Cultural entry barriers for SMEs: An exploratory study of cultural entry barriers for foreign SMEs entering Japan
Acknowledgements

We would like to express our gratitude to our teacher and examiner Professor Anders Pehrsson for the useful comments, remarks and engagement through the learning process of this subject and master thesis. Furthermore we would like to thank our tutor Pejvak Oghazi who has guided us from time to time with his suggestions and support on the way. Also, we like to extend our very special thanks to the participants in our interview, who despite of their busy schedules have shared their precious time during the process of interviewing.

We would also like to thank our opposition group, all our friends, teachers and our loved family members’ who have supported us throughout the entire process.

Gautam Billore                     Jakob Engkvist Borg
Abstract

Purpose: The purpose of this paper is to study the cultural barriers faced by Small and Medium Enterprises (SMEs) in entering Japanese market and to see how the successful companies have overcome the barriers.

Design/methodology/approach: An exploratory case study with qualitative research through semi-structured interviews (telephonic and Skype) with foreign SMEs in Japan. 17 interviews could be conducted in 12 companies out of 76 companies contacted.

Theoretical framework: The theoretical framework encompasses barriers studied by Namiki (1998) for classification of the entry barriers and applied the same on SMEs. The cultural aspect has been deployed in accordance to theory of House et al. (2004), Trompenaars & Hampden-Turner (2012) and on the cultural dimensional framework of Hofstede et al. (2010). It further includes language in intercultural communication and barriers related to it.

Findings: The study identifies that the business culture perceived by foreign SMEs in Japan is almost similar to the national culture identified by Hofstede et al. (2010), but only three out of five cultural dimensions studied and the language have emerged as barriers for the foreign SMEs to do business in Japan. It was also found that to adapt to the Japanese business culture in general, engage in business relationship and to use senior bi-lingual Japanese staff, was keys to success for the foreign SMEs.

Managerial implications: It is recommended that managers should study previous literature on cultural barriers as it most likely also applies to SMEs. It is also recommended to use Japanese bi-lingual staff and to establish relationships with Japanese companies as soon as possible.

Limitations: The study was conducted with interviews of only twelve SMEs in Japan. The study was confined to qualitative method and a quantitative study with larger number of companies could have fetched more quantifiable results.

Originality/value: This paper is one of the first to analyse the cultural barriers exclusively for the foreign SMEs in Japan with interviewing firms doing business in Japan.

Keywords: Entry barriers, cultural barriers, SMEs, Japan market.

Classification: Exploratory, qualitative study.
List of abbreviations

SME – Small and medium enterprises

FDI – Foreign direct investment

IQ – Intelligence quotient

EQ – Emotional intelligence

CQ – Cultural intelligence
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1. Introduction

In this introductory chapter the motivation to study cultural barriers for foreign SMEs entering and doing business on the Japanese market will be discussed. The background will identify who it is that needs recommendations and why. This is followed by a brief critical review of previous research on internationalisation and cultural barriers, both generally and in relation to SMEs while exposing the research gap, which results in the purpose of the study and research questions. The chapter ends with delimitations to the study and the report structure.

1.1 Background

The ever changing business environment, and growing interdependence of various national economies on each other, has increased the trend of companies to expand their businesses across national borders. This tendency of internationalisation has become an integral part of business expansion (Astan, Bennett, & Colquhoun, 2000; Behfar, Brett & Kern, 2006; Joshi, 2009). During internationalisation firms face obstacles known as barriers that make the market entry difficult for them (McAfee, Mialon & Williams 2004). National culture has a close relationship with internationalisation (Gankema, Zwart & van Dijken, 1998) and this makes cultural barriers very significant and difficult for most of the managers of multinational companies to understand and articulate accordingly. The failure to comprehend these cultural aspects has led to big international business blunders in the past (Ricks, 2009). Therefore this study explores into cultural barriers faced by the foreign small and medium enterprises (SMEs) while entering Japan market and proposes probable solutions to overcome them.

Culture has long rich histories which deeply influences the people before they enter into business, hence a company should foster understanding of culture before internationalisation (Marks & Mirvis, 2010). Knight & de Wit (1997) have mentioned that culture affects internationalisation due to individual history, traditions, and priorities. It has also been suggested that the differences in national culture in the target and the home nations can very much impact the business bottom line of the organisation (Nazarian & Atkinson, 2012). Trompenaars & Hampden-Turner (2012) have stressed that the head offices at the host country fails to inculcate the national culture into the global marketing, global production, and global human resources, hence establishing a very important relation between
culture and the business. Language is generally accepted as being a part of culture (Chen et al., 2006) and silent language is an important part of communication across cultures (Hall, 1990). Language- and cultural differences are factors that can affect the communication between cultures negatively (Ernst, Hoegl, & Siebdrat 2009). To have knowledge about the culture in the foreign country is described to be one of the key factors to success abroad and this topic has been discussed in general terms by several authors: Ang et al. (2011) in relation to cross border leadership effectiveness; Magnusson et al. (2013) in relation to export performance; Guesalaga et al. (2011) and Imai & Gelfand (2010) in relation to negotiation effectiveness.

The Japanese market has been described as difficult to penetrate successfully (Palder & Simon, 1987; Samiee & Mayo, 1990; Sunesen, Francois & Thelle, 2010) irrespective of the size of company and country of origin. The online auction giant eBay and the British multinational telecommunications company Vodafone both failed on the Japanese market. eBay’s failure was attributed to a failure to adapt their services to the Japanese market and culture (BusinessWeek, 2001; Lane, 2007) and Vodafone’s failure was attributed to a failure to correctly assess Japanese tastes for technology and the needs of the market (Lane, 2007). The Swedish furniture company IKEA miserably failed initially to make their marks in Japanese market (Jonsson, 2008). However, 98% of all business establishments in Japan are small and medium enterprises (SMEs) and 69% of the total Japanese workforce work in SMEs (Azam, et. al, 2011), making SMEs an interesting field to study.

The task to overcome cultural barriers becomes further more important and difficult when foreign companies have to deal with cultural barriers of a Japan a country with complex, multi-layered and historic culture (Kaneko, 2010). Small and medium enterprises (SMEs) are a major source of core growth and employment creation in a nation (Lloyd-Reason & Mughan, 2006) but it appears to be not optimally represented in the international economy vis-à-vis to their contribution to the domestic economies (Hadjimanolis, 1999; Wilkinson & Brouthers, 2006). The impact of globalisation on SMEs was previously believed to lead to passiveness from the SMEs, but evidence indicates that this no longer is the case. In the recent decades many SMEs have been competing on the global market against larger companies (Antoncic, Hisrich & Ruzzier, 2006). However, in a study of Finnish SMEs it was found that a majority of the management did not have international experience prior to venturing abroad. Prior experience on the foreign market was found to have and affect the speed of the
internationalisation for SMEs and knowledge about the market is instead learned during international operations (Kjellman *et. al*, 2004).

### 1.2 Problem

While the previously mentioned large enterprises may afford to revive because of their size and resources, the SMEs hardly get second chances if the initial internationalisation strategy goes wrong, especially with markets with high expectations and cultural diversity, such as Japan (Czinkota & Kotabe, 1993; Czinkota & Kotabe, 2000). Internationalisation of firms and their efforts in entering into foreign markets is a largely researched area (Arora & Gambardella 2004; Yiu, Lau & Bruton, 2007; Fortanier & Tulder 2009; Johanson & Vahlne 2009; Ramamurti & Singh 2009). There have been studies of entry barriers but only a few that have explored into the cultural challenges presented by Japan market specifically in SME space. Olejnik & Swoboda (2012) did for example only focused on the SMEs internal firm factors effects on internationalisation, but left out the external factors including cultural barriers. In 2013 the following were the five most common general entry barriers to foreign direct investment in Japan: high business costs, peculiarities of the Japanese market, foreign language communication, difficulties and complications in administrative procedures and accreditation systems, and difficulties in securing human resources (Japan External Trade Organization, 2013).

Ojala & Tyrväinen (2007) studied eight SME software firms and found that most of the entry barriers on the Japanese market were related to the organization and the sales process. Specific for software firms were convincing the headquarters of the market requirements, customization and/or localization and finding the right contact persons. Namiki (1989) explored the classification of the entry barriers into three segments namely “government imposed barriers”, “market difference barriers”, and “competitive rivalry barriers”. A different study by Czinkota and Kotabe (1993, 2000) classified the barriers of Japanese market into four categories, “Japanese Business Practices”, “High quality expectation”, “High cost of doing business” and “Preference of Japan made products”. These two studies, though they explore some aspects of cultural differences and gives some outcomes of cultural difference, lacks connection to any theory. Maguire (2001) had done some justice by categorizing the Japanese market barriers into “Non-tariff barriers” and “Negotiation process and Consumer culture”. The study though considers the consumer culture but ignores the business culture and the impact of social culture.
The importance of having knowledge about cultural differences when doing business abroad has been widely researched previously. A current problem on the Japanese market is Japanese cultural erosion, meaning that the Japanese culture is changing due to globalization and it is becoming increasingly difficult for foreign companies to assess and predict their course of action (Guesalaga et al., 2011; Robson & Slater, 2012). Samiee & Mayo (1990) state that culture is an invisible barrier when exporting to Japan and it affects the visible entry barriers (e.g. tariff or non-tariff) indirectly, and the invisible barriers (e.g. distribution networks or competition) directly. The Japanese national cultural differences that companies face is a topic that scholars such as Hofstede, Trompenaars and GLOBE have researched, and then created cultural dimensions on (De Luque et al., 2006; Bhagat & Steers, 2009). Trompenaars studied personal relations and cultural values across cultures (Trompenaars & Hampden-Turner, 2012), but the complete data that the cultural dimensions are based has not been published (Hofstede, Hofstede & Minkov, 2010). The GLOBE study also included Japan, but from the Japanese own perspective, to see what effect culture had on leadership and organisational behaviour effectiveness (House et al., 2004, Javidan et al., 2006b). Hofstede is the main scholar whose cultural dimensional theory has been cited the most. It has not surprisingly received a fair amount of critique, as summarised by Fougère & Moulettes (2007), for being too generalising, outdated and biased in the way that the data was collected - a survey study of quantitative nature was used and four of Hofstede’s cultural dimensions is only based on data from one organisation (IBM).

To have knowledge of cultural barriers is of importance to companies entering the Japanese market as it can affect in many different ways and a few of these are described below. However, the question is if SMEs have knowledge about these barriers, as for example Samiee & Mayo (1990) found that small export companies lacked sufficient knowledge and sources of information about the cultural barriers in Japan. Japan is according to Hall (1990) a high-context culture which means that they need more information to process and understand a message than someone from a low-context culture. Hofstede et al. (2010) mention that strong respect to hierarchy and loyalty towards the organisation is evident in Japan and there is a tendency to avoid uncertain situations, and Trompenaars & Hampden-Turner (2012) mention that Japan is a relationship oriented culture where relationships are hard to establish and equally hard to break. For example between USA and Japan cultural barriers can arise because the Japanese are more likely to avoid conflicts than the Americans (Grossmann et al., 2012), or that a US company neglect to share information with a Japanese partner due to different cultural norms and the
Japanese see this as a violation to their cultural norms (Griffith, Myers & Harvey, 2006). There exist cultural differences on how "trust" is viewed, what levels of trust that is normal in the culture, and what factors that create trust (Parkhe, 1998). Culture also affects relationship bonding and networking (Robson & Slater, 2012), for example Keiretsu which are Japanese enterprise groupings where there are strong personal and financial relationships, which can be hard for foreigners to enter (Douthett, Jung & Park, 2004).

The above mentioned studies are discreet based on a very broad spectrum of barriers and do not classify the cultural barriers into different dimensions. This reveals that there is a research gap, because previous studies do not explore the cultural barriers explicitly in connection to SMEs. The identified gap is presented in Figure 1. One of the authors of this thesis also has personal experience of being in the Japanese market as a representative of a start-up SME and knows a few of the cultural barriers first hand. We need to know the cultural barriers presented by Japan as a market to the foreign SMEs and the probable solutions to overcome the barriers. Given the identified complexities of the Japanese market and in the context of this study, it is observed that there is acute paucity of research material that is directed towards the study to understand the cultural barriers faced by SMEs heading towards Japanese market, thus this study becomes very important for the entrepreneur fraternity and contributory towards academia.

![Figure 1: Identified research gap](image)

1.2.1 Research questions

- How similar is the experience of foreign SMEs to the theory of national cultural dimensions and how are these cultural dimensions affecting the foreign SMEs entering Japanese market?
- How have the foreign SMEs overcome these cultural barriers, if any?
1.3 Purpose
The purpose of this paper is to identify if the dimensions of national culture are present in the SME business environment in Japan and to classify the national cultural dimensions into barriers or non-barriers for foreign SMEs attempting to do business in Japan. Further to propose probable solution(s) to the barriers for new SME entrants on the basis of research findings of this study. We also intend to study how the cultural barriers differ between the different foreign SMEs and to see how the successful companies have overcome the barriers and took the business in their stride.

1.4 Delimitations
This is an explorative qualitative case study, which means that only certain aspects of field of study will be explored, while others that may potentially be useful for the study will be ignored. For instance different types of internationalisation and geographical distance will not be discussed in this thesis. This study focuses only on national cultural differences and includes language in the cultural barriers. The reason for this is that previous research, e.g. Chen et al. (2006) sees language as a part of culture and that the two are closely connected. Only parts of the factors that could be affected by the national culture will be discussed. The physical appearance and the internal factors that are unique for each individual interviewed will not be studied. This study is about foreign SMEs perception of cultural differences and it will not include any primary data from the Japanese companies. The national cultural dimension index of all the case countries has not been provided by any of the studies but Hofstede, therefore the comparison of empirical primary data will been done only with Hofstede’s national cultural dimension index of different nations.

1.5 Report structure
The flow of the paper is arranged as follows: the chapter 2 of conceptual framework discusses about the key concepts of paper and the theoretical perspective as the previous research findings and their shortcomings. On the basis of the discussion a framework is proposed and analysed. Chapter 3, the used methodology has been explained as to why and how, this is followed by the analysis and result in chapter 4. Chapter 5 presents the discussion on the findings culminating to conclusions and contribution of this study and describing limitations, practical implications and cue for further research on the basis of findings, in chapter 6 and 7 respectively.
2. Literature review

In this chapter literature about culture and communication will be reviewed. The chapter starts with state of art, which lists the history and the current knowledge (with respective references) related to our research questions. This is followed by description of key concepts used in study and review previous studies on “culture” and its components. Following this the six most cited authors and their cultural models and dimensions on natural cultural will be discussed and compared. The chapter ends with discussion on “communication” including the communication process, intercultural communication and the language aspect of communication.

2.1 State of the art

2.1.1 National Culture

There are many studies conducted related to national culture and internationalisation. The studies have been on effect of national culture on different variables, e.g. effect on international management practices (Newman & Nollenis, 1996), effect on development of trust (Doney, Cannon & Mullen, 1998), effect on choice of entry mode (Kogut & Singh, 1988), effect on entrepreneurship (Hayton, George & Zahra, 2002) and implications for human resource management (Schneider, 1988). In most of the studies related to national culture the very dominant theory is proposed by Hofstede (Hofstede et al., 2010; Minkov & Hofstede, 2011) which classifies the national culture on the framework of cultural dimensions.

2.1.2 Internationalisation

Internationalisation is explained in different terms by different researches starting in 1776 with Adam Smiths’ (Coase, 1977) basic concept of economics of cost and cross border trading evolving, to the concept of free trade between nations by David Ricardo (1817). Some researchers, e.g. Hoekman & Kostecki (2009), have synonymously used global cross border trade and exchange as internationalisation. Dunning’s (1979, 2000) eclectic paradigm based on transaction cost theory is one of the very dominant and prevailing theories in the field of internationalisation. The Uppsala Model on internationalisation process advocates the stepwise gradual intensification of the internationalisation activities and building off-shore involvement on the experiential knowledge acquired on the scale of time (Johanson & Vahlne, 2006; Johanson & Vahlne, 2009).
2.1.3 Cultural barriers, barriers for SMEs
There are numerous studies in both the areas of cultural barriers and market entry barriers for SMEs. In a study done by Moen, Gavlen & Endresen (2004) on internationalisation of small computer firms was focused on market entry challenges of small industries. In the similar era, and in similar industry, a study by Krishna, Sahay & Walsham (2004) in the area of software outsourcing, described the cultural issues in connection with organisational work like staffing, training and managing the relationship. One of the most cited works on effect of national culture on choice of entry mode, by Kogut & Singh (1988), has argued why the culture presents itself as a barrier. Some studies on the effect of cultural distance and its effect on internationalisation by Tihanyi (2005) deals more with the bigger companies. The latest of the studies are by Ojala & Tyrväinen (2007) and they were also studying the software industry in Japan. The authors found an acute paucity of research or study comprising all the three points of (1) SMEs (2) facing cultural barriers (3) while entering Japan.

2.2 Key concepts

2.2.1 Small and medium enterprises
The term SME can be defined as formal enterprises with limited resources in the form of number of employees, total sales or income and capital invested. The definition can be different in different nations depending on the resources quantified by the particular nation (Wong, 2005; Ayyagari, Beck & Demirguc-Kunt, 2007).

<table>
<thead>
<tr>
<th>Industries</th>
<th>Capital Size (million yen)</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing and Others</td>
<td>300 or less</td>
<td>300 or less</td>
</tr>
<tr>
<td>Wholesale</td>
<td>100 or less</td>
<td>100 or less</td>
</tr>
<tr>
<td>Retail</td>
<td>50 or less</td>
<td>50 or less</td>
</tr>
<tr>
<td>Services</td>
<td>50 or less</td>
<td>100 or less</td>
</tr>
</tbody>
</table>
Small and medium enterprises have different definitions and parameters in different countries. This paper deals with foreign SMEs in Japan and the companies selected for the study are SMEs under the definition of the METI, which stands for “Ministry of Economy, Trade and Industry” and is a ministry of the Japanese government. As per METI (2014) the definition of SMEs has different parameters for different industry segments and these can be seen in Table 1.

2.2.2 National culture and cultural barriers
National culture is the set of beliefs, ethnicity, history (Hofstede, 2014a) civilization, customs, and language are practiced or exists in a sovereign nation (Shaffer, 2006). There are many definitions of culture: Hofstede, et al. (2010:6) defines culture as “The collective programming of the mind that distinguishes the members of one group or category of people from another”, while Trompenaars & Hampden-Turner (2012:8) defines culture as “the way in which a group of people solves problems and reconciles dilemmas”. Spencer-Oatey's definition is a bit broader “Culture is a fuzzy set of attitudes, beliefs, behavioural norms, and basic assumptions and values that are shared by a group of people” (Spencer-Oatey, 2004:4). Cultural barriers are the barriers or hindrances arising between two different cultures. The different cultures can be of two diverse groups or nations (McDermott & O’Dell, 2001). The different aspects of culture discussed in more detail in chapter “2.3 Cultural differences”.

2.2.3 Communication, intercultural communication and cultural intelligence
The term communication can be defined as “whenever the behaviour of one individual (the sender) influences the behaviour of another individual (the receiver)” (Mandal, 2014, p. 417). The communication process can simply be described as how communication both in speech and writing occurs between a sender and receiver. This can be summarized as “Who performs what to whom - why - when, where and how?” (Renberg, 2004, p. 40). A major part of communication is nonverbal communication. Nonverbal communication is according to Mandal (2014) all communication except for speech. Different non-verbal signs are constantly used both consciously and unconsciously (e.g. body language) and the signs made are perceived by most of the human senses. Non-verbal signs play an important role in societies as it “help regulate the system, cueing hierarchy and priority among communicators, signaling the flow of interaction, and providing meta-communication and feedback” (Mandal, 2014, p. 18).
The communication that takes place between two cultures is called intercultural communication. The very basic definition of intercultural communication is “some form of culture and some form of communication has interacted or intersected in a particular space, time and context” (Patel, Li & Sooknanan, 2011, p. 15). Lauring (2011) summarises that most authors in the field of intercultural communication believe that culture affects how individuals code and encode messages and which type of communication channel that they use. This means that there is a possibility that the intercultural communication will be impeded because the cultural values and practices differ which can cause misinterpretation.

Cultural intelligence is defined as the capability to function effectively in culturally diverse settings (Crowne, 2008; Ang et al., 2011) and you gain cultural intelligence most effectively through international experience, e.g. living abroad for employment or education. Previous research have mentioned that cultural intelligence is one of the key factors to be successful abroad (Crowne, 2008; Morrell et al., 2013)

2.3 Cultural differences
Three of the main cultural studies by Trompenaars, Hofstede and GLOBE, based their research on the view that culture can be compared to the layers of an onion and that the layers are connected. Hofstede’s cultural onion, see Figure 2, has three layers and a core. The deeper to the center of the onion, the harder it is to change the values and practices. In the middle of the onion is core values, which are mainly based on history of the country and its culture. The core values can for example be if a certain situation is considered to be moral/immoral or natural/unnatural. The outer layers are three different types of practices. The outmost layer is symbols (1), e.g. words or fashion. These can easily change based on trends, or be copied from other cultures or countries. The next layer is heroes (2) which is the role-models in the society, real or imagined, that have characteristics that the culture strives for. The last layer is rituals (3) and this is collective activities that are occurring within a certain culture. It includes greetings and how language is used in communication (Hofstede et al., 2010). Javidan et al. (2006a) refers to Hofstede’s view as the onion assumption, meaning that it is assumed that the link between values and practices can be generalised. To get a deep understanding of what happens in a culture can be achieved by understanding the core values of the culture.
Trompenaars cultural onion (Trompennaars & Hampden-Turner, 2012) has three layers; the two outmost is the same as in Hofstede’s model while the third layer, the core layer, is similar to Hofstede’s core layer but goes deeper into what culture is. The outmost layer in Trompenaars model is the explicit part of the culture (the part of culture that we can see) which reflects the middle layer of the onion (the norms and values of the culture). The core of the onion is basic cultural values of the culture, which the norms and values in the middle layer of the onion are based on. The reasoning behind why the basic values are followed is much harder than why the norms and values are followed.

There can exist cultures within the culture, which to a certain degree differs from the main culture it exists in. One of them is organisational culture which is cultural aspects that individuals acquire when entering an organisation. The organisational culture is a mix of national culture and views that are specific for the organisation (Hofstede et al., 2010). The GLOBE study suggests that organisational culture mirrors national culture and that national culture indirectly influences leadership behaviour (Dorfman et al., 2012). However, Gerhart (2008) concludes that while this may be true, it does not mean that national culture is constraining how the organisational culture will look like. This is supported by the research by Ravasia & Schultz (2006) which state that there are both external and internal factors that influence organisational culture. The organisational identity and culture is mostly tacit knowledge that occasionally is expressed explicitly, e.g. how employees should behave in certain situations. The values in Figure 2 have more effect on the national culture, while practices are a more prominent part of the organisational culture. The organisational culture is thus more superficial than national culture and easier to learn (Evaristo, Karahanna, & Srite, 2005; Hofstede et al., 2010). That
Organisational culture is more based on patterns implies that it can change more easily than national culture, and that it is based on the views of its members (Scheffknecht, 2011).

Many empirical and conceptual models about national culture have been created over the years. The six most common models have been created by Kluckhohn & Strodtbeck, Hofstede, Hall, Trompenaars, Schwartz, and GLOBE. A problem with these six models is that some of them have been developed individually while others are based on previous research, which makes them hard to compare and assess (Bhagat & Steers, 2009). The cultural dimensions that each scholar has created can be categorised into five common themes and this categorisation is shown in Table 2.

Table 2: Common themes across models of national culture (Bhagat & Steers, 2009, p. 9; Hofstede, et al., 2010)

<table>
<thead>
<tr>
<th>Distribution of power and authority</th>
<th>Kluckhohn Strodtbeck</th>
<th>Hofstede</th>
<th>Hall</th>
<th>Trompenaars</th>
<th>Schwartz</th>
<th>GLOBE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship with people</td>
<td>Power distance</td>
<td>Power</td>
<td>Achievement / Ascription</td>
<td>Hierarchy / Egalitarianism</td>
<td>Power distance &amp; Human orientation</td>
<td></td>
</tr>
<tr>
<td>Emphasis on groups or individuals</td>
<td>Relationship vs. Collectivism</td>
<td>Individualism / Collectivism</td>
<td>Individualism / Collectivism</td>
<td>Conservatism / Autonomy</td>
<td>Institutional Collectivism &amp; In-Group Collectivism</td>
<td></td>
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<tr>
<td>Relationship with environment</td>
<td>Relationship with nature &amp; Human activities</td>
<td>Masculinity vs. Femininity</td>
<td>Relationship with environment</td>
<td>Mastery / Harmony</td>
<td>Assertiveness, Gender Egalitarianism &amp; Performance orientation</td>
<td></td>
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<tr>
<td>Use of time</td>
<td>Relationship with time</td>
<td>Long-term vs. Short-term orientation</td>
<td>Time</td>
<td>Time perspective</td>
<td>Future orientation</td>
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<tr>
<td>Personal and social control</td>
<td>Human nature</td>
<td>Uncertainty avoidance &amp; Indulgence vs. Restraint</td>
<td>Universalism / Particularism</td>
<td>Uncertainty avoidance</td>
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<tr>
<td>Other</td>
<td>Context</td>
<td>Specific / Diffuse &amp; Neutral / Affective</td>
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2.3.1 Cultural dimensions of Kluckhohn & Strodtbeck, Hall and Schwartz

Kluckhohn did his initial studies in 1951 which later was expanded in 1961 with the help of Strodtbeck. Kluckhohn did a study on five subcultures in the US based on anthropological theories. This resulted in five dimensions (relationship with nature, relationship with people, human activities, relationship with time and human nature) which each had three subcategories (Bhagat & Steers, 2009).

Hall studied several countries including Japan, Germany, France and US and he constructed three cultural dimensions. The dimensions were built on his view that culture is related to communication. Culture can be understood by understanding how communication is constructed and by the speed of the information flow. Each dimension has two scales (e.g. high or low) that the countries are divided into. The division is based on the main part of the culture and there exists individual differences and each country can show characteristics of both scales. The cultural dimensions are: **Context**, **Space**, and **Time** (Hall, 1990). The first one, **Context**, can either be high or low and is to what extent "the context of a message is important as the message itself" (Bhagat & Steers, 2009, p. 5). Low context is associated with direct communication and the information is more explicit, while high context is the opposite; indirect communication and more information are nested in the message that is communicated. **Space** is either power-oriented or community-oriented and this dimension is related to personal space which in turn is affected by all human senses. Power-oriented cultures are more territorial and have clearly defined personal space, while community-oriented cultures in comparison are more comfortable sharing personal space. **Time** is whether tasks are approached one at a time (monochronic) or multiple simultaneously (polychronic). Monochronic cultures have a more precise concept of time and separate personal life and work, while polychromic cultures are the opposite (Hall, 1990).

Schwartz studied culture on an individual level and based the study on data from students and teachers in 54 countries (Bond & Smith, 1996). Schwartz’ view (Bhagat & Steers, 2009) is that the individual-level dimensions and the cultural-level dimension can be separated. The individual level is values that individuals are acting on in daily life, while the cultural-level is how society is regulating the actions on the individual level. Schwartz three cultural dimensions: **Conservatism-autonomy**, **Hierarchy-egalitarianism**, and **Mastery-harmony**. The first one, **Conservatism-autonomy**, is whether individuals in the culture are integrated in groups. Conservatism is when individuals are group oriented, while autonomy is when individuals is separate from groups and pursuit their own ideas and goals. The
second dimension, *Hierarchy-egalitarianism*, is to what degree the culture values equality. As the name indicates, equality is valued in egalitarianism-cultures, while hierarchy-cultures are structured hierarchically and the individuals have to comply with certain roles. The last dimension, namely *Mastery-harmony*, is to what extent the members of the culture wants to alter the world that they interact with, to be able to advance group- or personal interests. Harmony is to preserve the current state of the surrounding world, while mastery is the opposite (Bhagat & Steers, 2009).

### 2.3.2 Hofstede’s cultural dimensions

Hofstede created four cultural dimensions on national cultures in 1980, based on the results of 116,000 questionnaires of IBM employees in 72 countries (Minkov & Hofstede, 2011). These have since been updated and extended to six dimensions (Hofstede *et al.*, 2010). The six dimensions are:

1. **Power Distance.** This dimension refers to how members of the culture accept and expect that power is distributed unequally within the organisation. Small power distance is when there is a low level of authority; the organisation is more flat; and status symbols and privileges are less important. Decisions are made democratically and there is openness with information. The relationships between managers and employees are more pragmatic and the salary levels in the organisation are narrower. Large power distance is the opposite: the inequality within the organisation is higher; the hierarchy is strong and there are more supervisors; and white-collar jobs are higher valued than blue-collar jobs.

2. **Uncertainty Avoidance.** This is to what degree the members of the culture are threatened by uncertain situations. Organisations with low uncertainty are more relationship-oriented and they are characterised by: weak loyalty to the employer and short average duration of employment; managers are more involved in the strategy and common sense is used; structures and procedures may shift more easily; there is a tolerance for chaos and ambiguity; and the focus is on the decision process. High uncertainty organisations are more task-oriented and there is a strong loyalty to the employer; managers are more involved in detailed structures; procedures are more fixed; there is a need for formalisation and precision; and there is a belief in technical solutions and experts.

3. **Individualism vs. Collectivism.** Individualism is when ties between individuals are looser and, in a work context, employees are treated as individuals; the employer-employee relationship is more of a business deal; individual work is encouraged; the communication is on a low-context level; and the individuals general behaviour tend to be more extravert. Collectivism is when the group is in focus; it is common with collective decisions; there is a belief that you work better in group, while individual work can be seen as a threat against...
harmony; the employer-employee relationship is more based on moral and seen as part of the family; customers that have a relation with the company tend to get treated better; the communication is on a high-context level and email conversations are less attractive; and the individuals general behaviour tends to be more introvert. (4) Masculinity vs. Femininity. These are the social gender roles - equity vs. equality. Masculine-cultures share the following features: preference for higher pay; larger wage gap between genders; higher job stress; conflicts are solved by either denying them or arguing until one party wins; and managers are more decisive and aggressive. Feminine-cultures share the following features: preference for fewer work hours; smaller wage gap between genders; low job stress; conflicts are solved by negotiation, compromises or problem solving; and managers’ use intuition and consensus. (5) Long-term orientation vs. Short-term orientation. This is an individual’s outlook on life, relationships and work. Long-term orientation is when cultures are future oriented: the focus is on hard work; market position, profits “ten years” from now and results are based on sustained efforts; to investment in lifelong personal networks is common; thrift tends to be common along with a willingness to adapt for a purpose and to have respect for circumstances; and there is a concern of losing face. Short-term orientation is cultures where there is a clear difference between the past and present; the focus is on the “bottom line” (decreasing costs and increasing net earnings) and this year’s profit; respect is shown towards status, traditions and social obligations; work efforts should result in quick results; and personal loyalties to the company or networks differ with business needs. (6) Indulgence vs. Restraint. This is a societal dimension and cannot be used in a business context. The dimension has three subcategories: level of happiness, life control (freedom of choice and control of your life) and importance of leisure time. The subcategories can be restrained by e.g. social norms or prohibitions. To greet a customer with a smile can be seen as strange in cultures that are highly restrained, while it is seen as the norm in certain cultures with high indulgence. Individuals in indulgent cultures tend to feel that they have control of their personal life, while the feeling of having less control of the personal life is more common in restrained cultures. Restrained cultures tend to be tighter and the moral discipline is strong, while it in indulgent cultures tend to be the opposite (Hofstede et al., 2010).

2.3.2.1 Criticism of Hofstede’s research
Hofstede’s cultural dimensions are the cultural dimensions that have been most used in other studies and have thus received a fair amount of criticism. Fougére & Moulettes (2007) summarized the criticism that Hofstede’s research has received since it was published in 1980. One of the main
criticisms is related to the sample that was used. The sample was marketing and business men from only one organisation (IBM) and that data of quantitative nature was used to analyse something, which in reality is hard to measure and compare. That the questions were formulated from a Western point of view is another criticism that is often mentioned. The research has also been criticised for being contradictory and sometimes generalising; it does to some extent imply that the whole population within the borders of a country acts in a certain way. The data might also only show how the situation is on a business level rather than showing the situation of national societies (Fougère & Moulettes, 2007). Hofstede's study is according to McSweeney (2002, p. 112) a “restricter not an enhancer of understanding particularities”. This refers to that the interaction between the different levels of culture only is briefly mentioned in Hofstede’s study. The study tends to assume that there is a national uniformity (e.g. one Chinese culture across the whole nation), while it fails to mention the impact of regional differences and non-national cultures or forces. Javidan et al. (2006a) adds that the definition of culture that was used also can bias the result and how the data was collected. Some of Hofstede’s dimensions have also been criticized for showing results that are more extreme than the reality (e.g. that rules are followed very strictly) (Minkov & Hofstede, 2011). Fougère & Moulettes (2007) themselves criticised the categorisation; the national cultures are divided into the categories “modern”/“economically developed” or “traditional”/“undeveloped” (e.g. that “equality” is considered to be “modern”). However, the Hofstede’s dimensions have either been validated or expanded by several different scholars since they were created. Hofstede also keeps updating the dimensions in response to criticism that they have received (Fougère & Moulettes, 2007; Hofstede et al., 2010). For example, the addition of the dimension “Long-term vs. Short-term Orientation” was done in response to the criticism of the questionnaires and Western bias. The dimension was created with the help of another researcher, whom with the help of Chinese business men, categorised basic values that the questionnaire then were based on (Minkov & Hofstede, 2011).

2.3.3 Cultural dimensions of Trompenaars and GLOBE
Trompenaars & Hampden-Turner (2012) mainly studied personal relations, but also values, across cultures. The study resulted in seven cultural dimensions: universalism-particularism, individualism-collectivism, achievement-ascription, time perspective, relationship with environment, specific-diffuse, and neural-affective. The first five of the dimensions have appeared in previous studies. Universalism-particularism, Individualism-collectivism and Achievement-ascription are similar to Hofstede’s
Uncertainty avoidance, Individualism vs. collectivism, and Power distance, respectively. Time perspective is similar to Hall’s dimension Time (monochronic/polychronic), and relationship with time is similar to Kluckhohn’s dimension related to time. The national differences that Trompenaars presented were similar to those previously described by Hofstede and Hall (Trompenaars & Hampden-Turner, 2012).

The last two cultural dimensions, Specific-diffuse and Neutral-affective, are unique to Trompenaars’ study. The first one, namely Specific-diffuse, is how individuals relate to one another. A problem that can arise when members from the two cultures meet is that what is seen as positive in one culture, might be seen as negative in the other. Diffuse-cultures are more relationship oriented and the private space is large, while the public space is small. Once you are in the private space you have access to a big part of that individual's life. Relationships are thus vital in diffuse-cultures and the communication is high context. To avoid losing face is common in diffuse-cultures which mean that the communication can feel slow and indirect to an individual from a specific-culture. Relationships develop over time and it is preferred to go-with-the-flow rather than imposing a structure. Specific-cultures are more objective oriented and there is a clear distinction between the larger public space (e.g. work or school) and smaller private space. It is hard to gain access to the private space but easy, compared to diffuse-cultures, to gain access to the public spaces. Specific-cultures can also feel more open and more to the point. The second cultural dimensions that is unique to Trompenaars’ study, Neutral-affective, is about to what degree individuals are free to express emotions in the public. Individuals in neutral-cultures can appear to be more introvert on a first glance; they do generally not reveal what they are feeling or thinking. Meetings tend to focus on propositions or the objective and not so much on the individuals. Affective-cultures are the opposite: emotions, thoughts and feelings are expressed both verbally and nonverbally. Meetings tend to focus on the individuals instead of the propositions or objectives (Trompenaars & Hampden-Turner, 2012). Hofstede et al. (2010) criticized Trompenaars’ dimensions because they are not based empirical research and the collected data has not been revealed to the general public. Trompenaars’ cultural dimensions were based on conceptual distinctions by other authors, that were not created to solely describe countries, and the dimensions were then compared to data collected from managers across the world.
The GLOBE (Global Leadership and Organizational Behaviour Effectiveness) study was mainly built on Hofstede's research, but it also included the work by Trompenaars and Kluckholn & Strodtbeck (Javidan, et al., 2006b; Minkov & Hofstede, 2011), and the researcher set out to verify the cultural onion used by Hofstede. Nine new cultural dimensions were developed in which countries were compared, based on difference in societal cultural practices and societal cultural values. The nine dimensions are: Performance orientation, Future orientation, Humane orientation, Institutional collectivism, In-group collectivism, Assertiveness, Gender egalitarianism, Power distance, and Uncertainty avoidance (Javidan, et al., 2006a). Assertiveness, Gender egalitarianism and Performance orientation is similar to Hofstede’s “Masculinity-Femininity”; Hofstede discussed GLOBE’s Institutional collectivism and In-group collectivism in his dimension “Individualism vs. Collectivism”; and the dimensions Future orientation and Humane orientation is similar to Hofstede’s “Long-term vs. Short-term orientation” and “Power distance” (Javidan, et al., 2006a; Javidan, et al. 2006b). What is different compared to Hofstede’s research is that the researchers asked the respondents how things are done in their society. They found that there rarely was a positive correlation between values and practices in the culture. The correlation was only positive in two dimension (In-group collectivism and Gender egalitarianism) but negative in the remaining seven dimensions (Javidan, et al., 2006a).

Power distance in the GLOBE study (House et al., 2004) is to what degree status privileges, power differences and authority is accepted and encouraged. The findings in the GLOBE study were similar to Hofstede’s study but suggest that Hofstede’s Power distance dimension more shows the practices than the values of the culture. Human orientation is “the degree to which an organisation or society encourages and rewards individuals for being fair, altruistic, friendly, generous, caring and kind to others” (House et al., 2004, p. 569). High human orientation, in relation to organisational practices, is associated with: informal relationships and group work; the primary focus is on profits and on the shareholders; social control is based on shared norms and values; and individuals within the organisation are autonomous in their relationship to the organisation. Low human orientation is stricter plus more controlled, bureaucratic and formal. Institutional collectivism is to what degree collective actions are rewarded. In-group collectivism is to what degree individuals shows interdependence, loyalty and pride in their families. The findings described in these dimensions are similar to the findings in Hofstede’s study. Assertiveness is defined as “to whether people are or should be encouraged to be assertive, aggressive, and tough, or nonassertive, nonaggressive, and tender in social
relationships” (House et al., 2004, p. 395). Cultures with low assertiveness emphasis equality, solidarity, tradition, seniority, experience and loyalty; it is common with face-saving and indirect speech; cooperation and relationships are valued. Cultures with high assertiveness values competition, success and progress; the communication is direct and explicit; and there is an emphasis on results over relationships. The GLOBE study’s findings on the cultural practices matches Hofstede’s dimension on Masculinity vs. Femininity. Gender Egalitarianism is related to gender role differences and to what degree the culture tries to minimize these. High gender egalitarianism is the opposite to Low gender egalitarianism, which is associated with lower position in jobs among women; women have lower status in society; women are less involved in decision making; fewer women are participating in the working force; and the educational level of women are lower compared to males. Performance orientation is to what degree performance improvements and rewards for innovation are encouraged by the community. High context communication is common in low performance orientation cultures, as is an emphasis on loyalty, seniority, experience and tradition; feedback is discouraged and seen as judgemental; the communication is ambiguous and subtle; and that you are valued for who you are and not for what you do. Future orientation is related to the use of time and to what degree a society e.g. rewards planning. High future orientated cultures are associated with longer strategic orientation, long-term planning and a focus on long-term success; flexible and adaptive organisation; strong leaders who can see patterns in chaos and uncertainty; and to achieve economic success. The definition and characteristics in the GLOBE study’s dimension uncertainty avoidance is similar to Hofstede’s, but the findings are quite different. This is attributed to that the societies were studied from their perspective and what the members view uncertainty as a positive or negative thing (House et al., 2004). Japan’s placement in the GLOBE study’s dimensions and in Hofstede’s dimensions is different and can be found in Appendix C. As previously mentioned by Bhagat & Steers (2009), the findings are hard to compare because the studies were conducted in different ways and they do not use the same measures for similar attributes.

The dimensions from the GLOBE study have not been tested to the same degree as Hofstede’s dimension, but one example is Tang (2012) who used Hofstede's and GLOBE’s dimensions and studied their effect on bilateral FDI. The research was based on data from 21 countries that are members of OECD (Organisation for Economic Co-operation and Development) and 14 that are non-members. The findings were that bilateral FDI is discouraged if there is a difference in Power distance between the
two cultures, and encouraged if there is a difference in Individualism. The direction of the cultural distance (from host to home country, or vice versa) was important in relation to Masculinity vs. Femininity and Uncertainty avoidance (Tang, 2012).

2.4 Communication
A communication model can be developed in many different types of ways. There are no definitive guidelines to how the model should look or contain, and the basic sender-channel-receiver model can be expanded in different direction (Casstevens, 1979). Figure 3 shows the model that is used in this paper and it has been developed by Renberg (2004).

![Figure 3: The communication process (Renberg, 2004)](image)

The sender codes the content before it is sent over to the receiver. This means that the content is adjusted to the receiver and the purpose of the communication, while parts of the content are filtered out before the message is sent. The content can for example be the language (which language that is used, slang, technical terms, etc.) or that the visual appearance of the speaker is changed and adapted to the situation. The message is sent over to the receiver via some type of medium (spoken or written) or via a communication channel (e.g. an article, an interpreter, or a website) after that the message has been coded. The receiver then uses their own frames of reference to decode the message. The communication will be better and more successful, if the differences between the sender and receivers coding/decoding are smaller. It is however usual that interference occurs during the communication process (Casstevens, 1979; Renberg, 2004).
Miscommunication can for example be the result of that the content has not been coded in a good way; the same message can for example be interpreted differently if is performed via speech instead of writing; or that the chosen communication channel affects how the content is perceived (Renberg, 2004). The reason to the existence of different frames of reference is that the sender and receiver lives in different environments and some components of this environment are shared between the sender and receivers’ environments. The environment may thus be the reason to why a message is understood or not (Casstevens, 1979; Renberg, 2004; Mandal, 2014). The external components of the environment are for example relationships or cultural norms, while internal components are attitudes, moods, feelings, assumption that the individual possess (Casstevens, 1979).

### 2.4.1 Intercultural communication

Bargiela-Chiappini et al., (2005) mention that the intercultural communication is not only affected by national culture. It can be affected by many different factors, e.g. the business context, organisational culture, or individual behaviour from each participant. Durant & Shepard (2009) mentioned that intercultural communication includes both verbal and nonverbal communication. They further mentioned that cultural differences easily can be blamed for problems related to intercultural communication. For example it might be implied that both parties are interesting in communicating with each other when it in reality is not (Durant & Shepard, 2009). Further reasons to that problems can arise includes a failure to understand the uniqueness of the individual; failure to understand values and belief that the culture are established on; using the own culture to judge the actions from an individual from a different culture; or to not enough focus on the communicated message (Patel et al., 2011). The different cultural values and cross-cultural differences may be less important in communication that involves a group of people from a range of different cultures. It is likely that the different individuals try to improve the communication and to adapt to each other if the interaction is of interest (Bargiela-Chiappini et al., 2005; Durant & Shepard, 2009). Culture also affects communication when it comes to relationship bonding and networking. Relationships bonding are important in Japan and commitment and trust are included in personalised relationships, e.g. in Keiretsu networks (Robson & Slater, 2012).

If you understand the differences between the cultures you possess some degree of intercultural competence. Matveev & Milter (2004) discussed intercultural competence within multicultural teams and identified the following components that are equally important to a successful teamwork: cultural
knowledge, skills (related to successful teamwork), personality orientation (interest, emotional and physiological reactions, and empathy toward the foreign culture). Ang et al. (2011) discussed intercultural competence in relation to cross border leadership effectiveness, but instead used the broader terms general intelligence (IQ - Intelligence quotient), emotional intelligence (EQ) and cultural intelligence (CQ). Magnusson et al. (2013), studied CQ of US export firms and found that export managers that had a high level of CQ adapted the marketing-mix to a higher degree and that the export performance improved. Guesalaga et al. (2011) mention the importance of understanding culture when negotiating and Imai & Gelfand (2010) mention that CQ is closely related to intercultural negotiation effectiveness. The next two chapters elaborate more on the language aspect of intercultural communication and its barriers.

2.4.2 Language

Language is a topic that also has to be considered when analysing cross cultural differences and it is also important to consider communicative practices of the foreign culture (Feely & Harzing, 2003; Chen, Geluykens, & Ju Choi, 2006). Chen et al. (2006) further mentions that language generally is accepted as being a part of culture. Hall (1990) describes that a message can be broken down into three components: sets (e.g. words), isolates (e.g. sounds), and patterns (syntax and grammar). The greater the knowledge is about the language, the easier it is to understand how the three components interact with each other and how the message is intended to be interpreted. An important part of communication that takes place across cultures is to understand the use of silent language. Culture can similarly be divided into the aforementioned three components. To have a understanding of how the components interact, increases the understanding of culture and its effect on the use of silent language (Hall, 1990; Hall & Hall, 1990). Linguistics is the scientific study of language and it can be divided into several features: phonetics which is the sound of the language; phonology, how sounds are organised in a language; morphology, how words are created from smaller parts and the rules of how this is done; syntax, which is the sentence structure and grammar; semantics, the meaning of the words; pragmatics, the interrelationship of social structure and language and the context of the message that is communicated; sociolinguistic, similar to pragmatics but includes all aspects of society and its cultural norms; and anthropological linguistics which is how the use of language and culture interact (Chen et al., 2006).
2.4.3 Language barriers

Language barriers have according to Feely & Harzing (2003) three dimensions: *Language diversity*, *Language penetration* and *Language sophistication*. The first dimension, namely *Language diversity* is how many languages that are spoken within the company’s global network. *Language penetration* is how deep within the company and which departments that are using different languages in their daily work. *Language sophistication* is what level of language skills that is required within the organisation. The level is usually not the same across the whole organisation. The most noticeable difference in spoken and written language, from a linguistic point of view, occurs because of different use of phonetics, phonology and morphology. The differences can either be obvious or subtle and can lead to misinterpretation of what the sender is trying to communicate. Limited knowledge about the foreign language, or lack of confidence about the knowledge in the language, can lead to reluctance to speak in public situations (Chen *et al.*, 2006). Different fluency (accents and vocabulary) can cause negative reactions and misunderstandings. Limited language skills can further lead to perceived favouritism or lack of recognition for contribution (Feely & Harzing, 2003; Behfar *et al.*, 2006). Durant & Shepard (2009) mention that there often is a “lingua franca” - a common language (usually English), that is used in communication situations in multinational organisations. A problem with this is that the language often is “owned” by one part while the other part has to adapt to it, which can lead to perceived inequality. Bargiela-Chiappini *et al.* (2005) mention that the use of a common language may reduce the need to have a deep understanding of intercultural encounters and that e.g. business deals can survive even if the understanding is very narrow.

Chen *et al.* (2006) mention that semantics is how individuals from different cultural and linguistic backgrounds (native language and knowledge in foreign languages) will get different associations and have different understandings when they hear a word. A consequence of this is that it can affect teamwork and how discussions are structured. Problems related to pragmatics is that the speaker assumes that the receiver have enough information to interpret the communicated message correctly, when it in reality might require further elaboration to be interpreted in a correct way. For instance, the knowledge about how words and expressions are used in a given situation, e.g. Japanese speakers tend avoid the word “no” and instead use more indirect expressions such as “it is possible”. A key problem when communicating with foreigners in a work situation is the use of polite language. This includes: *social expectations*, how we want to be perceived and face-saving; *power relationships between*
speaker and listener, the correct use of titles or familiar/formal expressions (e.g. Germany: “Du” vs. “Sie”); and gender, the male-female communication and how male-dominated the culture is, e.g. in Japan where women are expected to use certain forms of speech that are softer and more feminine. Anthropological linguistics is how the language is used and how it interacts with culture; who talks, when they talk and how much. It is for instance not appropriate to use email conversations in some cultures because of the lack of non-verbal cues, while it is preferred in others because it adds time to check meaning of words and expressions (Chen et al., 2006). Other general problems that stems from language barriers include raised level of uncertainty, mistrust, suspicion, and a higher chance of conflict (Feely & Harzing, 2003).

2.5 Problems related to Japanese business practices

There are many different factors that might turn into problems when doing business in Japan. This is a topic that several authors have written about in general terms over the years. Ford & Honeycutt (1992) stated that to have a deeper knowledge of Japanese national culture is a necessity, when trying to understand Japanese company representatives. Sweetman (1996) mentioned that Japanese companies are adapting and slowly moving away from the traditional business practices. It is however still common to work in the same company until retirement (lifetime employment), to show respect for hierarchy and that the salary is mainly based on seniority. There is still also common with inequality between men and women. It is mentioned that Japanese companies are able to differentiate between which employees that are essential and nonessential along the gender lines (Ford & Honeycutt, 1992; Herbig & Milam, 1994). It is similarly noted that there also exists discrimination based on nationality in Japanese companies. Foreigners rarely reach leading positions if they work in a Japanese company and the reason for this is that the Japanese companies wants to “avoid friction, facilitate understanding, implement decisions quickly and smoothly and promote harmony” (Herbig & Milam, 1994, p. 29).

The Japanese culture can affect business relationships in different ways. Parry (2006) mentioned that to preserve harmony is a key characteristic of Japanese business relationships which for example is noticeable in consensus decision making in Japanese companies. However, as Goodman (2000) states, the Japanese also value interdependency but they tend to think collectively. Parry (2006) further mention that seniority and rank is important; the Japanese tend to avoid confrontation; it is also important to have mutual trust and this is shown in non-business discussions, which is a common way to establish trust in Japan (Parry, 2006). Culture also affects how "trust" is viewed, what factors that
create trust and what levels of trust that are normal in the culture. Japan is a high trust society, meaning that they do not need many checks or tests to see that things are being done correctly. They simply trust that they are done correctly once trust has been established (Parkhe, 1998). This is supported by Gundling (1991) and Parry (2006) who mentions that trust and relationships is important in Japan and that you should be cautious until the business relationships has been established, because the perception of an established relationships differs between cultures and the contact can end abruptly. Mutual trust in Japan is commonly established through non-business discussions (Herbig & Milam, 1994; Parry, 2006) and a contract is the final result of an established relationship. Contracts in general tend to be less indefinite and more ambiguous (Parry, 2006).

Gundling (1991) mention three important factors when doing business in Japan: studying the Japanese company, loyalty, and commitments. It is important to study the partners that the company wants to initiate a business relationship with in-dept and learn as much as possible about them. The contact with Japanese companies should be established via a competent and reliable intermediary. The second factor is loyalty to the working group. This means that it can be seen as negative to speak badly about the own company which is a violation to the trust that the Japanese company have given to the employee in question. Another aspect is that the Japanese can be cautious to share inside information to those who has yet to gain the required loyalty. The last factor, commitments, should be treated seriously and be kept when doing business with Japanese companies. It can be damaging to the business relationship if the commitments are treated loosely, e.g. the foreign company fail to deliver on a set date - despite ensuring several times that the deadline will be met. Broken commitments are seen as unreliable behaviour and can in the worst case mean the end of the relationship or exclusion from the group.

Goodman (2000) gives the following five tips when doing business in Japan: (1) Study the Japanese history and culture; do not express that you know, just do it. (2) The main mode in Japanese communication is listener interpretation. This means that you have to guess what the person is thinking since it is not always expressed. One example related to this is the use of time which can get confusing because Japanese does not distinguish between present and the past (e.g. “talk” & “will talk” is interpreted as the same thing). (3) Present key information at the end of the business meeting. (4) One key success in Japan is relationships, both before and during the process. (5) Show that you respect and care about the Japanese business contacts. Go the extra mile and show that you are willing to adapt to the Japanese way, accept invitations for example dinner or golf.
3. Conceptual framework

The literature review will in this chapter be transformed into a conceptual framework and the conceptual model that this paper is based on will be described. The research questions will then be put into relation to the model and the theory.

3.1 Conceptual model

The literature review shows that culture is a complex area with many subcategories which are hard to conceptualise and try to get a complete view of. The most extensive research on culture by the most notable scholars (Hofstede, Hall, Schwartz, Trompenaars and GLOBE) has been on a national level, with the exception of Kluckhohn & Strodtbeck who studied subcultures in the US. The national cultural dimensions that the scholars have created can be divided into five categories: distribution of power and authority, emphasis on group or individuals, relationships with environment, use of time, and personal and social control (Bhagat & Steers, 2009). This study will compare major cultural dimensions with empirical data. The most cited and dominant study, which explains and discusses all the major national cultural dimensions, are Hofstede’s and hence most of the dimensions used in the analysis would be from Hofstede’s research. The dimension of language as a barrier was discussed by many researchers, e.g. Hall (1990), Feely & Harzing (1998), Chen et al. (2006) and Behfar et al. (2006). This study uses Hofstede’s dimensions because his dimensions have been tested and supported the most by other scholars. Hofstede’s study is very exhaustive and is the only study in which the individual research data about the home countries of all of the case companies are available. The data from Hall & Schwartz’s studies were not accessibly to researchers and in Trompenaars’ study the research was conducted with select few countries only. Only some of the data about the case company’s home countries has been made available in the GLOBE study, while the rest has been grouped into continental clusters, e.g. South East Asia. Bhagat & Steers (2009) also mention that it can be hard to compare different scholars dimensions because the studies were not conducted in a similar fashion. These are things that could increase the risk for misinterpretation and hence the analysis was mostly confined to one exhaustive research only.
Culture is according to Hall (1990) related to communication and this is an assumption that we follow. There are no cultural barriers to be perceived if there is not any communication or interaction with another culture. Language is also generally accepted as being a part of culture (Chen et al., 2006) and intercultural communication includes both verbal and nonverbal communication (Durant & Shepard, 2009). An understanding of the languages sets, isolates and patterns increases the understanding of the culture (Hall, 1990; Hall & Hall, 1990). Previous research (Bargiela-Chiappini et al., 2005) mention that national culture is not the only factor that plays a role in intercultural communication situations. In the communications process (Casstevens, 1979; Renberg, 2004) the interpretation is done by all the human senses (Mandal, 2014) which implies that there are many different aspects that determines how a message is coded and decoded; culture is one aspect.

The cultural barriers that this study focuses on are mainly national culture, and indirectly organisational culture, which in turn may be based on national culture. The cultural barriers can be lowered by improving the cultural intelligence and this is something that is said to be a key factor to success abroad (Crowne, 2008; Morrell et al., 2013). Another way is when individuals from both cultures are willing to communicate and adapt their actions and try to make the best out of the situation (Bargiela-Chiappini et al., 2005; Durant & Shepard, 2009).

Figure 4: Conceptual model

On the premise of the literature reviewed a conceptual model (Figure 4) has been formed as a basis for this study. The only constant in the said conceptual model is the country (culturally far distant) in which the business takes place. The home country of the foreign SMEs differs from case to case. The foreign SMEs use intercultural communication to do business with companies in the culturally far distant market. The dotted line box indicates the culturally far distant market space. The first box of “national
“culture” would find the presence of national cultural dimensions in the business environment of the culturally far distant market. It also finds if the cultural dimensions present are barriers for business to the foreign SME entrants. This addresses to the first research question of “How similar is the experience of foreign SMEs to the theory of national cultural dimensions and how are these cultural dimensions affecting the foreign SMEs entering Japanese market?” The next box of “probable solution” will be the experiences of the foreign SMEs who have overcome the cultural barriers successfully to do business in the culturally far distant market. This part of the model addresses our second research question – “How have the foreign SMEs overcome these cultural barriers, if any?” The model is to be used from the foreign SMEs perspective and this is the reason to why the arrow in the model only is one-way, even though the communication is two-way. The intercultural communication takes place on the culturally far distant market and this environment is affected by several levels of culture, that exists at the same time and the barriers emerge when these cultures converge. Certain parts of the values and patterns that culture consists of can be shared across cultures. The representatives from the foreign SMEs are affected in one way and the representatives from the in the company in the culturally far distant market in another. The cultural dimensions can either be a barrier or non-barrier. If they are barriers different probable solutions (different measures to reduce the barriers, e.g. cross-cultural training of the staff) will be taken by the foreign SMEs to reduce the barriers.

This research focuses on the Japanese market and the foreign SMEs that intend to do business there. The national culture of each foreign SME and all of the components in the dotted lined box will be analysed, except for the type of business that the foreign SMEs do. Data on five cultural dimensions and language will be collected and analysed. The national cultural differences and language barriers described in previous research will be compared to the foreign SMEs perception of the barriers. It will also be studied what probable solution(s) that were taken to reduce or overcome the barriers, if any. The solutions will be taken to reduce or overcome the hindrance that the cultural barriers have on the business in the Japanese market. If the dimensions were not found to be a barrier, no actions will be taken and the business proceeds. Based on the literature review, we assume that the SMEs perception of the cultural barriers is correct and can be compared to the national cultural differences which previous research have established. We also assume that if the cultural intelligence is high the cultural barriers will be lowered and are seen as differences which they can adapt to.
4. Methodology

In this chapter the methodology will be presented and the reasoning behind choices made will be discussed. The chapter starts with research approach, research method, and research strategy. The chosen data collecting method will then be described along with the explanation of the operationalisation. This is followed by a brief presentation of the twelve case companies and a description of how the data was analysed. The chapter ends with a section that describes what measures that has been taken to ensure that the study reaches a sufficient level of validity and reliability.

4.1 Research approach
There are three main research approaches that a study can use: deductive, inductive and abductive. A deductive approach is when study starts with the collection of theory from which hypotheses are formed. These are then tested by collecting and analysing data, and the theories are either validated or revised. A inductive approach is the opposite of a deductive approach; new theories are created based on the analysis of the collected data. However, both approaches can share characteristics from each other. Quantitative studies are often based on a deductive approach while qualitative studies often are based on a inductive approach (Walton, 2004; Bryman & Bell, 2005). The abductive approach is a process where the researchers are collecting theoretical and empirical data at the same time and are open to new findings that changes the content in the paper continuously (Walton, 2004). The abductive approach is a mix of deductive and inductive and is said to be best suitable when the aim is to discover new things, e.g. new relationships or variables (Dubois & Gadde, 2002).

This study used a deductive approach based on qualitative interviews. The study did however share some aspects of an abductive approach because additional theories have been collected based on what the collected data revealed. Qualitative studies are often associated with an inductive approach but in this study a deductive approach was chosen because of the following reasons: There are already many theories about cultural differences and language barriers, and the amount of data that would be needed to generate new theories is too voluminous to collect during the timeframe of the study.
4.2 Research method
The research method can either be quantitative, qualitative or a combination of the two. The quantitative research method is usually associated with studies that use a deductive approach, and an inductive approach is usually combined with a qualitative research method. The data that is being collected is words, text and symbols that are based on the views of the respondents. Qualitative studies tend to be more unstructured, explorative, describing and explaining. The researchers try to understand how the data can be related to the context in which the study that is being conducted (Christensen et al., 2001; Bryman & Bell, 2005). This study used a qualitative research method. The reason for this is that we want to explore which of the natural cultural barriers that are affecting the foreign SMEs and the keys to success, from the respondents’ point of view. The opinions that we are interested in are harder to collect, and later analyse, if a quantitative research method is utilized.

4.3 Research strategy
A multiple-case study method was selected due to the exploratory nature of the research questions. This is a method that enables researchers to explain the cause and its effect of the matter under investigation. Case studies focus on contemporary events and are normally used when the form of the research questions is “how” or “why”. The data collected in multiple-case studies is seen as more compelling than the data collected in single-case studies. Multiple-cases also enable the researchers to see whether the result for one case can be replicated for the rest of the cases in the study. A case study can use a holistic approach or an embedded approach (Yin, 2014).

This study used the holistic approach and in most cases only one interview, with only one interviewee, was conducted per case company. However, in five cases a follow-up interview was needed to complement the data. In three of these cases the original interviewee was not available and another employee took his or her place. A problem with case studies, according to Dubois and Gadde (2002), is that the researchers often try to describe everything but because of this ends up describing nothing. This is one of the reasons to why we only chose to study the cultural barriers that the foreign SMEs experience.
4.4 Data collection

The data collecting process is often done in two stages. First there is a need to get a comprehensive understanding and overview of the problem area. This is done by collecting secondary data but this is usually not enough to answer the research question(s) and new primary data is needed. This is the second step in the data collection process (Christensen et al., 2001).

There are two different types of secondary data: internal and external data. Internal data is the type of data which originates from within the organisation, such as customer information or sales results. External data includes published sources (e.g. previous research, scientific articles or information from authorities) and commercial sources (e.g. market research or consumer panels) (Christensen et al., 2001). Secondary data is compared to primary data cheaper to use because the data often is free and it saves time because the data has already been collected. There is often also a possibility to check the reliability of the sources that are being used. It can however be harder to assess secondary and it is thus more time consuming to use. The secondary data does not always fit the conceptual framework and research purpose of the new study. One possible reason for this is that the data might be out-of-date and because of this is potentially misleading. There might also be a need to use several sources to reach the same data quality that a primary source could provide, because key variables are missing (Christensen et al., 2001; Bryman & Bell, 2005). Our study uses both internal and external secondary data. The internal secondary data was used for the background information about the case companies. The external secondary data consists of scientific articles and books about the chosen research area. The use of external secondary data allows us to get a more unbiased view of the research area, because we cannot know the veracity of data that the interviewees provided.

Primary data is new information that the researchers collect themselves when the existing data are not sufficient to answer the research question(s). Background variables such as age and income can be collected but also data that is of a qualitative nature, such as personal opinions on a specific topic (Christensen et al., 2001). The advantage of primary data is that it enables research of current information and the data collecting process can be adjusted so that it is optimal for the purpose of the research. A downside is that it takes longer time, and can be more expensive, to collect compared to secondary data. It also requires more knowledge from the researchers to be analysed. The data can for example be collected through surveys, interviews, observations or experiments (Christensen et al., 2001; Bryman & Bell, 2005). The main part of the data that is collected for this study is primary data.
The reason for this is that the research topic is current and it has not been researched in detail in previous studies. There is hence not enough secondary data to sufficiently answer the research questions.

4.4.1 Interviews

The primary data was collected through qualitative interviews, which is the most common data collecting method in qualitative studies. The differences between qualitative interviews and quantitative interviews can briefly be described as that the focus of qualitative interviews is to get detailed responses, while the focus in quantitative interviews is to get responses that quickly can be coded and analysed (Christensen et al., 2001; Bryman & Bell, 2005). Qualitative interviews are usually less structured than interviews used in quantitative studies. The interviewer can be more flexible and divert from the interview guide, and formulate follow-up questions based on the responses. There are two types of qualitative interviews: unstructured- and semi-structured interviews. Unstructured interviews are similar to regular conversations, while semi-structured interviews are based on some type of interview guide (Bryman & Bell, 2005).

Qualitative interviews were chosen as data collecting method due to the nature of parts of the data, which is more based on opinions of the interviewees. The responses and experiences may be based on traits and mindsets of the interviewees. The case companies may also have directives which instruct the interviewees to act in a certain way. It is difficult to collect this type of data through quantitative research methods such as quantitative or qualitative surveys, and it limits what the respondents can answer. Semi-structured interviews was chosen because we wanted to be able to ask open follow-up questions based on the response from the interviewee. We also wanted to keep each interview structured to some degree, which was done by using an interview guide, to ease the comparison and analysis of data.

4.4.2 Operationalisation

Each parameter of the cultural barriers was investigated through various questions covering as many aspects as possible in order to confirm the reliability and validity of the study. Most of the questions were on broad topic, based open-ended, but directing to a particular subject to build the casual relationship between the variables. However, a few questions were kept closed for having specific
answers (e.g. the revenue range and length of contracts). The interview guide that was used can be found under Appendix A. The interviews were conducted over telephone and Skype at ease of the interviewees’ schedule, as there is a time difference of eight hours or more. The language used in the interviews was English, Hindi, Japanese, or a mix of the three. For example that English was the main language but certain phrases was in Japanese. The interviews were translated to English, and transcribed, by the researcher who conducted the interview. A reverse translation was done where it was needed and by bilingual translators provided by respective case company. The operationalisation can be found under Appendix B

4.5 Sampling
This study used a non-probability sampling. Non-probability sampling means that not all of the possible units in the population will have a chance to be included in the sample. A result of this is that it is harder to generalise the data. Non-probability sampling is however appropriate when the researcher want to have deeper insight in a certain field of study and when it is desirable to get respondents that are more likely to be able to answer the questions that they are given. The two non-probability sampling methods that are most applicable on this study are snowball sampling and convenience sampling. Snowball sampling is when the researcher initially finds potential respondents for the study and then asks them if they know someone that might be interested in participating in the study. Convenience sampling is generally used because of the level of access to the population that could be included in the study is limited (Christensen et al., 2010). The collected data should answer the research question and fulfil the researchers’ expectations. The number of people that needs to be interviewed depends on the amount of data that will be needed to complete the research (Brinkman & Kvale, 2009).

Both convenience sampling and snowball sampling were used. Convenience sampling was used because of the limited number of possible respondents, limited time and limited resources available to the researchers, and the chosen data collecting method. Snowball sampling was used to get the reliable references as respondents. The convenience sample was collected from either pre-compiled lists from e.g. “Swedish Chamber of Commerce and Industry in Japan” or “Finnish Chamber of Commerce in Japan” or by talking directly to “Chusho - Small and Medium Enterprise Agency” and “TiE Japan” (a non-profit organisation that fosters entrepreneurship in Japan) about foreign SMEs that we could
contact. A snowball sample was used once the initial interviews had been conducted to increase the number of possible respondents because, in the end, only eight of the contacted SMEs in the convenience sample responded and agreed to participate in the study. We asked the interviewees if they knew any possible companies that could be included in the study. The interviewee’s position had to be in a leading position of the company and this was to ensure that they could answer all questions. The interviews that were conducted over Skype were recorded, while only some of the telephone interviews were recorded due to technical limitations. 76 firms were contacted for scheduling the interview of which 12 firms responded and agreed to participate in the study. 17 interviews were conducted and five of these were interviews with the same company. Each of the interviews lasted for roughly two hours.

4.5.1 Presentation of case companies

The firms included in this study are presented in Table 3.

Table 3: Presentation of the case companies

<table>
<thead>
<tr>
<th>Firm</th>
<th>Home Country</th>
<th>Position of interviewee / Industry</th>
<th>Year of Business entry in Japan</th>
<th>Staff strength in Japan</th>
<th>Motivation to enter Japanese Market</th>
<th>Last year revenue in Million USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>USA</td>
<td>IT consulting and development</td>
<td>1999</td>
<td>26</td>
<td>Growing market for IT</td>
<td>3.32</td>
</tr>
<tr>
<td>B</td>
<td>USA</td>
<td>Motor Belt trading, Automobile Ancillary</td>
<td>1995</td>
<td>67</td>
<td>Ancillary market with good future</td>
<td>2.6</td>
</tr>
<tr>
<td>C</td>
<td>India</td>
<td>IT consulting</td>
<td>2009</td>
<td>19</td>
<td>Second largest IT revenue provider</td>
<td>3.2</td>
</tr>
<tr>
<td>D</td>
<td>South Africa</td>
<td>Precision cutting tools</td>
<td>1990</td>
<td>16</td>
<td>Diamond market and further export under made in Japan</td>
<td>2.4</td>
</tr>
<tr>
<td>E</td>
<td>China</td>
<td>Virgin Plastic trading</td>
<td>1990</td>
<td>12</td>
<td>Personal choice</td>
<td>2.9</td>
</tr>
<tr>
<td>F</td>
<td>India</td>
<td>Restaurant and Catering</td>
<td>1999</td>
<td>16</td>
<td>Previously working in Tokyo and it’s a good market</td>
<td>1.2</td>
</tr>
</tbody>
</table>
### 4.6 Data analysis

There are according to Yin (2014) five different types of analytic techniques for case studies: pattern matching, explanation building, time-series analysis, logic models, and cross-case synthesis. This thesis employs a cross-case synthesis which is most relevant if multiple cases are used and when the case study tries to see if the cases can be replicated or not. The data is analysed across cases and generalisations are formed based on the result. The comparison of individual cases was done in word-tables and these either yielded patterns or showed contrasts between the cases. The questions asked in the interviews were categorized into different interview themes which then were analysed individually. Colour coding of the answers was employed to make the comparison process between interview themes and individual answers easier. The data from the individual cases was also compared with secondary data on cultural barriers to see whether the result matched previous the research or if there was a discrepancy. All interview themes is compared to the theory and discussed in the Discussion-chapter to get a complete view of the researched topic.
4.7 Validity and reliability

There are three types of validity for case studies: construct validity, internal validity, and external validity. Construct validity is to identify correct operational measures for the studied concepts. This can for example be achieved by collecting multiple sources of evidence or establishing a chain of evidence (Yin, 2014). This study is based on multiple cases to see whether the collected data is unique for each case or common across all cases and the collected was compared with previous research. Secondary data is also used complement the primary data. Internal validity is in qualitative study how well the result and the theories that are created correspond with reality (Christensen et al., 2001). However, internal validity is not a big concern, as the focus of a quality studies usually is not to measure things (Bryman & Bell, 2005). Internal validity is mainly a problem in explanatory case studies. One of the ways of improving the internal validity is to use patterns (Yin, 2014), which this study does. External validity is to see whether the collected data can be generalized (Christensen et al., 2001; Yin, 2014). External validity is a problem in qualitative research because of the use of case studies and the non-probability sampling (Bryman & Bell, 2005). In a multiple-case study, external validity can be improved by using replication logic, meaning that multiple cases are used to see whether the data will reveal the same or different results. The aim of this study is not to get a generalizable result, because the number of case companies is too few, their home countries differ and the interviewees comes from different backgrounds. However, we use multiple cases to get an initial indication of how the situation is, which then can be studied further in later studies. Three initial interviews were conducted two weeks before the other interviews. They served as pilot interviews, to see whether the questions were valid and understandable. The interview guide was revised and expanded based on the received feedback. The following are two examples of improvements that were made: definitions were added for the different lengths of contracts (short-term or long-term) and more questions were added about language. The interview guide was also sent beforehand to all of the interviewees to ensure that they understood the questions and had time to prepare answers.

Reliability is to what degree the research will yield consistent results (Christensen et al., 2001). There are two problems related to reliability in qualitative research. The first is that behaviour and opinions tend to change over time. The second is that the researchers themselves measures and analyses the data, compared to quantitative research which instead often utilizes data analysis software such as SPSS (Christensen et al., 2001). This study tries to achieve high reliability by following Yin’s suggestion to
document as much as possible (2014). The data collecting method is described in this chapter; the interview guide is available in Appendix A; and the interviews that were conducted over Skype were recorded, while only some of the telephone interviews were recorded due to technical difficulties. The answers were also written down during the interview and these were then cross-checked with the recording when this was possible.
5. Analysis and results

In the following chapter the findings and common patterns from the cross-case analysis will be presented and placed against the national cultural dimensions by Hofstede. The case companies’ complete index and country rank on Hofstede’s dimensions can be found in Appendix C. The analysis follows the themes that the interview questions were categorized in. The themes are power distance, uncertainty avoidance (business meetings, rigidity and age of the decision makers), individualism vs. collectivism, masculinity vs. femininity, and long-term vs. short-term orientation. The chapter ends with the case companies’ initial business problems their keys to success.

5.1 Power distance

Hofstede et al. (2010) rank Japan at index 54, which is just above 50 which is where the power distance is considered to be high. Philippines, China, India and Vietnam have higher power distance, while South Africa and USA have low power distance. Hofstede (2014b) do however state that the Japanese culture can be perceived to have high power distance because of the characteristic slow decision process and decisions are generally not made by only one person. Power distance is something that all but three companies struggled with, even though Hofstede’s data state that some of the case companies’ home countries have higher power distance than Japan. There was no clear difference in answers between industries or between the countries from high power distance cultures and low power distance cultures. Firm E (China) did not perceive that power distance was a barrier. The interviewee was from China (which the interviewee claimed to have high power distance) and had studied in the US. The interviewee, because of the experience of Chinese and US culture, felt prepared for the time it would take to reach a final decision. Firm M, also from China, mentioned that similar hierarchy issues were present in China but they were not as complex. Firm K (India) also said that the power distance was similar to what they had experienced in the home country. The only hindrance in their case was related to how they could get the Japanese companies to feel that Firm K respected them. The other case companies did not state that the hierarchy and / or power distance was similar to their home countries.
Eleven of the companies indicated that the decision making among Japanese companies was done at a central level. The Japanese subordinates had little power and had to ask their superiors for permission about different tasks. In the case companies home countries these tasks would be decided by the subordinates without involvement from superiors. Firm A (USA) and Firm D (South Africa) mentioned that the hierarchy was very long, even in small Japanese companies that they were in contact with. The interviewee from Firm G (India) mentioned that, “I thought I could manage it [the hierarchy] but it was difficult to reach the right person in the company”. Many of the case companies felt that it was difficult to get in contact with the person who was in charge or made the decisions. This person was often the CEO. Firm B (USA) referred to the decisions maker as “the king” and Firm C (India) that it was like meeting a “high profile film star”. In some cases it was difficult to even find out who the decision maker was. Firm J from Vietnam called this “the maze effect”. The employees that Firm F (India) encountered did not want to reveal information about who the decision maker was, as it went against the image of employee, and they feared that Firm F would mention their name as reference. The Japanese employees were also perceived to be reluctant to talk to their higher bosses even if the made a business sense. Similar experiences were perceived by Firm H (Philippines), Firm J (Vietnam) and Firm L (USA). Firm L did for example state that they could “sense a thing of fear in the subordinates”.

5.2 Uncertainty avoidance

The uncertainty avoidance on Hofstede’s index is very high in Japan compared to the case companies’ home countries. Japan has index 92 and the closest of the case companies’ home countries is South Africa with an index of 49. All of the case companies have low uncertainty avoidance, ranging from index 30-49 (Hofstede et al., 2010). This means that Japanese managers should be more involved in the daily operations and how things are run; the organisations is task-oriented and procedures are more fixed; there is a higher need for precision and formalisation; there is a strong loyalty among the employees towards their employer; and a lot of studies and information is collected before any decisions are made (Hofstede, et al., 2010; Hofstede, 2014b). This big difference between Japan, and that the case companies have similar indexes, should mean that the all of the case companies have similar experiences if Hofstede’s data matches the data from the foreign SMEs. As described in the following subchapters, this was indeed the case and six case companies used different measures that decreased the impact of uncertainty avoidance during their market entry in Japan. More measures were taken after the companies had been established on the Japanese market and these measures are analysed
in chapter 5.7 “Keys to success”. Uncertainty avoidance is also mentioned in chapter 5.6 “Initial Business problems”.

5.2.1 Business meetings

“Business meetings” was a topic that all of the case companies had problems with in one way or another. The individual answers from all case companies is summarised in Appendix D. There were a number of common themes: Formal meetings or formal clothing, amount of information needed, the number of Japanese attending meetings, and answers related to language. The answers from the case companies were overall generally about the same topics and at least two of the common topics were mentioned by each case company. There was no clear difference in answers between countries or industries.

One of the topics was that the meetings felt very formal: formal clothing was required and much detailed information was required compared to meetings in their home countries. This was generally for all companies that they were in contact with, but Firm M (China) deviated from the pattern and said that meetings only were formal with big companies. High context is something that is present in Japan and all of the case companies’ home countries, except for USA and South Africa which are low-context cultures. The US and South African case companies mentioned that much information was needed at meetings. Firm B (USA) mentioned that meetings felt very slow and most of the meetings were in silence. There was little feedback on what was said by Firm B and only one of the Japanese attendees spoke. The level of information that was needed was also noticed by seven of the companies from high-context cultures: Firm C (India), Firm E (China), Firm G (India), Firm H (Philippines), Firm J (Vietnam), Firm K (India) and Firm M (China). The amount of information needed felt like an annoyance because it required a lot of preparation. The meetings would get hindered because it increased the confusion and ruined the holistic perspective of what was being discussed. Firm J mentioned that in spite the amount of questions, formalities and number of meetings, the bottom line was never clear. Firm C mentioned that it was important that there was no uncertainty or ambiguity. Three of the case companies, Firm E, Firm F and Firm I, felt that the amount of information needed and questions asked were related to the relationships establishing process. Firm E and Firm I (USA) felt that they were being tested, as Firm E mentioned the questions and test were there “to establish the trust element by cross-checking and time tests”.

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Another common answer was that many representatives (up to 8-10) from the Japanese company attended the meeting, while only 1-3 representatives from the foreign SMEs normally attended. This answer was given by six of the case companies: Firm B, Firm C, Firm G, Firm I, Firm J and Firm K. Many meetings were held before a decision was met. Firm K felt that the number of Japanese staff only was there to show the importance of the presiding person. The whole situation was in their case initially taxing but they mentioned that they now are used to it. The combination of formal meetings and clothing, the information required, and many Japanese attending meetings were perceived and shared by all four of the IT and software consult companies.

Firm A (USA) and Firm F (India) mentioned that the Japanese language was a barrier. The word “No” was never used at meetings that Firm J (Vietnam) attended. Firm I (USA) stated that “failure” seemed to be forbidden in the organisation and the Japanese therefore rarely took any initiatives. Firm A further mentioned that it in their case were problems related to the use of correct gestures and to act humbly. Two of the case companies, Firm G (India) and Firm H (Philippines), avoided the language barriers during meetings by letting a Japanese business partner handling the communication with the Japanese companies.

5.2.2 Rigidity and age of the decision makers

The rigidness related to the decision process was something that five of the case companies perceived among their Japanese business partners. Two of these case companies, Firm C (India) Firm L (USA), also felt that the Japanese bosses’ and employees’ thought process was rigid. Firm H (Philippines) mentioned that their Japanese SME business partners insisted to use big infrastructure companies even though the cost was high and gave them no extra benefits. The Japanese SMEs were least important to the big network support and infrastructure companies, but still just for the big brand name attached to it becomes a social taboo to get detached from the big companies by the small ones, so to save the face these SMEs remained in the network. To get away from the big Japanese service providing companies was a big hindrance. Firm M (China) stated that the rigidness, and slow decision making and unclear communication, caused problems when it came to planning inventory and logistics.

Seven of the case companies stated that the bosses that they encountered generally were “old”. Firm A (USA) and Firm C was more specific and stated the bosses were around 60 years old. Firm G (India)
and Firm H (Philippines) stated that the bosses were older than 65+. Firm G elaborated and mentioned that the people around the boss also were nearing 60 years of age. Firm G also mentioned that it seemed like one of the most important traits was to be close to the boss’ age. Firm B (USA) stated that all the middle management and senior management in the Japanese companies, that they had contact with, were elderly. The age was seen as a problem or hindrance for companies that were in technology industries because the bosses that made the decisions had difficulties to understand technology and new technological developments.

5.3 Individualism vs. Collectivism

Japan is a collectivistic country with an index of 46 and India is close with an index of 48. The countries that are more collectivistic are: Philippines, China and Vietnam. USA and South Africa are individualistic countries. Collectivistic cultures are characterised by that the group is in focus and there is a belief that you work better in groups. Relationships are nurtured and the contact is better treated if there already is a relationship between the companies. The general behaviour of individuals tends to be more introverted and the communication is high-context (Hofstede et al., 2010). To avoid losing face is another characteristic of collectivism that Japan shares. It also appears that whether the culture is individualistic or collectivistic is depending on the situation. Japan can be perceived to be collectivistic by individualistic countries, while other Asian countries can perceive Japan to be more individualistic (Hofstede, 2014b).

All case companies except for Firm J (Vietnam) perceived that Japan’s culture was collectivistic. Firm J had conflicting experiences which was believed to stem from the characteristics of their industry (IT and software consulting). At times the group was most important and at times the work from individual members of the staff would be in focus and he or she would get compliments from the management. There was no discernible difference between the answers from the companies from individualistic national cultures and the companies from collectivistic countries. There was a slight different tone in the answer from the foreign SMEs from individualistic cultures e.g., Firm D (South Africa) used “they seem to”, while the case companies from collectivistic cultures were more of the type “this is how it is”. Firm B (USA) noted that they felt that in Japan the nation came first, the company second, and then the individual. Firm C (India) mentioned that it was visible that the individuals were not given importance and that the work is a very important part of their lives.
Common answers were that: achievements were attributed to teamwork and not to the individuals; it was rare with changes in Japanese companies in regards to staff and new employment; a group of people from the Japanese company attends meeting but the decisions was perceived to be made by one person. Common problems were that it was hard to finalise decisions and to get in touch with the right people. Firm C (India), Firm D (South Africa), Firm K (India) and Firm M (China) mentioned that the Keiretsu\textsuperscript{1} culture was a problem and hindrance to their business. Some case companies further claimed that the Japanese tend to have a mutual support attitude and would never go out of the association of the Keiretsu. Two other common problems were that the Japanese were restraint in the sense that they did not reveal a lot of information, both verbally and nonverbally. They were reluctant to talk negatively about their own company or companies that they were working with. As Firm A (USA) noted “people are afraid of thinking or doing against the trend and practices” and they it seemed like they never acted without consent from their superior.

5.4 Masculinity vs. Femininity

The culture in Japan is a very masculine and its country index is 95, which means that Japan is the second most masculine country that Hofstede \textit{et al.} (2010) studied. Vietnam is the only home country of the case companies that have a feminine national culture. The other case companies are considered to have a masculine national culture. However China, who has the highest index amongst the case companies, has index 68 (rank 11-13 of 76 countries) which is a big gap to Japan’s index which is 95. There is clear difference between the genders, both privately and in work situations, in Japan. Managers are more aggressive and decisive compared to managers in feminine cultures, but the aggressiveness is mitigated by Japan’s collectivistic culture. It is also common that employees are ambitious, hardworking and strives for perfection (Hofstede \textit{el. al.}, 2010; Hofstede, 2014b).

That Japan has high masculinity is supported by the collected primary data and all of the case companies mentioned that they perceived that the Japanese companies (that they were in contact with) were very male dominated; the gender inequality is clearly noticeable. Nine of the twelve case companies mentioned that women mostly were seen in secretarial or other lower office jobs. Firm D (South Africa) noted that they had to change their staff to only men when communicating with

\textsuperscript{1} In Japan there is a type of enterprise groupings called Keiretsu. These consists of companies in different industries that are closely connected through personal and financial relationships, e.g. cross-shareholding, interlocking corporate directorates, etc (Douthett, Jung, & Park, 2004).
Japanese companies. The reason for this was that the Japanese clients never took their female sales manager as serious business. There were however a few discrepancies: Firm G (India) had met a woman in the position of Chief Operating Officer which surprised them. After some time they learnt that she was the daughter of the CEO, which they believed to be the reason for the position. Firm F (India) noticed that managers listened and adapted to the opinions and advice that the female staff gave. Firm F speculated that the reason to this was that their industry (restaurant and catering) is not seen as a male job. However, the CEO’s that Firm F was in contact with was always male. Generally speaking the gender equality was not seen as a problem. As Firm J (Vietnam) stated, it just is an observation. The gender inequality was clear but they did not feel that it was a problem, because their female employees were not involved in the initial business procurements.

5.5 Long-term vs. Short-term orientation
This topic is related to the dimensions Individualism vs. Collectivism and Uncertainty avoidance, and has been discussed under those chapters in regards to Keiretsu and business relationships. The length of contracts will be analysed in this chapter. Short-term contract is in our case contracts that are shorter than one financial year and long-term contracts are contracts that are longer than one financial year. Japan’s national culture is long-term oriented (Hofstede et al., 2010) with the index of 88. China follows closely with the index 87. Two of the other case countries are also long-term oriented: Vietnam and India, with the index 57 and 51, respectively. South Africa, Philippines, USA are more short-term oriented. In Japan’s case this means that their culture is more future-oriented. Relationships tend to be on long-term and the profit focus is also long-term, one year or more into the future. The focus is to grow the market shares rather than focusing on short term profits (Hofstede et al., 2010; Hofstede, 2014).

All of the case companies who used contracts stated that these generally were for a longer-term, one year or above, and short-term contracts were discouraged. Neither of the case companies mentioned that the time orientation was a problem for them. The problems were more related to establishing the relationship with the Japanese companies. As Firm G and Firm L stated: relationships were not based on time; you were either in or out. The foreign SMEs were part of the Japanese companies “group” once they had been tested by the foreign SMEs. As in Firm I’s case: if the contracts were on a short-term it would still establish important relationships with the Japanese company, which in the future could turn into a long-term contract. Firm M mentioned that the Japanese companies could reduce the
number of orders, but that they never would put you out of business if they are surviving. The difference in the lengths of contracts appears to be depending on the industry but there was not enough data to be able to see a difference within the same industry. Firm F was the only case company that did not use contracts and this was because of the industry that they were in (restaurant and catering). Among the four IT consulting companies, Firm A and Firm C had contracts that lasted between one and two years, and Firm J and K had contracts that lasted only a year. Firm K’s one year contracts were renewed annually plus that they at the time of the renewal also were offered shares in the Japanese companies. The length of the contracts can be seen in Table 4.

Table 4: Length of business contracts

<table>
<thead>
<tr>
<th>Firm</th>
<th>Home country</th>
<th>Industry</th>
<th>Length of business contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm A</td>
<td>USA</td>
<td>IT consulting and development</td>
<td>1 year and above.</td>
</tr>
<tr>
<td>Firm B</td>
<td>USA</td>
<td>Motor Belt trading, Automobile Ancillary</td>
<td>1 year and above.</td>
</tr>
<tr>
<td>Firm C</td>
<td>India</td>
<td>IT consulting</td>
<td>Generally 1 to 2 years contract.</td>
</tr>
<tr>
<td>Firm D</td>
<td>South Africa</td>
<td>Precision cutting tools</td>
<td>Mostly 2 years, some 1 year.</td>
</tr>
<tr>
<td>Firm E</td>
<td>China</td>
<td>Virgin plastic trading</td>
<td>1-2 year renewable contracts.</td>
</tr>
<tr>
<td>Firm F</td>
<td>India</td>
<td>Restaurant and Catering</td>
<td>No contracts, but frequent visits from clients.</td>
</tr>
<tr>
<td>Firm G</td>
<td>India</td>
<td>Software Development</td>
<td>1 year.</td>
</tr>
<tr>
<td>Firm H</td>
<td>Philippines</td>
<td>Network Support</td>
<td>Mostly 2 years, some for 1 year and some for 3 years.</td>
</tr>
<tr>
<td>Firm I</td>
<td>USA</td>
<td>Recruitment</td>
<td>Mainly long-term. Relationships formed even if short-term.</td>
</tr>
<tr>
<td>Firm J</td>
<td>Vietnam</td>
<td>IT / Software consulting</td>
<td>1 year.</td>
</tr>
<tr>
<td>Firm K</td>
<td>India</td>
<td>IT / Software Consulting</td>
<td>1 year, annually renewal + offer of share in company.</td>
</tr>
<tr>
<td>Firm L</td>
<td>USA</td>
<td>Investment and Tax consulting</td>
<td>Long-term.</td>
</tr>
<tr>
<td>Firm M</td>
<td>China</td>
<td>Computers, spares, and electronic goods distributor</td>
<td>Long-term.</td>
</tr>
</tbody>
</table>

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5.6 Initial business problems

Most of the case companies struggled to enter the Japanese market. The case companies that did not struggle had a connection before the business in Japan started (Firm B), e.g. that their first client was a company that they already worked with (Firm M) or that the first client was an ex-employer (Firm G). Another example that eased the entry was to initially offer their services for free (Firm F and Firm J). Firm E (China) also had fewer problems which they believed to be because the Japanese contact person was half-Chinese. The other companies all used words like “difficult”, “very difficult”, “very tough”, “almost impossible” or “impossible” to describe how the initial business was. The reason for this was that they were not able to establish a relationship with the Japanese companies, plus a lot of references and feedback were needed (either from within the Japanese network, from previous clients, or a combination of both). Firm A mention that the references still was needed after initial contact had been established with the Japanese companies. A common answer that the case companies gave was that the communication with the Japanese companies became smoother after they had established the business relationship. In Firm F’s case the business started going after the boss in the Japanese company started using their services and recommended it to his contacts. In the case of Firm L they mentioned that the future business was also equally tough because of the characteristic of their industry, which meant that the Japanese companies did not share Firm L’s details with clients. They did thus not have any references to give to clients and they could only show their expertise and build trust. A case that stood out was Firm C. They had initially tried to enter the market without offices in the country (everything was online) but they failed. They later retried and entered the market in 2009, ten years after their initial try, with physical offices in Japan and contact with Japanese companies.

5.7 Keys to success

All of the case companies had been in Japan for several years (24 years is the longest, and 5 years the shortest) and the following were their keys to success to a successful market entry in Japan. Many of them were shared by most of the case companies but some were only mentioned by 1-3 of the case companies. See Appendix D for a complete overview of all 12 case companies’ individual keys to success. There were no noticeable differences in the keys to success between the case companies. The analysis show that a certain key to success was not unique to only one country, national culture, year of entry, or type of industry.
To adapt to the Japanese culture in one way or another was something that all case companies did and mentioned to be a key to success. Two of the case companies, Firm C and Firm J (Vietnam), stated that a key to success was to adapt to, and try to understand, the Japanese culture in general. Most of the case companies were however more specific about what type of cultural adaptation that was their keys to success. Firm A (USA) and Firm B (USA) did for example mention that to have older employees (or to have employees that looked older) at leading positions was one of the keys to success. This is something that is related to uncertainty avoidance and power distance.

The Japanese language was a common answer that eleven of the twelve case companies mentioned either directly (language barriers) or indirectly (the use of Japanese staff). Three of the case companies, Firm A, Firm B, and Firm G (India), stated that learning the Japanese language was a key to success and Firm C (India) and Firm K (India) stated that they used a Japanese name for their Japanese company. Another common way of avoiding the language barriers and contact with Japanese was to have Japanese staff that runs different parts of the company’s operations in Japan. As Firm F (India) mentioned: “Japanese employees and association with other Japanese restaurants worked in breaking the Japanese barriers”. Firm F and eight of the other case companies explicitly stated that Japanese staff was something that was a key to success: Firm C, Firm I (USA), Firm K and Firm L (USA) stated that they had Japanese staff but did not mention specifically for what positions; Firm B used Japanese staff for the front-end of their Japanese operations; Firm A and Firm F only used Japanese for as sales or service manager; Firm D (South Africa) and Firm M (China) used Japanese sales staff. Firm G and Firm H (Philippines) did not have Japanese employees, or mentioned that it was a key to success, but they stated that their Japanese business partner handled the communication with other Japanese companies during business meetings. The use of Japanese staff is also related to power distance and uncertainty avoidance which previously has been discussed.

To establish and maintain a business relationship of some kind within the Japanese market was a key to success according to five of the case companies. Firm L (USA) mentioned that relationships are important because the “Japanese are very privacy sensitive”. Firm G’s market entry was mitigated because they already had a relationship with a Japanese employer. Firm D and Firm E (China) shared profits which helped when establishing their first business relationships with Japanese companies. Firm D gave their clients a share of the profits if they recommended Firm D to other Japanese companies.
Firm E used their contacts with a company that already was established on the Japanese market. The company had access to two Keiretsu groups and they helped Firm E in return for a share of the profits. Firm F (restaurant and catering) used their female staff to recommend Firm F to Japanese companies. The also established relationships with Japanese restaurants by suggesting, and subsequently offering, combined menus of Japanese and Indian food. These measures are related to Hofstede’s Power distance, Uncertainty avoidance and Long-term orientation.

The following were keys of success that was only mentioned by one case company. Firm A stated that to be prepared at meetings was a key to success. Firm C stated that they had “a big capital base” to fall back on but that this only was a minor key to success and that success in their case was more related to adapting to the Japanese culture, using Japanese staff and a Japanese name for their Japanese company.
6. Discussion

In this chapter the analysed secondary and primary data will be discussed. The result will be compared to previous research on culture, language, communication and intercultural communication. This chapter also discusses how the findings can be put into relation to the conceptual model.

6.1 Cultural barriers

In our study we have tried to gather the information regarding the cultural barriers faced by the foreign SMEs entering Japan. We have found that the foreign SMEs entering Japan had faced cultural barriers in various dimensions. Cultural difference between the case companies did not appear to have a big impact on their answers, because these were generally quite similar, even if the cultural differences were big between the nations. One example of this is that Japan is a high context culture which means that there is need for much information. This is something that countries from both low context and high context cultures perceived to be annoying. The two Chinese companies seemed to best adjusted to the Japanese culture and the business situation that they encountered, but the rest were in similar situations regarding the Japanese culture and the business situation.

Figure 5: The conceptual model in relation to the Japanese market
Figure 5 shows how the conceptual model can be applied in this study to the foreign SMEs (from six different countries) doing business in Japanese market. All of the national cultural dimensions and language were present in Japan market environment. Of all the dimensions three dimensions were found to be barriers during market entry and when doing business in Japan. Masculinity was observed by the foreign SMEs, but it was not found to be a barrier. It is unclear whether the Long-term orientation in Japan was a barrier because only the relationship aspect was expressed by the foreign SMEs, so it is marked as non-barrier in the model. Language was found to possibly be a barrier as it was the first mode of communication. It will be discussed further in chapter 6.2 along with the probable solutions if any of the dimensions was a barrier.

When relating the findings to the cultural onions by Hofstede et al. (2010) and Trompenaars & Hampden-Turner (2012) it becomes clear that both the explicit and implicit part of the culture were apparent to the foreign SMEs. For example business practices (implicit) or gender equality (implicit). It is important to note that the cultural barriers in many cases appeared to be converging and that the case companies responses can not only be attributed as to being the result of a single cultural barrier. One example of this is the case companies’ perception of Japan’s power distance and hierarchy (which they had problems with) when it according to previous research by Hofstede (2014b), most likely is a combination of power distance, uncertainty avoidance and collectivism. Javidan et al. (2006a) mention that to be able to understand a culture, you need to understand its core values and this is something that was lacking among the foreign SMEs in the previous example.

6.1.1 Power distance
Japan is as Hofstede et al. (2010) state a close-knit society and has its own deep rooted culture which was much visible in this study. All of the foreign SMEs faced the cultural barrier in different dimensions. The cultural dimension of power distance was a barrier for almost all the companies. The hierarchy in some cases felt long in Japanese companies. The difference appeared to be greater than what Hofstede’s data showed, because many of the foreign SMEs national cultures have higher power distance than Japan on Hofstede’s index and higher placement in the GLOBE study’s (House et al., 2004) power distance dimension. Some of the foreign SMEs should thus be accustomed to the high power distance. That the index did not match the primary data can possibly be related to what Javidan et al. (2006a) found in their study: that there only was a positive correlation between core values and
the patterns of the culture in the dimension “in-group collectivism” and “gender egalitarianism”, while it in the others were negative. Hofstede’s view is that that this correlation is positive. Another possible explanation of the result was provided by one of the case companies from China who mentioned that the hierarchy was similar in China, but that the hierarchy in Japan was more complex. Many of the case companies mentioned that much information and many meetings were required before any decisions were made. This is supported by Hofstede (2014a) who states that Japan can feel very hierarchical because of slow decision making processes, when it reality is not as hierarchical as it is perceived to be. The power distance barrier retarded the pace of the growth and also gave a shock especially to the Western SMEs that ventured into Japan. This barrier is an initial barrier and it is faced at the time when the SMEs are absolutely new to the country. Parry (2006) mentioned the importance of seniority and rank in Japan and as per Hofstede et al. (2010), the position in Japanese companies is important and therefore there is a high degree of power distance among the superiors and the subordinates. This attribute has kept the foreign SMEs confused during pitching their product or service. The uncertainty of approach and the identification of the right person had a huge toll on the foreign SMEs.

6.1.2 Uncertainty avoidance, Individualism vs. Collectivism and Long-term orientation

Trompenaars & Hampden-Turner’s (2012) dimension Specific-Diffuse is related to Uncertainty avoidance and Individualism vs. Collectivism. Japan has according to the theory a diffuse-culture which the data from the foreign SMEs confirms. The relationships were hard to initiate, but the case companies had access to the Japanese companies’ business network once the relationship was formed. Following this there was a bigger likeliness that they would be recommended to, and accepted by, other Japanese companies. Uncertainty avoidance hence emerged as a cultural barrier. The attribute of rigidness, being extra careful and making the same, is a hindrance to the SMEs. The steps to avoid uncertainty is a good attribute and Japan scores very high on Hofstede’s index as compared the case nations. The Japanese ranked themselves in the middle in the GLOBE study’s dimension (House et al., 2004), which could indicate that there is a mismatch between how the foreign SMEs and the Japanese companies view uncertainty. This study reveals that the uncertainty attribute calls for too much preparation before and after the meeting. The kind of preparation expected has more importance than the sole purpose of the meeting. This result does coincide with the previous research (Parkhe, 1998; Hofstede et al., 2010) but when it comes to business this is a barrier to the foreign companies. The uncertainty avoidance and power distance is also shown in the way that short-term contracts were
discouraged. One company were annually offered shares in their Japanese business partners company, perhaps in a way to further ensure that the business relationship would last. This can be related to previous research which state that Japan is relationships oriented country (Robson & Slater, 2012) and that lifelong personal networks are common (Hofstede et al., 2010). House et al., (2004) states that Japan’s cultural practices rank high on future orientation and this might be what the foreign SMEs experienced regarding the preference of long-term contracts and business relationships; the Japanese companies are focusing on long-term planning, something which is a characteristic for Long-term orientation.

Japan, according to Trompenaars & Hampden-Turner (2012), has a neutral-culture which means that they do not show emotions in public and they do not reveal what they are feeling or thinking. Meetings are more focused around propositions and facts. This is something that is supported by both the collected data and the secondary data. This posed a problem when it came to finalising decisions and to get in touch with the right person. Hofstede (2014b) state that Japan on the paper is a collectivistic country, but that it in reality can shift between collectivism individualism based on the situation, and this is supported by House et al. (2004). Japan is according to the findings in this study perceived to be a collectivistic country to the foreign SMEs.

The “Individualism vs. Collectivism” dimension was found to be a barrier in relation to business relationships. The findings match the characteristics of Japanese business relationships that Parry (2006) and Goodman (2000) described, for example that the Japanese tend to think collectively and that it is common with consensus decision making. This study confirmed the rigidity of the Japanese people and also established that the society is very close-knit and sheltered. It is difficult for foreign companies to enter the association or the group for business. The Keiretsu culture as described by Robson & Slater (2012) was found to be still there in different forms presenting the barrier for the foreign SMEs. In spite of better business propositions from the foreign SMEs, the Japanese companies were reluctant to conduct business with them. This can be explained by previous research by Hofstede et al. (2010) on relationships in Japan. Also, previous research by Gundling (1991), Parkhe (1998) and Parry (2006) states that loyalty and trust is important in Japan, which can explain why it was hard to establish relationships. Trust was hinted in the answers from a few of the case companies that mention that it felt like they were being tested or that Japanese business partners handled the communication
with the Japanese companies. That Japan is a neutral-culture and diffuse-culture gives a good explanation to the barriers that the case companies perceived. It was difficult to establish business relationships and to finalise decision, but once these business relationships were established the business with Japanese companies were smoother, and the case companies were recommended to other Japanese companies also.

6.1.3 Masculinity vs. Femininity
The collected data on Masculinity vs. Femininity reflected Hofstede’s findings and the situation described by Ford & Honeycutt (1992) and Herbig & Milam (1994). It also to some degree matched the characteristics of a culture with low gender egalitarianism (House et al., 2004) but the data in study cannot be compared with the GLOBE study because it was not measured differently and it was from the foreigner’s point of view. It does however suggest that gender equality is viewed differently in Japan and in the foreign SMEs’ home cultures. It was clear to all companies that the society was very male dominated and that there was gender inequality. Only one company, Firm D, did however state that it was a problem. They had to replace a female sales manager, even though she was qualified for the job, because she was not respected by the Japanese company representatives. The rest of the case companies acknowledged the differences and worked around them; they were more seen as an annoyance than a cultural barrier that affected the communication with the Japanese companies. Japan’s values on assertiveness (House et al., 2004) are very high on the cultural values and low on the cultural practices. The characteristics of high assertiveness (e.g. competitiveness, explicit communication; and results over relationships) were not mentioned by the foreign SMEs, but many of the characteristics of low assertiveness were (seniority, loyalty, face-saving and that relationships are valued). This mismatch can possibly be attributed to the way that the data was collected in the GLOBE study.

6.2 Intercultural communication and cultural intelligence
It was in intercultural communication situations that the cultural differences came into light. Japan is a collectivistic and high context culture. This means that they require a lot of information to understand a given situation (Hall, 1990). This could be one of the reasons to why the case companies answered that much detailed information was needed at meetings and for decisions. They need more information to decode a message compared to the amount that the case companies would need. Bargiela-Chiappini et
al. (2005) stated that the use of a common language reduces the need to have a deep knowledge about the different culture. This might be one of the reasons to why many of the case companies hired Japanese staff that handled the communication with the Japanese companies. Another example was that one of the case companies’ employees received Japanese language training from their company. Durant & Shepard (2009) mentioned that intercultural communication includes both verbal and nonverbal communication. The non-verbal communication was noticed by several companies in different ways: the use of formal clothing was a common answer and Firm A had problems related to how to act humbly and use correct gestures. The language barriers was also present to Firm B and they were annoyed that meetings felt slow and that most of the meetings was in silence. This is something according to Feely & Harzing (2003) is a sign of the presence of language barriers. The social expectations that Chen et al. (2006) mentioned was also noticeable in the way that the Japanese communicated and acted. Face-saving was seen by some of the case companies and the Japanese did not want to reveal information about the own company or speak badly about competitors. The language barrier was only mentioned explicitly by a few of the case companies, but it was apparent that language was a barrier for almost all case companies. When asked about keys of success, nine out of twelve case companies mentioned that they had hired native Japanese staff to run certain parts of their business in Japan. Three of the companies had also translated the company name to Japanese to better fit in. It appears that these are two ways to reduce the impact of the cultural barriers and language barriers.

The case companies did over time learn more about the Japanese and this is what Crowne (2008) and Ang et al. (2011) calls cultural intelligence (CQ). The analysis of the national cultural dimensions supports that to have knowledge about the foreign country is one of the key factors to success abroad. As previously mentioned, the two Chinese case companies appeared to be the least affected by the cultural barriers. The interviewee from one of the Chinese companies had also studied abroad and indicated that he/she was aware of the cultural barriers in Japan. One company from India also stated that the levels of power distance in Japan were similar to those in India. One way of achieving cultural intelligence for Japan was to come from a culture where certain aspects are similar to the Japanese culture, and hence have similar frames of reference. Another way to learn about the Japanese culture was to experience the differences, either from a different perspective or by living in Japan. Previous research (Crowne, 2008; Morrell et al., 2011) stated that you gain knowledge most effectively through international experience and which the collected data indicates. One of the firms tried to enter the
Japanese market with little knowledge about the country without any physical offices in Japan and they failed. They retried ten years later with a physical presence in Japan and they successfully entered the market. A majority of the companies had problems with the barriers, but it was indicated in their answers that they over time had gained knowledge about the barriers and adapted to them.
7. Conclusions and contributions

In this chapter the two research questions will be answered and this is followed by the contributions that this study adds to previous knowledge and theory.

7.1 Research question 1: How similar is the experience of foreign SMEs to the theory of national cultural dimensions and how are these cultural dimensions affecting the foreign SMEs entering Japanese market

The cultural barriers affected the case companies most at the beginning of their venture into Japan. As time progressed they adapted to the cultural barriers and changed their ways of doing business in Japan. The national cultural differences were in most cases not found to have a big impact on the perception of the cultural barriers. The only clear difference that could be seen between the nations was that the Chinese case companies appeared to be the most adjusted to Japanese culture and Japan in general. All of the other case companies expressed similar problems related to the cultural barriers. It also appears that some aspects were unique to certain industries, e.g. the responses from the restaurant/catering company were quite different from the other foreign SMEs, and this appeared to be more related to the industry rather than to national culture.

The result shows that Power distance, Uncertainty avoidance and Individualism vs. Collectivism had an impact on the case companies during their market entry and initial business in Japan. These barriers were either big or smaller, but present to some degree for all case companies. The size of the barriers were different depending on cultural intelligence or external advantages during to the market entry, e.g. an already existing relationship with a Japanese company, a represent from a Japanese company, or access to a Keiretsu group. The barriers Power distance, Uncertainty avoidance and Collectivism tainted the view of the Japanese hierarchy, as previous research show that the hierarchy is not as big as some of the foreign SMEs perceived it to be. All of these barriers posed problems to the foreign SMEs and forced them to adapt and change their ways of doing business.

The Long-term orientation did not appear to be as obvious as the previously mentioned barriers. It posed problems related to getting short-term contracts and possibly because Japan is a relationship
oriented country. Once these relationships were established the Long-term orientation was rather an advantage than a barrier because Japanese business relationships are strong and tend to last long. The last of Hofstede’s dimensions, Masculinity vs. Femininity, was mentioned by most of the foreign SMEs and it was clearly visible that Japan had a masculine culture in relation to gender inequality. It was however only found to be a minor barrier to one of the foreign SMEs because they were not aware of the gender roles in Japanese companies. For the other foreign SMEs the masculinity was merely an observation that they had to work around. Masculinity vs. Femininity can thus be seen as a non-barrier for foreign SMEs entering Japan.

As described above the findings of this study shows that foreign SMEs experience of cultural barriers are similar to the findings of previous studies. The five main national dimensions by Hofstede (Power distance, Uncertainty avoidance, Individualism vs. Collectivism, Long-term vs. Short-term orientation, and Masculinity vs. Femininity) matched the findings of this study (with a possible exception to Power distance). Hall’s theory on context also matched the findings and also shows that Japan is a high context culture.

The language barrier was only mentioned expressly in relation to the verbal part of language by three of the foreign SMEs, but the barrier was found to have an impact on almost all of the case companies. An example of this was silent language related to Japanese business etiquette and business attire or that words similar to “no” rarely was used and that instead more indirect phrases was used.

### 7.2 Research question 2: How have the foreign SMEs overcome these cultural barriers

There were four main measures that the foreign SMEs performed to overcome the cultural barriers. The first measure was time and to experience the barriers in person. The foreign SMEs initially struggled with the cultural barriers during their entry to the Japanese market but as time went on they learned from their mistakes and adapted to them in different ways. These are described in the following measures taken by the foreign SMEs. The second measure was to engage in business relationships, for instance to gain access to Keiretsu groupings or to use clients as a referrer in return for shared profits. Business relationships were either established before or after entering the Japanese market. This reduced the uncertainty avoidance and collectivism barriers. The third way was to adapt to the Japanese culture in general and to the Japanese business practices. For instance, to mirror or adapt to the
Japanese ways during business meetings: to wear formal attire, preparing detailed information and presentations, or try to predict what questions that may be brought up during the meetings. Another example employed by one of the foreign SMEs was to mirror the Japanese companies and use employees that are 50 years of age or older for leading positions. The last way, which also was the most common one, was to hire Japanese staff to run certain parts of the companies operation or to handle communication with Japanese business partners. A similar way, letting a Japanese business partner handle the communication with Japanese companies, was employed by two of the foreign SMEs. By doing this the foreign SMEs reduced the language barriers and the other cultural barriers’ impact on their business. Some of the foreign SMEs also translated the name of the company.

7.3 Contributions
This study compliments the previous studies done on the Japanese market with larger companies and on barriers in general. This study reflects the similarity in the inclination of Hofstede's cultural dimensions in the business environment as to the society in general. Though, the findings are not radically different or critically challenge the present theories. However, the study definitely compliments the past studies of cultural barriers in a culturally far distant market (Japan in this case) by giving it a perspective from foreign SMEs point of view, as it was established in the problem discussion, previous research has not explored the cultural barrier explicitly in connection to foreign SMEs entering the Japanese market. This study also contributes to the fraternity of academicians who are studying the challenges faced by SMEs for internationalisation by directing them to a different, though not new, branch of cultural barriers for SMEs in foreign markets. This study contributes to the existing research on cultural barriers and language barriers in Japan, by adding the perspective of 12 foreign SMEs from six different countries that are operating in different industries in Japan. Several countries showed similar results even though their home cultures, according to the data by Hofstede et al. (2010), are either close or far from the Japanese culture. The study also contributes to previous research by describing that “Masculinity vs. Femininity” and “Long-term vs. Short-term orientation” were not perceived to be barriers during initial entry to Japan for foreign SMEs.

In relation to culture in Japan the findings shows that the results drawn by Hofstede was similar to the results derived in this study, despite the criticism that Hofstede dimension has received (McSweeney, 2002; Javidan et al., 2006a; Fougère & Moulettes 2007). Another way that the findings add to the
theory is that the data is comparatively more contemporary. A majority of Hofstede’s data was collected between 1967 and 1973, while the dimension “Long-term vs. Short-term orientation” was added in 1991 (Hofstede, 2014a). The findings, although based on a small sample, thus add to the theory on cultural barriers in Japan and confirm the previous data collected by Hofstede and shows that it also applies to SMEs. The study also contributes to the knowledge of understanding the measures foreign SMEs take to overcome the cultural and language barriers in Japan. The foreign SMEs used bi-lingual Japanese as their frontline sales staff who were very successful in overcoming the language and some cultural barriers. The use of bi-lingual staff is something that previous research has not mentioned.
8. Reflections

In this chapter managerial implications will be given based on the findings and what managers can learn from reading this thesis. This is followed by a discussion of the weaknesses of the study, what the limitations are and how the limitations might have affected the result. Suggestions for further research is then given based on the findings and established limitations.

8.1 Managerial implications

The results of this study can be interesting and helpful to managers in different ways. It is particularly useful and gives direction to the foreign SME aspirants on the preparation back home before venturing into Japan market or companies that are thinking about going into Japan in the future. However, it can also be helpful for companies who already are in Japan because the findings give an initial look on how the current situation is for other foreign SMEs in other industries. The study also saves on time and money for the aspiring SME entrants by giving them probable solution(s) on dealing with the cultural barriers in Japan. This can be very strategic and valuable to SMEs as they are mostly short of both financial and operational resources.

The findings reveal that most of the foreign SMEs struggled during the market entry and used words as “difficult” and “impossible” to explain how the initial business was. The foreign SMEs perception of the cultural barriers was quite consistent with Hofstede’s research. This means that managers of SMEs can benefit from studying existing literature on cultural barriers before venturing into Japan, as it is likely that the theory also applies to SMEs. There was a difference between the perception of the levels of Power distance and what the literature states, but one of the possible explanations for this was given by Hofstede (2014b); the Power distance in Japan can be perceived to be high because of slow decision making processes. Previous studies (Crowne, 2008; Morrell et al., 2013) also suggest that cultural barriers can be lowered by studying cultural differences and that this is a key factor to success abroad. Further, the findings also suggest that the cultural barriers are not the only factor that is affecting the market entry process. One factor that arose during the study was type of industry, so there may be of interest to also scrutinize the characteristics of the industry and see how these are related to the theory on cultural barriers.
Further, the findings also reveal that it is common for foreign SMEs to hire Japanese staff and that this was a key to success in Japan. The use of bi-lingual Japanese staff reduced the barriers that were experienced during intercultural communication. It is thus suggested that companies should hire Japanese staff as early as possible who handles the communication with the Japanese companies and customers. Another aspect that emerged from this study is that Japanese managers hired would be more productive, as far as dealing with cultural barriers is concerned, if he is in his late 50’s as there is undisputed regard and respect for elders. This can be a good starting point for an investment in Japan and ease the market entry because the number of potential negative intercultural encounters is reduced.

Lastly, it was found that Japan is a relationship oriented culture and trust has to be earned before a business relationship can be established. This was done in different ways by the studies foreign SMEs: using previously established relationships before entering Japan, entering a Keiretsu group, sharing profits with clients, or using Japanese staff to recommend the foreign SME to other Japanese companies. Japan is a high trust society and it was also mentioned that once relationships were formed they would last long and the foreign SMEs’ Japanese partners recommended them to other Japanese companies. It is thus recommended that managers try to focus extra on the relationship establishing process. Even though it is expensive in the short run it pays off in the long run.

8.2 Limitations

Though there are twelve case companies interviewed, the number of companies for different countries may not be enough to generalise the conclusions. With the limited number of sample there may be a chance that the findings only represent the views of the twelve case companies and not the actual situation. For example, the result of this study hinted that the US case companies were most affected to the cultural barriers, but it was hard to draw any conclusions because of the small sample (4 US SMEs) and that the US companies had different conditions during the initial market entry, which either helped or hindered them. Further, though the authors have taken good care to keep the information reliable and valid, there still might be a bias in regards to cultural differences between the interviewer and the interviewee. There may have been a perception gap between the researchers and the case companies’ correspondent during the interview and also later when the data was interpreted and analysed by the researchers.
Another limitation of the study is that we could not get any interviews with the companies who recently have entered Japan. The studied case companies have been in Japan for at least five years and most of them have been in Japan for over 13 years. Another factor that was not explored, and could have biased the result, was the level of cultural knowledge of the interviewees. They might perceive that the barriers have been breached successfully, but their limited knowledge may prevent them from seeing that the barriers still exists. This was hinted in relation to how they perceived the hierarchy in Japan. That only one person was interviewed per company in eight out of twelve case companies, though the interviewed person was mostly the CEO or his equivalent, still there may be a possibility that his responses may have been biased. The interviewees’ level of cultural knowledge may not correspond with level of cultural knowledge of the other employees in the company.

8.3 Further research

The following suggestions for further research is proposed based on the limitations and the research findings. Firstly, a quantitative based research, or a mix of qualitative and quantitative research, on a larger group of SMEs, across different industries and countries. This can be an interesting topic to research because the Japanese market is a very agile and big market. A further study could be conducted to explore the entry mode into Japan market with least barriers in a particular industry. It would also be interesting to do a study with several interviews within the same company to see if the perceptions of the cultural barriers are unique to one individual or if the perception is shared among all or several members of the staff. Further studies should also investigate the impact of year of business entry and staff strength more deeply. The findings of this study yielded similar results no matter what the year of business entry and staff strength was, but this might not be the case if the sample is bigger or if the data would have been quantitative.

Secondly, this research revealed that the language was a barrier that most of the foreign SMEs took actions against to reduce. It would be interesting to simply on only language barriers and to see how these affect the business in detail. This study is an exploratory study, so the questions asked are “how”, while “why” to some degree has been established by comparing the data with theory, or through the brief explanations that the case companies themselves gave. Further studies should explore why the foreign SMEs acted in a certain way. For example why do they employ Japanese staff rather than giving language training to existing employees from the foreign SMEs?
9. Reference list


Arora, A. & Gambardella, A. (2004), working paper 1058 “The Globalization of the Software Industry: Perspectives and Opportunities for Developed and Developing Countries”.


Hall, E.T. and Reed Hall, M. (1990), *Understanding cultural differences*, Intercultural Press, Yarmouth, Maine, USA.


Marks, M., and Mirvis, P. (2010), *Joining forces: Making one plus one equal three in mergers, acquisitions, and alliances*, Jossey-Bass, San Fransisco, CA, USA


Appendix A: The issues covered in the semi-structured interview

Interview guide

Questions were informal in nature and were not necessarily in the order shown below:

1. How long you have been in Japan running the company?
2. Why did you choose Japan as a place to internationalisation your firm?
3. When you arrived in Japan were you aware that you may have to face some of the challenges or barriers when establishing business here?
4. What kind of challenges did you face – like
   a) Legal process (like company registration, tax no, etc)
   b) Government regulations which might have been difficult to adhere to
   c) Recruiting employees (Foreign and Japanese)
   d) Language
   e) Culture in general
   f) Business Culture
   g) Japanese way of decision making
   h) Favoritism for local people and products, like fanatic about “Made in Japan”
   i) Keiretsu culture
   j) Market perception and access
   k) Advertising and Promotion
   l) Any other issues?
5. Are you able to talk to the decision makers of your customer company?
6. How many times there has been a meeting with the person who is responsible for making the decision for business?
7. During business meetings what kind of difficulties you had faced. Example Language, Homework, commitment expectations preparation for the meeting, body language, communication structure, future plans and meeting participation?
8. Was doing business smooth for first few clients as compared to the following clients?
9. Do you see frequent change in people in the organisation you meet with for business or you have been meeting the same lot of people?
10. What do you feel about the rigidness of the clients you do business with? If yes what do you think was the reason?

11. What was the average (approximately) age of the decision maker in the customer company? Was it a hindrance in anyways?

12. How many people you meet with when you go for a business meeting? Did you feel like someone was trying to be the leader or was more influential in the meeting them others?

13. Does the decision come in the time expected or it takes time?

14. Were you able to influence one of the persons more than others in the organisation to get your point across?

15. Do you socialise with the customer companies’ employees and Managers, together or separately?

16. Have you met any female manager or decision maker in your client company?

17. What is the general duration of contracts - term (please specify years)

18. What was the general tendency of the companies to be engaged in terms of the time period?

19. Did language pose any issues initially? If so, in what way?

20. What was your take on the Japanese language as a tool to interact with Japanese business people was it helpful if you knew Japanese?

21. What was your strategy to meet with or overcome the challenges faced by you and how successful you think you were?

22. What was your annual revenue last year (1-2), (2-3), (3-4), (4-5), (5 and above) in million USD?
# Appendix B: Operationalisation

<table>
<thead>
<tr>
<th>Cultural Dimensions</th>
<th>Theory and explanation</th>
<th>Interview theme / Questions</th>
</tr>
</thead>
</table>
| **Power Distance**  | This dimension refers to how members of the culture accept and expect that power is distributed unequally within the society or organization. | 1. Are you able to talk to the decision makers of your customer company?  
2. How many times has there been a meeting with the person who is responsible for making the decision for business? |
|                     | Adapted from: Hofstede *et al.* (2010); Hall (1990) |  |
| **Uncertainty avoidance** | This is the level of the member of the culture is threatened by uncertain situations. | 1. During business meetings what kind of difficulties you had faced. E.g. commitment expectations, body language, communication structure, future plans and meeting participation?  
2. Was doing business smooth for first few clients as compared to the following clients?  
3. Do you see frequent change in people in the organisation you meet with for business, or have you been meeting the same lot of people?  
4. What do you feel about the rigidity of the clients you do business with? If yes what do you think was the reason?  
5. What was the average (approximately) age of the decision maker in the customer company? Was it a hindrance? | |
|                     | Adapted from: Hofstede *et al.* (2010); Trompenaars & Hampden-Turner (2012); Parkhe (1998) |  |
| **Language**        | Language barriers include both verbal and nonverbal communication. | 1. Did language pose any issues initially? If so, in what way?  
2. Was it still difficult to if you knew Japanese? | |
<p>|                     | Adapted from: Hall (1990); Feely &amp; Harzing (1998); Chen <em>et al.</em> (2006); Behfar <em>et al.</em> (2006) |  |</p>
<table>
<thead>
<tr>
<th>Cultural Dimensions</th>
<th>Theory and explanation</th>
<th>Interview theme / Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individualism vs. collectivism</strong></td>
<td>Individualism is when ties between individuals are looser and, in a work context, employees are treated as individuals, the employer-employee relationship is more of a deal. Collectivism is when the group is in focus. Collective decisions, you work better in, and the employer-employee relationship is more based on moral and seen as family. Adapted from: Hofstede <em>et al.</em> (2010)</td>
<td>1. How many people you meet with when you go for a business meeting? Did you feel like someone was trying to be the leader or was more influential in the meeting then others? 2. Does the decision come in the time expected or does it takes a while? 3. Were you able to influence one of the persons more than others in the organisation to get your point across?</td>
</tr>
<tr>
<td><strong>Masculinity vs. Femininity</strong></td>
<td>These are the social gender roles; equity vs. equality. Masculine cultures prefer higher pay, larger wage gap between genders. Feminine cultures prefer fewer work hours, smaller wage gap between genders. Adapted from: Hofstede <em>et al.</em> (2010)</td>
<td>1. Do you socialize with the customer companies’ employees and managers, together or separately? 2. Have you met any female manager or decision maker in your client company?</td>
</tr>
<tr>
<td><strong>Long-term vs. Short-term orientation</strong></td>
<td>Long Term Orientation stands for the fostering of virtues oriented towards future rewards, &amp; perseverance. Short Term Orientation, stands for the fostering of virtues related to the past and present. Adapted from: Hofstede <em>et al.</em> (2010)</td>
<td>1. What is the general duration of contracts - short-term or long-term - (please specify years) 2. What was the general tendency of the companies to be engaged in terms of the time period?</td>
</tr>
</tbody>
</table>
Appendix C: National cultural dimensions

This table shows Japan’s placement in the GLOBE study’s dimension (House *et al.*, 2004).

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Society values</th>
<th>Society practices</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Power distance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High - greater power distance</td>
<td>In the middle</td>
<td>In the middle</td>
</tr>
<tr>
<td><strong>Human orientation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High - greater human orientation</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td><strong>Institutional collectivism</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High - greater collectivism</td>
<td>Low</td>
<td>Very High</td>
</tr>
<tr>
<td><strong>In-group collectivism</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High - greater collectivism</td>
<td>Low</td>
<td>In the middle</td>
</tr>
<tr>
<td><strong>Assertiveness</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High - greater assertiveness</td>
<td>Very High</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Gender Egalitarianism</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low - greater male domination</td>
<td>In the middle</td>
<td>In the middle</td>
</tr>
<tr>
<td><strong>Performance orientation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High - greater performance orientation</td>
<td>Very low</td>
<td>In the middle</td>
</tr>
<tr>
<td><strong>Future orientation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High - greater future orientation</td>
<td>In the middle</td>
<td>High</td>
</tr>
<tr>
<td><strong>Uncertainty avoidance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High - greater uncertainty avoidance</td>
<td>In the middle</td>
<td>In the middle</td>
</tr>
</tbody>
</table>
This table shows where the case companies are located and ranked on Hofstede et al. (2010) index.

<table>
<thead>
<tr>
<th>Cultural dimension</th>
<th>Low 0-50</th>
<th>High 50-100</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Power Distance</strong></td>
<td>South Africa 49 / r52-53</td>
<td>Philippines 94 / r5</td>
</tr>
<tr>
<td>Rank: r1-76 countries</td>
<td>US 40 / r59-61</td>
<td>China 80 / r12-14</td>
</tr>
<tr>
<td>Index: 11-104</td>
<td></td>
<td>India 77 / r17-18</td>
</tr>
<tr>
<td><strong>Uncertainty Avoidance</strong></td>
<td>South Africa: 49 / r60-61</td>
<td>Japan 54 / r49-50</td>
</tr>
<tr>
<td>Rank r1-76 countries</td>
<td>US: 46 / r64</td>
<td>Vietnam 70 / r22-25</td>
</tr>
<tr>
<td>Index: 8-112</td>
<td>Philippines: 44 / r65</td>
<td></td>
</tr>
<tr>
<td></td>
<td>India: 40 / r66</td>
<td></td>
</tr>
<tr>
<td></td>
<td>China: 30 / r70-71</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Vietnam: 30 / r70-71</td>
<td></td>
</tr>
<tr>
<td><strong>Individualism-Collectivism</strong></td>
<td>India 48 / r33</td>
<td>US 91 / r1</td>
</tr>
<tr>
<td>(High; Ind.; Low: Coll.)</td>
<td>Japan 46 / r35-37</td>
<td>South Africa 65 / 20</td>
</tr>
<tr>
<td>Rank: r1-76 countries</td>
<td>Philippines 32 / r47</td>
<td></td>
</tr>
<tr>
<td>Index: 6-91</td>
<td>China 20 / r58-63</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Vietnam 20 / r58-63</td>
<td></td>
</tr>
<tr>
<td><strong>Masculinity-Femininity</strong></td>
<td>Vietnam: 40 / r55-58</td>
<td></td>
</tr>
<tr>
<td>(High: Masc.; Low: Fem.)</td>
<td></td>
<td>Japan 95 / r2</td>
</tr>
<tr>
<td>Rank: r1-76 countries</td>
<td></td>
<td>China 68 / r11-13</td>
</tr>
<tr>
<td>Index: 5-110</td>
<td></td>
<td>Philippines 64 / r14-16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>South Africa: 63 / r17-18</td>
</tr>
<tr>
<td></td>
<td></td>
<td>US: 62 / r19</td>
</tr>
<tr>
<td></td>
<td></td>
<td>India: 56 / r28-29</td>
</tr>
<tr>
<td><strong>Long-term vs. Short-term Orientation</strong></td>
<td>South Africa: 34 / r59-60</td>
<td>Japan 88 / r3</td>
</tr>
<tr>
<td>(High: Long; Low: Short)</td>
<td>Philippines: 27 / r67-68</td>
<td>China 87 / r4</td>
</tr>
<tr>
<td>Rank: r1-96 countries</td>
<td>US: 26 / r69-71</td>
<td>Vietnam: 57 / r36</td>
</tr>
<tr>
<td>Index: 0-100</td>
<td></td>
<td>India: 51 / 40-41</td>
</tr>
</tbody>
</table>
Appendix D: Summarised answers from the interviews

“5.1 Power distance”

<table>
<thead>
<tr>
<th>Firm</th>
<th>Home country</th>
<th>Answers</th>
</tr>
</thead>
</table>
| Firm A | USA | - Takes lot of time to make a Japanese clients  
         - Long hierarchy even if the company is small and the  
         - Decision making is in mostly centralised  
         - Therefore we don't get direct response or the decision in meetings.  
         - We get very few opportunities to meet with the head of the organisation or the department responsible. |
| Firm B | USA | - Bosses are like kings what they say is final  
         - Expect us also to treat them as the head.  
         - The staff of the company takes lot of time to talk to the boss depending on the time and appointment boss renders.  
         - Rare that we discuss things with the decision maker. |
| Firm C | India | - Relationship is like father and the son at their homes. Son cannot sit with father informally, but father takes care of sons' needs and expects high amount of respect and discipline.  
         - Hard to reach the boss  
         - It is like meeting a high profile film star. The story is same with all the companies,  
         - Boss is a big thing and honorable position. |
| Firm D | South Africa | - Clients are mainly small companies still there are so many staff in the Japanese companies and seems unnecessarily created a vertical hierarchy which makes the meetings unduly long and decision making is affected.  
         - There the CEO (Shacho) is the soul of the organisation but talking to him is a task...  
         - Difficult to get in touch with right person in bigger companies |
| Firm E | China | - I’m from China and then studied in US I have a fair idea about the importance of the position and the power in Japan as it is moreover similar in China. I was prepared for the time to be taken to get the final decision. |
| Firm F | India | - My business is more on walk in basis and the catering to Japanese Companies is as a complementary to Japanese food. Japanese like the Indian food very much but there was no one who would talk to the boss or the manager to add Indian food in the menu.  
         - Very difficult to know who decides as no one would give the clear indication as they feared I would make their reference and it would go against the image of the employee.  
         - Even if I know the Shacho [CEO] it was difficult to get his appointment for pitching. |
| Firm G | India | - Worked in Japanese company before starting own business and could sense the hierarchy and its importance in Japanese companies. When I started the business I thought I could manage it but it was difficult to reach the right person in the company who can finally decide over the offer.  
         - The hierarchy in Japanese companies is unavoidable until unless you have a reference or a network of association.  
         - The meeting with the CEO or the head is an event. It is rare to meet the boss and if we meet, business talks are last on the agenda it is more of food and drinks. |
<table>
<thead>
<tr>
<th>Firm</th>
<th>Home country</th>
<th>Answers</th>
</tr>
</thead>
</table>
| Firm H | Philippines | - I was on the verge of winding-up the business as I had wasted lot of time and money in getting to the right person in the company.  
- Hierarchy is like high wall to go over without ladder. It was very frustrating for me to keep on meeting and never getting to the right person and it was with most of the companies.  
- The CEOs would go for dinner meetings and there is absolute no talk on the business. The lower position employees were very reluctant to talk to the higher bosses even when it made a business sense. |
| Firm I | US | - There is lot of space between hierarchies and it makes difficult for us to trace and meet the right person. We could establish the need but it was difficult for us to get the clearance from the boss as we barely get chance to meet him.  
- Even their own staff would show reluctance to meet the boss. |
| Firm J | Vietnam | - In the Japanese system we had experienced the maze effect when we try to get into a company to find out who is the responsible person there is so much of position consciousness and there is a step after step process to reach the person who can take some valid decision to get the things going.  
- Our product was demonstrated to many people and most of them were subordinate employees and did never took it to the next level. We tried to find the reason and it was because the people were just supposed to see the demonstration and give the feedback only when asked by seniors. |
| Firm K | India | - The position and its importance in Japan was almost like in India so we had a good idea of it. The only hindrance is how to make them feel that we respect it.  
- One thing which really was difficult to know who the right man to contact to is. Once you know the challenge is to meet him and talk business. Then once talks are finished the almost impossible thing is to know the inclination.  
- There is a very longitudinal hierarchy the way to reach the boss is tiring and frustrating for the sales staff. |
| Firm L | USA | - Since we need to meet the accounts department to get the balance sheet and Profit and loss accounts for preparing the balance sheet to US standards, we were very much stuck when for each and every document the staff would go and ask his boss for the permission and then only it could have been possible.  
- The responsibility and authority is not at all distributed. In some of companies the boss is called the big boss with honor and we could sense a thing of fear in the subordinates. |
| Firm M | China | - The hierarchy in Japan is a old culture here right from the days of the samurais the position in the army and in the courts has changed in to the families and business to maintain the control and discipline, this may be good at times but for me as a foreigner is like a puzzle to solve. In China there is also a good amount of hierarchy issues but it is not as complex as in Japan I am sure it would be very difficult if you are from west.  
- We had a bad time in getting connected to the right person even if the client has less staff. |
### “5.2.1 Initial business problems” & “5.2.3 Rigidity and age of decision makers”

<table>
<thead>
<tr>
<th>Firm</th>
<th>Home country</th>
<th>Answers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm A</td>
<td>USA</td>
<td>Initial business was almost impossible till one Japanese client agreed to have a business relationship. The further following was comparatively smooth but the Japanese clients ask for lot of references. The employees are almost same in the organisation and rarely change the department or even the position. They are polite but are rigid on their decisions. The bosses are generally nearing 60 years in age.</td>
</tr>
<tr>
<td>Firm B</td>
<td>USA</td>
<td>First few companies were easy as I had the connection before I started business, but definitely later ones were easier but they needed many references and feedbacks for the present clients. All the middle management and senior management are elderly people...difficult to make them understand the contemporary technology or the development; generally they are 60+ it seems.</td>
</tr>
<tr>
<td>Firm C</td>
<td>India</td>
<td>Initial companies were tough we had to compromise with the tariff and other services. But following companies were comparatively easier. The bosses and the employees are rigid in their thought process and decision making. The reason may be because they are very aged around 60 years of age.</td>
</tr>
<tr>
<td>Firm D</td>
<td>South Africa</td>
<td>First few Japanese companies were very difficult to make business with but once they were with us they themselves brought us the clients. Initial business we made losses but recovered from the following because we knew the &quot;trick of trade&quot;</td>
</tr>
<tr>
<td>Firm E</td>
<td>China</td>
<td>The manager who was responsible for the deal was kind enough to talk to me as he was half Chinese and the origin factor worked with me in my first Japanese client. The consecutive ones were mostly from reference.</td>
</tr>
<tr>
<td>Firm F</td>
<td>India</td>
<td>The first business was soon but it was a free catering in a Japanese small firm where one Indian staff helped me to get in there after the food was liked by the boss and he frequently ordered and came to our restaurant and recommended it to many his recommendation for corporate catering worked a lot.</td>
</tr>
<tr>
<td>Firm G</td>
<td>India</td>
<td>Initial business was smooth to me as my first client was my own ex-employer and they knew my capabilities. Fortunately the further business was also smooth as I had references and was also in the Japanese network. It is a very time consuming process to socialise with them. The talks are never close to business and the bosses are like 65+ age and the people around him are nearing 60 that is one of the most important trait to be the boss’ &quot;age&quot;. This also makes them rigid on the decision.</td>
</tr>
<tr>
<td>Firm H</td>
<td>Philippines</td>
<td>The initial business was very very difficult in spite our services were quite reasonably priced and efficient. The following business was comparatively easier as the Japanese partner was taking in the initial entry. The bosses of the companies were of 65+ age and they never understood the contemporary technology, and always relied on the big infrastructure companies which were costing fortune to them with no extra benefit. These Japanese SMEs were least important to the big infrastructure companies, but the big brand name attached to it, it becomes a social taboo to get detached from.</td>
</tr>
<tr>
<td>Firm I</td>
<td>US</td>
<td>Initial business with Japanese companies was in fact impossible... they never believed in contract employees or short term employment. So we almost gave up on them but when we received many applications from Japanese employment seeker we had formed a business model with a Japanese to deal with the Japanese companies and earn out of that... it worked.</td>
</tr>
<tr>
<td>Firm</td>
<td>Home country</td>
<td>Answers</td>
</tr>
<tr>
<td>-------</td>
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</tr>
<tr>
<td>Firm J</td>
<td>Vietnam</td>
<td>The initial business was not so tough for us but neither any profitable as we offered our application as a backup for the present application and for no cost for first three months and then if they find it fine we would enter into a contract. This in a way helped and the relationship was established and the business now is very good. People were just supposed to see the demonstration and give the feedback only when asked by seniors.</td>
</tr>
<tr>
<td>Firm K</td>
<td>India</td>
<td>Initial business was pain in the [...]. We then had a Japanese branch in the same business but with rented application managed by Japanese. We offered them the license on profit sharing basis it was taken ahead and now it is going good.</td>
</tr>
<tr>
<td>Firm L</td>
<td>USA</td>
<td>Initial business was very tough, in general it is tough in any country but the culture aspect makes it more cumbersome to understand and imbibe it is a challenge. The future business was also equally tough because in our business we don’t share our clients’ details and there we have no reference to give. We just need to show our expertise and build trust. The head of the organisation is mostly an old man and it is difficult to deal with him if he is stubborn. Yes they are rigid and firm very few would bend to the ideas.</td>
</tr>
<tr>
<td>Firm M</td>
<td>China</td>
<td>My first business was with the company I worked with so to me the entry in the market was smooth but to make the relationship deeper was a challenge. The Japanese old and rigid owners of the company or shops are slow in decision making and the decision is never communicated in crisp form. This makes our job difficult to plan the inventory and their logistics.</td>
</tr>
</tbody>
</table>
## “5.2.2 Business meetings”

<table>
<thead>
<tr>
<th>Firm</th>
<th>Home country</th>
<th>Answers</th>
</tr>
</thead>
</table>
| Firm A | USA | - Japanese language initially a barrier  
- Act humbly and use correct gestures  
- Formal clothing.  
- Much information required  
- Time line to the days (date and day) |
| Firm B | USA | - Formal clothing  
- Much preparation needed  
- Discussion very slow and most of the meeting is just silence  
- Many Japanese attending, but only one that speak |
| Firm C | India | - Formal clothing, formal meeting.  
- Much information required  
- Much preparation needed  
- Many Japanese attending (8-10) |
| Firm D | South Africa | - Many formalities which diminishes the focus of the business  
- Much preparation needed  
- Time is important  
- They can change, but we have to remain firm |
| Firm E | China | - Lengthy and cumbersome meetings  
- Big contrast between home country and Japan  
- Everything is very formal  
- There is a need to establish trust |
| Firm F | India | - Japanese language is big barrier  
- Business meetings are rare / at least 3 meeting before decisions  
- Much information required  
- After agreement the relationship would last for long |
| Firm G | India | - Language not a big barrier, because of company provided training  
- Hired Japanese employee to communicate with Japanese companies  
- Many Japanese attending (8-10), Many questions asked by everyone  
- Formal presentation, procedures and clothing  
- Decision process slow and unpredictable |
| Firm H | Philippines | - Formal clothing  
- Much information required  
- Many meetings before decisions were made  
- Later partnered with Japanese company and they handled communication with Japanese companies |
<table>
<thead>
<tr>
<th>Firm</th>
<th>Home country</th>
<th>Answers</th>
</tr>
</thead>
</table>
| Firm I | USA | - Everything very formal  
- Much preparation needed  
- Much information required  
- Many Japanese attending  
- Employees tested and interviewed a lot by the Japanese company  
- Firm I’s feedback not seen as final |
| Firm J | Vietnam | - Formal clothing, formal meeting  
- Many Japanese attending  
- Many meetings before decisions were made  
- The word “No” was never used |
| Firm K | India | - Formal clothing, formal meetings  
- Much information required  
- Many Japanese attending  
- Initially the whole process was very taxing but got used to it eventually |
| Firm L | USA | - Formal clothing  
- Much information required  
- Questions from Japanese out of context  
- Takes time to adapt documentation to what Japanese want |
| Firm M | China | - Meetings only formal if it is a big company  
- Much information required |
### 5.3 Individualism vs. Collectivism

<table>
<thead>
<tr>
<th>Firm</th>
<th>Home country</th>
<th>Answers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm A</td>
<td>USA</td>
<td>The decisions are taken with consultation of the seniors even if they have no business to do with the decision. Take a lot of time to decide, if decide. People are afraid of thinking or doing against the trend and practices. Very conserved when it comes to be an open critic.</td>
</tr>
<tr>
<td>Firm B</td>
<td>USA</td>
<td>Nation first company second and then if felt individual, otherwise there is very less importance to the individual. Positions are important not the person. Change is a forbidden word...</td>
</tr>
<tr>
<td>Firm C</td>
<td>India</td>
<td>It is quite visible that the individuals are not given importance and the company is the whole soul of their life most of the employees retire from the same company, as they feel secure hence are shy of taking the risks. People generally appreciate their group (Keiretsu) companies and never say bad things about the companies even if they are bad and competitors.</td>
</tr>
<tr>
<td>Firm D</td>
<td>South Africa</td>
<td>These people seem to work for the organisation and not for themselves. They are group oriented and work late or stay late at office. The Keiretsu is very difficult to break or to get into. In spite they were making losses they were reluctant to end the business relationships. They never criticised the Japanese companies.</td>
</tr>
<tr>
<td>Firm E</td>
<td>China</td>
<td>The Japanese culture is to be with the society the group and therefore this is reflected in the business. The decision making is managers will but he will definitely take it in a group to show that it is a team effort. The staff is also not changed frequently. It is difficult to enter the tightly knitted Japanese society, in spite of my very good Japanese skills I am yet to make a mark in their close group as an associate.</td>
</tr>
<tr>
<td>Firm F</td>
<td>India</td>
<td>The group of people always comes for the meeting but the decision was made only by the Shacho [CEO] and it takes a lot of time to decide. The other Japanese restaurants are no competition for me in general it depend the taste of the day. I have tied up with some Japanese restaurants to give a combined menus and it has worked. The world is the company not the person. The person once joins the company will in most cases retire from there and in most cases from the same position. They see the holistic picture and not the short term advantage the performance is also annually judged. If someone performs in the company it is taken very humbly as it was teamwork not the person. There is no space for mutual criticism. People are more inclined to save the face both during success and failure hence they are silent (by force) and also keep low profile.</td>
</tr>
<tr>
<td>Firm G</td>
<td>India</td>
<td>The group was always higher than an individual in their culture there were no recognition hence the staff was never motivated to bring in the sensible business propositions. The meetings are generally in group of 8 and they take a lot of time to get the consent. The problem is that by nature and culture Japanese don’t agree to disagree. That creates the confusion and ambiguity. They always want to save the face and hence avoid criticism of fellow Japanese’s companies.</td>
</tr>
<tr>
<td>Firm H</td>
<td>Philippines</td>
<td>The world is the company not the person. The person once joins the company will in most cases retire from there and in most cases from the same position. They see the holistic picture and not the short term advantage the performance is also annually judged. If someone performs in the company it is taken very humbly as it was teamwork not the person. There is no space for mutual criticism. People are more inclined to save the face both during success and failure hence they are silent (by force) and also keep low profile.</td>
</tr>
<tr>
<td>Firm I</td>
<td>US</td>
<td>I don’t have any experience on this... but they seem not having individual say but all should be for the company or in the name of the company. The face is the biggest thing they would protect and therefore they will never have a bad mouth for any one and one more thing they have a great affinity towards local establishments.</td>
</tr>
<tr>
<td>Firm J</td>
<td>Vietnam</td>
<td>There is a conflicting experience with us as there were times when the group was important and at times with our application the staff would take mileage from the management and earn applauds. Perhaps it has to do with our industry? But in general these companies are very well knitted.</td>
</tr>
<tr>
<td>Firm</td>
<td>Home country</td>
<td>Answers</td>
</tr>
<tr>
<td>------</td>
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</tr>
<tr>
<td>Firm K</td>
<td>India</td>
<td>These people are more into a mutual support attitude and would never go out of the association the Keiretsu. Which in software industry, if controlled by big companies who have huge overhead costs and the solutions, are equally expensive. Individuals in a company are like a small moving part in the engine important but never mentioned that. The employees did not ever speak anything about the company, the performance or its needs. They will not even convey the feedback until the boss says to do so. They seem to be quite restrained within themselves just to avoid any finger pointing.</td>
</tr>
<tr>
<td>Firm L</td>
<td>USA</td>
<td>The companies and people both work in close groups, hence there is very less scope for the individuals. But it is at the same time a very difficult thing to get into the group if you don’t have the access to it or reference to it. The staff in the organization are regimented and do not speak their hearts, this is also a kind of hurdle for us to do business as they never criticise and speak the facts, they will either keep quite or reply diplomatically</td>
</tr>
<tr>
<td>Firm M</td>
<td>China</td>
<td>The decision is never by one person it is the family or the association. One is never over group and association the Keiretsu culture was a big hurdle to clear. Culturally they are a mum staff without the consent of the boss. They don’t tell what they feel - they tell what would sound good.</td>
</tr>
</tbody>
</table>
“5.4 Masculinity / Femininity”

<table>
<thead>
<tr>
<th>Firm</th>
<th>Home country</th>
<th>Answers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm A</td>
<td>USA</td>
<td>Very power conscious people and expect the same. We cannot go to the meeting or dinner with the boss and subordinate, they have to be in different meetings. Females were seen only in secretarial jobs nowhere in the decision making group.</td>
</tr>
<tr>
<td>Firm B</td>
<td>USA</td>
<td>Lot of differentiation in the genders, companies has different attitudes towards male and female. Have not seen any female in the higher ranks.</td>
</tr>
<tr>
<td>Firm C</td>
<td>India</td>
<td>Gender inequality is very much visible the girls are mostly on the clerical positions not on the decision making grounds.</td>
</tr>
<tr>
<td>Firm D</td>
<td>South Africa</td>
<td>Very masculine in business we had to change our staff from a female to male to get business from Japanese clients as we observed that they never took our sales manager a female as a serious business, she had done a better with other clients in Singapore, HK and other foreign companies in Japan.</td>
</tr>
<tr>
<td>Firm E</td>
<td>China</td>
<td>Japanese are very male dominated society in business and the role of females is restricted to clerical and office assistant jobs only. We have not met any Senior female staff in Japanese company.</td>
</tr>
<tr>
<td>Firm F</td>
<td>India</td>
<td>In my business the female staff helped to recommend to the boss and it worked. As the food and catering was not considered as a male job. Anyways it worked for me but there were no female Shachos [CEO’s] in my clients.</td>
</tr>
<tr>
<td>Firm G</td>
<td>India</td>
<td>There is in fact a wide visible difference in the genders the society in my opinion of a male chauvinist and offers almost no margin for females to be at higher levels in the organisation. I had dealt with only one female COO of the company she happened to be the daughter of the owner and had returned from US after studies.</td>
</tr>
<tr>
<td>Firm H</td>
<td>Philippines</td>
<td>I have seen female staff only in the reception or at the secretary of the boss. There is visibly demarcation of the job in genders.</td>
</tr>
<tr>
<td>Firm I</td>
<td>US</td>
<td>Very masculine and that makes our job bit slow as there is not much interaction between the leader and the followers. Failure is forbidden in the organisation and therefore they rarely take any initiative.</td>
</tr>
<tr>
<td>Firm J</td>
<td>Vietnam</td>
<td>There is a clear distinguish between the genders, we had almost 50% of female employees who were part of decision making but in Japanese companies there are rarely anyone. In meetings our operation supervisor and delivery head (both females) would attend the meeting but from Japanese side there are none, it is just an observation and we did not feel any problem with that may be because our female employees were not involved in initial business procurement.</td>
</tr>
<tr>
<td>Firm K</td>
<td>India</td>
<td>The society is male dominated from the core the attributes at time are very feminine like the body language, etc. However, when it comes to genders they have distinct separation.</td>
</tr>
<tr>
<td>Firm L</td>
<td>USA</td>
<td>The society is divided on genders and their roles major roles important roles competition and other attributes in the organisation is for males Females are mostly for the operational functions</td>
</tr>
<tr>
<td>Firm M</td>
<td>China</td>
<td>Male dominated culture. Females only in the shop floor for demonstration and other clerical works business decision all by males.</td>
</tr>
</tbody>
</table>
### 5.6 Keys to success

<table>
<thead>
<tr>
<th>Firm</th>
<th>Home country &amp; Year of entry</th>
<th>Keys to success</th>
</tr>
</thead>
</table>
| **Firm A** | USA, 1999 | - Learned Japanese and Japanese business etiquette.  
- Hired Japanese sales and service managers.  
- Was prepared at meetings.  
- Used employees that are 50+ in age. |
| **Firm B** | USA, 1995 | - Learned Japanese.  
- Had a Japanese front end.  
- Older employee (or employees that looked older). |
| **Firm C** | India, 2009 | - Had a big capital base, but mainly:  
- Adapted to Japanese culture  
- Japanese name for the company and hired Japanese staff. |
| **Firm D** | South Africa, 1990 | - Used clients as referrer in return for shared profits.  
- Used Japanese sales staff. |
| **Firm E** | China, 1990 | - Used an established company that were in two Keiretsu groups, as a way in / Share of profits. |
| **Firm F** | India, 1999 | - Hired Japanese sales staff.  
- Got associated with Japanese restaurants. |
| **Firm G** | India, 2001 | - Learned Japanese.  
- Knew Japanese employer.  
- Japanese partner. |
| **Firm H** | Philippines, 2002 | - Japanese partner. |
| **Firm I** | USA, 1998 | - Hired Japanese staff to deal with Japanese companies. |
| **Firm J** | Vietnam, 2001 | - Japanese culture of referencing. |
| **Firm K** | India, 2004 | - Translated company name to Japanese.  
- Used Japanese employees for the branch. |
| **Firm L** | USA, 1999 | - Trust is the key to success.  
- Used Japanese staff. |
| **Firm M** | China, 2001 | - Used Japanese commission sales staff. |