

# A Bull in a China Shop

By Donald Gordon

"You shouldn't be a bull in a china shop." This was my advice to Tommy Tanaka who was my classmate at a business school.

Tommy was sent to the school by his company, one of the biggest construction firms in Japan. After graduation, he was assigned as the project manager of land development works in a small county of certain state in the U.S.

When he went down to the job site, his boss in the head office in Tokyo issued him an order: "Tanaka, you should keep written records of your whole operation. Because Americans are litigious people, you should be ready for disputes. If you get something approved by a government agent on-site, you should document it and have it signed by him/her." However, when Tommy began a project, he found that it was not a local practice to get documentation from county inspectors for routine jobs. Placed between his boss's order and the local practice, he asked for my advice.

Again I replied that one should not be a bull in a china shop and added that since each state and county had its own culturally-bound business practices, we should observe them. I advised him also to keep his own diary recording every-day operations and inspections by the county. I told him that the diary could be an alternative to the written records his boss had ordered him to keep and would be helpful in case any dispute should arise.

When we were at the school, we often compared the U.S. and Japan in terms of culture, lifestyle, and business practices, and agreed that some basic differences existed between the two countries.

I was surprised when Tommy talked about keen competition for entering universities in Japan.

According to Tommy, high school students who want to get into qualified universities should spend most of their time studying and preparing for entrance exams.

They don't have time to enjoy sports,

music, the arts, or movies, because exam scores are the only factor in determining whether they will be admitted to university or not. He cited a saying among Japanese youngsters: "Four for pass, and five for fail," which means if a student sleeps four hours a day and studies for the rest of the day, s/he would be successful, but if the student sleeps five hours, s/he would fail.

I told him about the U.S. system in which an admission committee evaluates not only a candidate's academic record, but also his/her character, overall capabilities, leadership ability, athletic performance, social contribution and so forth. Tommy was envious of the U.S. way which encourages students to have broad views on life and society and not be limited to study aimed only at getting high exam points. He mentioned also that some of the best and brightest in Japan who succeed in the severe entrance exam competition and go on to graduate from prestigious universities are lacking common sense and solid mental health. At the same time, he was suspicious about the "fairness" of the American admission system, because other factors, unlike exam points, cannot be expressed quantitatively but must be evaluated qualitatively, which could be influenced by the bias of committee members.

I argued that overall evaluation, rather than counting only on academic scores, was more dependable even sacrificing some mathematical fairness. I was very much confident in the selection procedure of committee members and their

performance.

We also talked about gun control. Tommy was frightened when I showed him my shotgun during his visit to my home and came to know that owning a gun was not illegal in the U.S., and that many people had them. He said that only policemen and gangsters carry guns in his country. Therefore, he said that the Japanese are very nervous about guns.

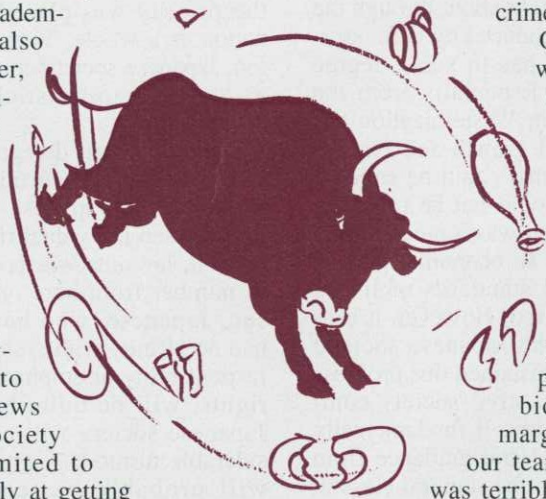
According to Tommy the strict control of guns was one of the reasons for Japan's low crime rate.

One summer we worked together for our practical training at a general contractors office. At one time, we were placed in the estimating department and joined by bidding teams for a big project. We lost the bidding by a small margin. Everyone on our team except Tommy was terribly disappointed. I

asked him why. His explanation surprised me very much. Tommy said, "In Japan it so often happens that a bid becomes prearranged so that a specific bidder will win and other bidders bid at a higher price." I was surprised by his confession, so much so that I wanted to disassociate myself from him, especially as he seemed to feel no remorse for engaging in, what Americans call, bid-rigging.

Since he could not understand my disgust at him, I had to tell him that bid-rigging was a serious crime in the U.S., a practice that would destroy free competition in our society and damage tax payers' interest by raising project costs.

He replied that in his country, the value lies in sharing a piece of the pie with as many people as possible rather than giving the pie to the sole winner



that would result from a free competition. To protect taxpayers from would-be high prices by collusion, there are government agencies which make accurate and reasonable estimates. No bidder would be awarded the contract if his/her price was higher than the government's estimate. According to Tommy, before bid date, all invited bidders confer and decide who should be eligible to win. This type of conference is called *dango*. The decision should be unanimous, taking into account the winner-to-be's efforts for business promotion and technological development, present backlog, and the order of rotating the jobs.

After a thorough discussion on the issue, Tommy and I agreed that *dango* in Japan was not exactly the same as the bid-rigging in the U.S.

Tommy commented further. In his country, free competition in pricing is not necessarily considered by the general public to be a critical issue, just like in the U.S. academic points are not considered the best criteria for admission to universities. In some European countries, organizations of contractors define the reasonable cost for making the estimate and the bid. The organizations notify all bidders of the defined cost and number of bidders. Each bidder would include in their bid price the cost times the number of bidders. After the successful bidder is awarded the contract, he would pay each of his competitors the amount notified to compensate them for their unsuccessful efforts. The idea is to keep fairness between clients and bidders by adding unsuccessful bidders' fees onto all bids.

This shows that bidding or contracting systems are deeply rooted in each country's socio-cultural and economic history. U.S.-style free competition cannot always be forced onto another country that has a different background. Tommy, recalling our different opinions regarding gun control, went on to say that from different cultures are created different standards of right and wrong.

Some 30 years have passed since Tommy and I exchanged opinions about *dango* and I advised him when he was just beginning his career in the U.S.

The growing trade imbalance between the U.S. and Japan has brought about problems in the political field and business circles of both countries.

The construction industry has not been without problems either. Since the late 1980s, due to the imbalance of contract volume between the U.S. and Japan, the Japanese contracting system has become a target of political accusation. *Dango*, as well as the Japanese government's procurement procedure, has become a major target.

Through lengthy negotiations, U.S. government representatives have won some commitments from their Japanese counterparts. Japan has allowed U.S. contractors to obtain licenses and access to designated major projects. They are allowed to do so without any previous business record in Japan, which had been compulsory for all other contractors. The government has also promised to strengthen the application of the "Anti-Monopoly Act" (Japanese version of the Antitrust Act) to prevent *dango*.

As a result of the negotiations, quite a few U.S. contractors have entered into the Japanese market as partners of joint-ventures with Japanese contractors to enjoy their share of the pie.

After a few years of operation, U.S. contractors learned that nominal participation in some projects was not enough to learn Japanese business practice to establish competitive organizations and to overcome the inherent risk in foreign operation. Besides, the participation was contributing little to the improvement of the trade imbalance.

I believe that the construction industry has characteristics like those of native industries such as agriculture and fisheries. Those industries are rooted in the regional, environmental, social and traditional aspects of a certain locale. If outsiders want to get into these industries, they should take the time to become familiar with these circumstances. In the meantime, they should have something to offer local industries: technology, expertise and financing.

Japanese contractors have sent their employees abroad to learn foreign languages, alternative ways of thinking, business practices and engineering. They

have also invested a substantial amount of time and money in research and development in their own construction technology. Those efforts have been rewarded by their success in the U.S., like in the case of Tommy Tanaka and his company. On the contrary, our approach has been too shortsighted and consequently has achieved too little.

As regards *dango*, even among the Japanese themselves, there are strong criticisms against it—particularly its opaque nature of business practice and tendency to cause political scandal—have invited antipathy from the general public. At one point, commentary in some major newspapers began raising questions about why *dango* exists in the construction industry, how it ought to be eliminated and by what alternative system it should be replaced. The newspapers were counter-attacked when they themselves were found to be practicing *dango* by having uniformly raised their subscription fees to the same price and on the same date.

As I realized in the discussion with Tommy, *dango* is rooted deep in Japanese culture and many Japanese consider *dango* to be a game of synergy and an improvement over begging-your-neighbor.

If *dango* is to become obsolete, its elimination should coincide with the progress of society and changes in the ways of thinking among the Japanese themselves.

The political pressure exercised by the U.S. government during the construction negotiations seemed successful in opening Japan's door and drawing attention to *dango*. *Dango* has become an English word even though it is sometimes erroneously taken to mean bid-rigging in the literal sense rather than by the intended Japanese meaning of "job rotation."

I myself have always been a bit afraid of our own government being a bull in a china shop. Ironically, those U.S. firms which have attained contracts in Japan have handsomely benefitted from *dango*.

*Donald Gordon is a high-ranking official in the construction business with expertise on the U.S. and Japan.*