 and 4 were executed in Singapore.

The in-depth and extensive theoretical study on B2B marketing and the Japanese business culture appeared to be a good basis from which the field research could be conducted. However, the researcher found it challenging to develop the structure of the research in such a way that all activities which were needed to reach the objective of the research, were executed in a linear and sequential fashion. By discussing this issue with fellow students and supervisors, the researcher managed to overcome this difficulty.

At the start of the field research in Singapore, the researcher used the 1st month to gain an in-depth understanding of the organizations' market offering by observing various internal processes and she had informal meetings with colleagues to gain confidence and trust. The researcher experienced the

organizational culture at TCES as open, warm and caring which made it easy for her to approach colleagues and acquire information. In general, colleagues were eager to cooperate however sharing information on sensitive subjects remained limited. Overall, patience and building on the personal relationship were the key ingredients for acquiring knowledge.

The preparations prior to collecting the data were accurate and extensive. The participants did not encounter any difficulties with answering the interview questions. In addition, the preparatory activities of categorization and labeling of all the information, enhanced the process of analyzing all the data. Unfortunately, the extensive theoretical study had its drawbacks as well. While cross cultural relationship marketing was the focus of the research, (too) much time was spent on understanding and analyzing the elements of marketing on strategic and tactical level. A plausible explanation for this could be that the researcher discovered in early stages of the field research that discrepancies in the organizations' relationship marketing approach could be derived back to marketing activities higher up in the chain. Overall, even though it slightly delayed the research process, on the other hand it made her see the "total picture" in a comprehensible way.

In addition, while the initial focus lied on sustaining cross cultural customer relationships, after the 1st round of data collection it became clear that TCES experienced its main difficulties with gaining new Japanese customers. In other words, a shift from sustaining towards gaining which, as a consequence, caused the theoretical study to be incomplete. Due to appropriate counter efforts such as studying additional literature on sales strategies applicable in the Japanese context and adding relevant information to the theoretical framework, the researcher managed to overcome this issue.

Furthermore, the researcher did not encounter any difficulties with analyzing the gap between TCES' current and desired state of performance and identifying the interventions which were needed the most. Due to the rich theoretical foundation she was able to design an implementation plan and identify other (marketing) related activities which TCES should address before it can penetrate the Japanese market. Therefore, when looking at the results versus the objectives, the researcher believes this thesis has produced the desired end results.

At last, other TC subsidiaries aiming for business in Japan can benefit from this research. It provides useful insight into how an organization should prepare itself in, for example, the field of etiquettes, ethics and negotiation protocol in order to minimize cross cultural misunderstandings.

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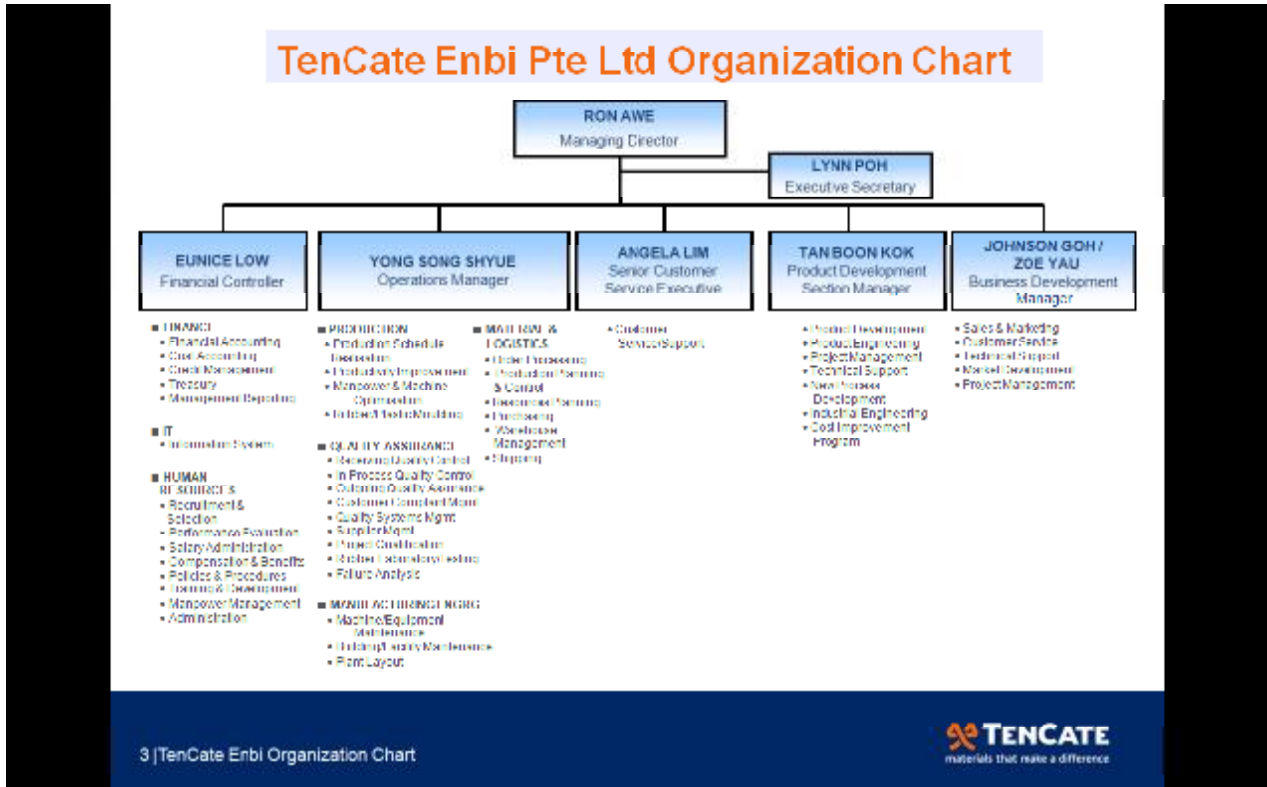
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APPENDICES

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1: ORGANIZATIONAL CHART



2: HOFSTEDE'S CULTURAL DETERMINANTS

Power distance

The extent to which society accepts unequal distribution of power in institutions/ organizations. For example, organizations in countries with high power distance have more levels of hierarchy, higher proportion of supervisory personnel and more centralized decision making.

Uncertainty avoidance

A society's discomfort with uncertainty, preferring predictability and stability. For example, organizations in countries with high uncertainty avoidance have more formalization, greater specialization related to technical competences and managers are motivated by stability and security.

Individualism/ collectivism

The extent to which people prefer to take care of themselves and their families, remaining emotionally independent from groups etc. For example, organizations in countries with collectivism orientation prefer group decision making. While organizations in countries with individualism orientation prefer individual decision making.

Masculinity/ femininity

Reveals the bias towards either "masculine" values of assertiveness, competitiveness, and materialism, or towards "feminine" values of nurturing, and the quality of life and relationships. For example, organizations in countries ranked high on masculinity, the management style is likely to be more concerned with task accomplishment than nurturing social relationships.

It is important to note that Hofstede's findings in Asian countries ran into difficulties. The Confucian values of persistence, thrift, patience and long term orientation were added to the basic model since they were valued very high in Asia.

3: BACKGROUND OF THE PARTICIPANTS

Organization	Name	Function	Sample
TCES	Mr. R. Awe	Managing director	1
TCES	Mr. J. Goh	Business development manager	1
TCES	Mr. E. Soh	Sales manager	1
TCES	Mr. J. Tan	Sales manager	1
TCES	Mrs. A. Lim	Senior customer executive	1
TCES	Mrs. E. Lim	Customer service executive	1
TCES	Ms. I Ng	Customer service assistant	1
TCEZ	Mr. M. Khoo	General manager	1
TCE Asia	Mr. B. Yau	Marketing and sales manager	1
TCE Asia	Ms. Z. Yau	Regional business development manager	1
TCE HQ	Mr. E. Sawa	Chief technology officer	1
Hastex International	Mr. W. Veenhoven	Managing director	2
Soweco	Mr. G.J. Engbers	Managing director	2
Aon Japan Group	Mr. T. Krikke	Managing director	3
Aon Japan Group	Ms. F. Yoshikawa	Management secretary	3

Background information participants from sample 2 and 3:

Hastex International – Mr. W. Veenhoven

Hastex International is an agency for organizations in need of representative services in Japan. It provides professional services including consultancy. Hastex International currently cooperates with TC Geosynthetics, TC Grass and TC Royal Grass. Mr. Veenhoven is a former TC director and has been working in Japan for many years.

Soweco – Mr. G.J. Engbers

Mr. Engbers is director of Soweco and is a former TC director. He has been working in Japan for many years.

Aon Japan group – Mr. T. Krikke and Ms. F. Yoshikawa

Aon Japan group is part of the Aon corporation and offers insurance intermediary services and risk management consulting. Mr. Krikke is director of the Aon Japan group and has many years of experience working with Japanese customers and colleagues. Ms. Yoshikawa is of Japanese origin and has many years of experience working in an international environment.

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Next to the above, the researcher derived information from the following sources:

Organization	Name	Function	Subject
TCES	Mr. W. Lim	Production manager	Value chain management
TCES	Mrs. D. Tan	Senior quality assurance engineer	Customer satisfaction
TCE HQ	Mr. R. Sanders	(former) chief financial officer	History TCES
Kane Kogyo	Mr. Y. Azuma	Overseas trading manager	Japanese market and TCES' potential opportunities herein
Aion	Mr. T. Ueno	Manager (sales of industrial materials)	Japanese market and TCES' potential opportunities herein

4: INTERVIEW QUESTION LISTS

Research part: *Analyzing current situation of TCES*
Participant: *Sample 1 –*
Level of questions *Strategic Tactical Operational*
Date:
Setting: *Face-to-face Skype*
Start/end interview: *Start: End:*
OK to record interview: *Yes No*

- Introduction
- Briefly discuss personal + professional background participant
- Briefly review structure + objective of the interview

Strategic marketing: Differentiation and positioning strategy

- What are in your perception, the differentiators of TCES?
- Are these differentiators also valued in the eyes of your customers?
- How do your customers perceive the organization and its products?

Tactical marketing: Building on customer relationships

- How do you create value for your customers?
- How do you measure customer satisfaction?
- Do you customize your product and services for a customer? Please, explain.
- Do you take into account cultural differences when you offer your product and services to a foreign customer? Please, explain.

Operational marketing: Relationship marketing

- How would you define relationship marketing?
- What is your approach towards gaining new customers?
- Do you adapt your approach for foreign customers? Please, explain.
- What kind of marketing tools do you use in this process?
- What is your approach towards sustaining customer relationships?
- Do you adapt your approach for foreign cultures? Please, explain.
- How would you define the type of relationships you have with your customers?
- How do you decide which type of relationship to pursue?
- What kind of marketing tools do you use in this process?

Defining and exploring culture

Please, identify which statements represent the Japanese culture the best:

- 1a. When activities become more complex, the Japanese want functions and responsibilities well defined.
- 1b. When activities become more complex, the Japanese are able to deal with ambiguity.
- 2a. The Japanese take time to reflect and plan situations, they watch how certain events evolve and adapt to situations.
- 2b. The Japanese respond immediately to situations and feel they can control the environment.
- 3a. The Japanese find it more important whom you are than what you can do.
- 3b. The Japanese find it more important what you can do than whom you are.
- 4a. When you meet a Japanese for the first time, he is very open and hospitable.
- 4b. When you meet a Japanese for the first time, he keeps a distance and is rather hostile.
- 5a. The Japanese find people more important than tasks.
- 5b. The Japanese find tasks more important than people.
- 6a. In Japan, the collective is more important than the individual.
- 6b. In Japan, the individual is more important than the collective.
- 7a. The Japanese want to spend time productively in a structured and sequential fashion.
- 7b. The Japanese want to spend time a relaxed manner and several activities can happen concurrently.
- 8a. There is a low degree of formality in social intercourses.
- 8b. There is a high degree of formality in social intercourses.
- 9a. The Japanese prefer to communicate in a direct and explicit way.
- 9b. The Japanese prefer to communicate in a indirect and implicit way.

Culture and management practices

- Explain cultural determinants as developed by Hofstede
- Knowing these cultural determinants, which key words would you use to describe the Japanese management style?

Culture and organizational processes

- How would you describe the Japanese way of making decisions?
- How would you describe the Japanese way of communicating?
- How would you describe the Japanese way of conducting business meetings?
Think in terms of planning and controlling the meeting; e.g. strict/loose
Think in terms of policies and procedures; e.g. detailed/ casual
Think in terms of information processing; e.g. slow/fast

Experiencing and overcoming cultural barriers

- Can you elaborate upon the cultural barriers you have experienced with the Japanese in the past?
- How did you try to resolve these difficulties?
- With whom do you currently experience cultural and relationship issues (CM/OEM/ country of origin)
- What type of cultural barriers do you experience and in which stages of the business negotiation process do these barriers occur?
- What is your approach towards overcoming these cultural and relationship issues?
- What role does relationship marketing play in resolving these issues?

Research part: *Analyzing desired situation of TCES*

Participant: *Sample 1 –*

Level of questions *Strategic Tactical Operational*

Date:

Setting: *Face-to-face Skype*

Start/end interview: *Start: End:*

OK to record interview: *Yes No*

- Introduction
 - Briefly discuss outcomes 1st round of interviews
 - Briefly review structure + objective of the interview
-

Strategic marketing: Differentiation and positioning strategy

- Based on the analysis of the 1st round of interviews, TCES' differentiators are product quality, and technology. Do you believe these are the right differentiators for entering the Japanese market? The differentiators with which competitive advantage can be created?
- How do you think the Japanese perceive the organization and its products?

Tactical marketing: Building on customer relationships

- Based on the analysis of the 1st round of interviews, TCES uses its cornerstone model to identify ways for creating addition customer value and it works towards continuous improvements in all areas of the value chain. Subsequently, it uses the customer feedback survey as a tool to measure customer satisfaction.
- Do you think this approach towards building on customer relationships is sufficient for entering the Japanese market?

Operational marketing: Relationship marketing

- Can you describe the importance of relationship marketing in Japan?

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- Would you adapt your approach towards gaining new customers for the Japanese market? Please, explain.
- What kind of marketing tools would you use in this process?
- Would you adapt your approach towards sustaining customer relationships for the Japanese market? Please, explain.
- What kind of marketing tools would you use in this process?
- Which cultural barriers do you foresee when penetrating the Japanese market in the near future?
- How could TCES overcome these cultural barriers?
- What are, according to you, key elements of an effective cross cultural relationship marketing approach for TCES?

Research part: *Analyzing current + desired situation of TCES*

Participant: *Sample 2 / 3 –*

Date:

Setting: *Face-to-face* *Skype*

Start/end interview: *Start:* *End:*

OK to record interview: *Yes* *No*

- Introduction
- Briefly discuss personal + professional background participant
- Briefly review structure + objective of the interview
- Briefly discuss TCES' current situation

Culture and management practices (1st interview)

- ➔ Explain cultural determinants as developed by Hofstede
- Knowing these cultural determinants, which key words would you use to describe the Japanese management style?

Culture and organizational processes (1st interview)

- How would you describe the Japanese way of making decisions?
- How would you describe the Japanese way of communicating?
- How would you describe the Japanese way of conducting business meetings?
Think in terms of planning and controlling the meeting; e.g. strict/loose
Think in terms of policies and procedures; e.g. detailed/ casual
Think in terms of information processing; e.g. slow/fast

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Experiencing and overcoming cultural barriers (1st interview)

- Can you elaborate upon cultural barriers you frequently experience with Japanese customers?
- How do you try to resolve these barriers?
- What role does relationship marketing play in resolving these issues?

Experiencing and overcoming cultural barriers (2nd interview)

- Given the cultural barriers which TCES currently encounters, what advice would you give them to overcome these issues?
- Given the current situation of TCES, what kind of cultural barriers can they expect when aiming for business with Japanese OEMs?
- What is your strategy towards gaining Japanese customers?
- What is your strategy towards sustaining relationships with Japanese customers?
- What would be an effective cross cultural relationship marketing approach for TCES?

5: PREPARATION ISSUES

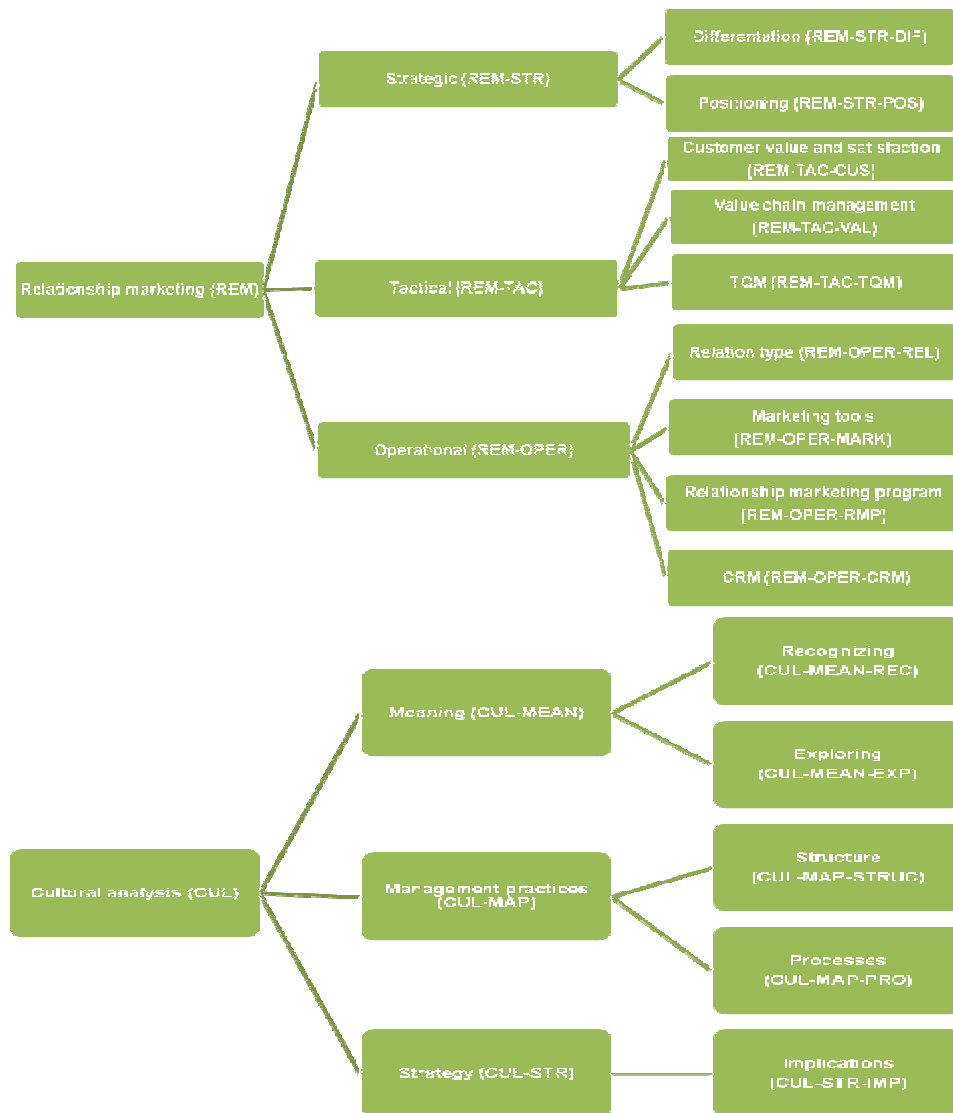
Issue	Preparation
<i>Level of knowledge</i>	Researcher analyses organizational/situational context prior to first interview.
<i>Level of information supplied to the participant</i>	Researcher sends all participants a list of the interview themes prior to the interview.
<i>Appropriateness of location</i>	Researcher conducts interviews in quiet, comfortable areas at the TCES office.
<i>Appropriateness of the researcher's appearance at the interview</i>	Researcher appears in similar outfit as the participants.
<i>Nature of the opening comments to be made when the interview commences</i>	Researcher outlines research briefly, tries to create trust, curiosity, and confidence from participant.
<i>Approach to questioning</i>	Researcher should ask clear, easy to understand questions and avoid jargon.
<i>Nature and impact of the interviewer's behavior during the course of the interview</i>	Researcher adopts neutral, interested response to participant's answers. In addition, adopts an open posture and enthusiastic tone of voice.
<i>Demonstration of active listening skills</i>	Researcher explores and probes meanings, provides participants sufficient time to answer.
<i>Scope to test understanding</i>	Researcher summarizes answers provided by the participants to test own understanding.
<i>Approach to recording data</i>	Researcher audio records oral data and contextual data is written down.
<i>Cultural differences and bias</i>	Researcher explores culturally specific meanings, differences and their (possible) implications.
<i>Access</i>	Researcher has physical access to obtain data and cognitive access to the collection and analysis of data.
<i>Ethics</i>	Researcher is aware of behaving properly in relation to the rights of the participants she cooperates with.

6: CATEGORIZATION AND LABELING

The following structure is used:

- Transcript: Number_name_category/label
- With 01 indicating 1st interview with participant/ current situation
- With 02 indicating 2nd interview with participant/ desired situation
- For example: 01r_aweCUL-MAP-STRUC
- Meaning: 1st interview with Mr. Ron Awe about implications culture has on management practices.

Please, note that the key words used in the overview below were developed at the start of the research process. New key words emerged as the research progressed and new dimensions came in.



7: CORNERSTONE MODEL

The overview below presents TC's value chain management approach based on the 4 cornerstone model. All information is derived from the organizations' corporate website and annual reports.



Innovation

If European manufacturing industry is to survive in the longer term, it must be innovative. TC seeks to be a leader in technology. The development and production of high-grade materials with specific functional characteristics demand high-calibre production resources. TC's announcement of its innovative digital finishing process concerns not only future products; existing products will also be able to be produced in a much more efficient and environmentally friendly way. We can better anticipate customer-specific requirements and economy of scale will take on an entirely different dimension.

Cost leadership

Business economists have long asserted that organizations must choose between volume production (cost leadership) and product differentiation (specialties). By means of a balanced product portfolio, TC is able to achieve a certain balance (two-track strategy). With indivisible production resources it is almost impossible for us to focus fully and competitively on specialties, unless we are able over time to attain sufficient critical mass in specialties. Partly in view of the ever shorter production life cycles, TC will always produce part of the product portfolio for volume markets. These products must nevertheless meet the high quality criteria that TC strives for. There will be a gradual increase in the proportion of customer-specific products and specialties. This must be accompanied by an upgrading of selling and distribution resources. Particular attention is paid to the field of efficiency and (product) differentiation. Cost advantages are achieved by cooperating more internally, for example in the field of purchasing and IT. Control of working capital is also an important area of attention.

Differentiation

TC has been known in the market for many years as a development partner for functional materials. TC is actively engaged in marketing a constant stream of new products and developing new applications for its materials. New developments are reported each year. Markets change, requirements become stricter, legislation changes and standards become tougher. These are important reasons to adapt or build functional characteristics into materials. For TC increasingly tough requirements represent an opportunity. Product development involves fixed processes in which commercial factors as well as manufacturability and reproducibility are assessed.

End-user marketing

TC wants to know what concerns end users and what their requirements are. It therefore steps outside the traditional role of supplier. TC draws inspiration from the challenges that it sees in its direct contact with the end-market. This does not mean that TC deals directly with the end user. The organization makes the market aware of the possibilities and thereby endeavors to exert an influence on the specifications, quality criteria and/or functional requirements of end-users. It conducts a transparent brand policy, in which specific functional characteristics are clearly communicated.

8: QUIZ ON JAPANESE BUSINESS CULTURE

These questions are derived from Kwintessential (2008)

Business structure variable

What 3 qualities are essential for building a good business relationship?

- a. Professionalism, persistence and organization
- b. Confidence, knowledge and punctuality
- c. Sincerity, compatibility and trustworthiness

Strategic variable

Japanese communication style is:

- a. Explicit (direct)
- b. Implicit (indirect)

Ethics and etiquette variable

Where at the table does the most senior member of a Japanese team sit?

- a. Top of the table on the right
- b. In the middle
- c. Does not matter

Atmosphere variable

You are making a proposal to a group of Japanese executives when you notice a few of them sat with their arms folded and eyes closed. They are:

- a. Listening intensively
- b. Tired and catching up on some sleep
- c. Pretending to be asleep to show you that they think your presentation is poor

9: QUICK SCAN

Directions: please, mark for every entry mode the criteria with the factor 1 to 5.

With 1: very unsuitable to 5: very suitable.

Alternatives	Weight factor
Very unsuitable	1
Unsuitable	2
Neutral	3
Suitable	4
Very suitable	5

Market Entry Modes/ Criteria	Investment	Sales	Market share	Control	Feasibility	Total
Use the current Japanese sales representative						
Establish a sales office in Japan, hiring own staff						
Establish a product development office in Japan, which functions as a support team of TCE(S)						
Establish a joint venture						
Acquire a Japanese competitor						
Other options, namely:						

10: MCDA

A MCDA method supports decision makers who are faced with making numerous and conflicting evaluations. (Malczewski, 1997) It is suitable in the context of this research because the researcher wants to advise TCES to implement the intervention alternatives with the highest expected values. Following the line of reasoning of Malczewski (1999) and Cross (2001), the researcher, in consultation with the principal developed a set of evaluation criteria. These criteria reflect all concerns relevant to the alternatives as mentioned previously. Important here are that the criteria are measurable, for example:

- Time:** Can the alternative be implemented within the time span of TCES' plan to penetrate the Japanese market?
- Costs:** Can the alternative realistically be achieved given the limited financial resources TCES has?
- Feasibility:** Is the alternative achievable, attainable and sustainable in practice?
- Impact:** Does the implementation of the alternative enhance meeting the organizations' objective?

Furthermore, weights are assigned to each criterion based on the different degrees of importance.

Criteria	Weight factor
Time	1
Costs	3
Feasibility	3
Impact	2

Alternatives	Weight factor
Very unsuitable	1
Unsuitable	2
Neutral	3
Suitable	4
Very suitable	5

Given TCES' limited financial resources, the criteria "costs" is ranked with the highest weight factor. In addition, given TCES' complex situation, facing many internal and external challenges simultaneously, the criteria "feasibility" is also ranked with the highest weight factor. One could argue that the method lacks a theoretical foundation since the criteria and weights are solely based upon the principals values and preferences and the researchers' judgment. However, since he is the main influencer and decision maker, the researcher believes this is an appropriate method.

Criteria/ Alternatives	Time	Costs	Feasibility	Impact	Total
Training the sales force on understanding the Japanese business culture	1 x 4	3 x 4	3 x 5	2 x 5	41
Training the sales force on conducting effective business negotiations	1 x 3	3 x 4	3 x 4	2 x 5	37
Evaluation of the entry mode	1 x 1	3 x 2	3 x 3	2 x 4	24
Training the sales force on maintaining and strengthening cross cultural customer relationships	1 x 2	3 x 4	3 x 3	2 x 4	31

The motivation behind assigning certain weights to each alternative can be explained as follows:

Training the sales force on understanding the Japanese business culture

Time: Suitable, however the sales force should allocate sufficient time for this. A culture does not change overnight, so a couple of training sessions should be sufficient.

Costs: Suitable, the knowledge is in-house so employees could prepare and lead the training sessions. However, bringing together the sales force requires time, and time is money.

Feasibility: Very suitable, the sales force is eager to improve their competences.

Impact: Very suitable, the training is a requisite for being successful in further steps of the process.

Training the sales force on conducting effective business negotiations

Time: Neutral, in contrast with alternative 1, this alternative requires the allocation of more time and should be seen as an ongoing process. Business negotiations are subject to changes in the market and should therefore be guarded at all times.

Costs: Suitable, the knowledge is in-house so employees could prepare and lead the training sessions. However, bringing together the sales force requires time, and time is money.

Feasibility: Suitable, the sales force is eager to improve their competences, however attention should be paid to the dynamics of the market in order to understand the implications it might have on business negotiations.

Impact: Very suitable, it is critical for overcoming cultural barriers and enhances the process of gaining customers.

Evaluation of the entry mode

- Time:* Very unsuitable, evaluating the current entry mode, and when needed alternative entry modes, requires a thorough analysis and is very time consuming.
- Costs:* Unsuitable, this process requires a significant amount of resources.
- Feasibility:* Neutral, even though the evaluation of the entry mode should run parallel to one's marketing strategy, at the moment TCES first has to train their sales force.
- Impact:* Suitable, using the right entry mode is critical for gaining Japanese customers

Training the sales force on maintaining and strengthening cross cultural customer relationships

- Time:* Unsuitable, this alternative requires successful execution of alternative 1 and 2 before one can start training on sustaining customer relationships.
- Costs:* Suitable, the knowledge is in-house so employees could prepare and lead the training sessions. However, bringing together the sales force requires time, and time is money.
- Feasibility:* Neutral, the sales force is eager to improve their competences, however when alternative 1 and 2 have not been executed in a correct manner, this alternative cannot be either.
- Impact:* Suitable, it is critical for sustaining customer relationships.