

Capitalizing on Being Different

By Reiko B. Lyster

Many Americans, when looking at the growing trade deficit with Japan, may find it hard to believe that Japan is basically a country of small businesses, which account for 99% of all business establishments. It may be even more difficult to believe that there are approximately 1,000 small businesses owned and operated by independent American men and women in Japan.

The size and scale of these small American businesses vary widely. They range from one-man/woman operations to some sizable organizations with many employees, and provide a wide range of goods and services. They are importers and exporters of manufactured goods, chemicals, and agricultural products. They are management consultants, financial advisers, teachers, health care specialists, shop owners or free-lance writers whose own training, skills, qualifications or even personalities are their business's prime assets and capital. Many of them work in direct support of major American corporations in Japan. Some work closely with the foreign community in Japan, while others deal exclusively with the Japanese.

In starting their Japanese subsidiary operations, many large American corporations have been assisted by the professional services provided by these independent American business people. Executive search is a typical example of such professional assistance. The newly arrived families of these corporate personnel appreciate the Japanese version of welcome wagon services that is provided by enterprising American businesswomen.

Many new services, programs or products which originated in America also have been introduced to Japan through independent American entrepreneurs, leading the way for their Japanese counterparts to develop similar businesses. There is no denying that American small businesses are not only an integral part of the foreign business community in Japan but an inspiring force in the Japanese business world as well.

It's quite obvious that the majority of the American small business entrepreneurs in Japan have had more than

their share of hardships to overcome, and have struggled, especially when starting up their operations. These difficulties range from pure marketing problems relative to each entrepreneur's products or services, to obstacles caused by the simple fact that they are small, independent, foreign-owned businesses in Japan, a highly homogeneous nation.

If one is to speak generally, though, perhaps the two biggest problems faced by American small business people in Japan involve financing and non-tariff barriers (NTBs).

Small finance is a big problem

There are presently very few alternatives available to the small American business person in Japan when it comes to obtaining sufficient financing through the Japanese or U.S. commercial banking systems. As one American businessman says, "You need pockets that are deeper than usual."

For example, Japanese commercial banks have never been known for their willingness to provide trade financing to anyone, especially to small companies. A small foreign-owned company is even less welcome, if that is imaginable. On the American side, it's equally as obvious that banks in the United States will not finance foreign businesses operating in the United States. And what about the

American banks located in Japan, you might ask. There are a host of reasons, both regulatory and practical, that preclude them too as a source of financing in Japan.

This leaves, as the only viable alternative, loans and other financing available to small businesses through various Japanese governmental financial institutions. In the past, these institutions were not receptive to applications from foreign-owned small businesses. Certain restrictions applied by them to foreign-owned small businesses effectively barred many a small American businessman from obtaining financing from them. But these restrictions have begun to be removed, especially over the past 18 months. Successful applications for financing have been made in at least two instances by members of the Small Business Promotion Committee of the American Chamber of Commerce in Japan. The situation has been improving in the past two years.

Walter Spillum, president of Danco Japan Ltd. and an importer of American homes, with strong support by ACCJ finally won a small loan from one of the governmental financial institutions. He had actually been turned down three times on previous applications to the same institution.

The first refusal was said to be because his company was too young, just barely over a year old. The second turnaround was due to the relocation of his office to a



A sample of the some 1,000 small businesses operated by independent American men and women in Japan

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different ward in Tokyo. A company should be in the same ward for at least one year before being eligible for a loan. The reason for the third strike was less clear. There was a rather vague reference to his company being too small and its future being somewhat doubtful.

Walter Spillum concludes that, "Although I tried not to be paranoid about doing business as a foreigner in Japan, I couldn't help but suspect that the true cause of the three strikes was my being a foreigner, a *gaijin*—literally an outsider."

Non-tariff barriers

The second hurdle facing American small businesses in Japan is that of NTBs. This has certainly been one of the most talked about issues in the U.S.-Japan economic relationship over the past few years. While much progress has been made in removing or reducing NTBs, there are enough of them still around to prevent American small businesses, especially those engaged in trading, from fully entering and participating in the large, but tightly controlled, Japanese market.

One small businessman ruefully recalls that his mail-order business was "licked from the start" by restrictive customs procedures and inspection requirements. This man, who has been representing American companies in the import/export business in Japan for 30 years, says his biggest problem is "trying to develop new and unique products to import and export." Exports have been relatively easy for him, but imports always seem to hit a snag or two. These snags invariably have lost him market opportunities.

But not all NTBs are governmental in nature. Being foreign in Japan is somewhat of an NTB in itself. The frustrations of being a foreigner in his or her own business are experienced in so many trivial areas that no one in the comfortable environment of a large corporation can possibly imagine the experience. Renting office space or simple office equipment can be an impossible task at times.

When Bernice Cramer, a communications businesswoman, was arranging to have a copy machine leased and installed in her office, she had no idea that being a foreigner and a female was considered a major risk at a monthly cost of only ¥10,000 or \$40. Her application for a lease agreement was not accepted until she obtained the signature of a Japanese male citizen.

I myself went through a similar, annoying experience in renting office space.



An American advertising copywriter putting his skills to work in Tokyo

Due to an expansion of the business a few years ago, I was in need of extra space and found a suitable spot near the main office. Everything progressed smoothly until the time to sign the lease came. When the landlord, a major Japanese construction company, learned that I was not a Japanese citizen, I was told to obtain the signature of a Japanese who is neither my employee nor a relative. This was in addition to my personal guarantor. What was so ridiculous about the whole affair was that my firm was already paying rent for three other locations of an amount in excess of five times the amount in dispute. I decided not to yield to such annoyance and told my General Affairs Manager to find another one, which he did.

Person-to-personnel problems

Another major headache for a foreign small business person is the staffing of his or her operation. Although you cannot always hope to have personnel of the highest caliber, it is a disheartening experience to suddenly wake up and realize that you are no longer in the position to attract even those whom you might have stamped "mediocre" when you were recruiting under the sheltering strength of a large corporation.

Fact of life is that a foreigner running a small business ranks very low as a prospective employer among the Japanese. It was only recently that large, multinational foreign firms became recognized as attractive employment options for those who are too ambitious to be buried in the Japanese corporate structure. It should not be difficult to imagine what small, foreign-owned businesses mean to a majority of jobseekers. They

are generally at the bottom of the list of desirable employers.

Then there are the emotional and cultural differences of the Japanese business community. Terrence Soraghan, an English teacher for the Japanese staff of business firms, has eloquently described one frustrating, but very typical problem many foreign business people may encounter when dealing with the Japanese. "Everytime I deal with a Western manager," he says, "we quickly establish a successful long-term program. Everytime I deal with a Japanese personnel, administrative or training manager, either nothing happens or only a partially successful program is established. I ask, why is that?"

He goes on to say, "My relations with top managers are excellent—cooperative and with quick results. My relationships with all of my students are uniformly good—they are happy with the progress and results. But my relationships with the man in the middle—the Japanese personnel or training manager—are, to put it politely, pathetic. Even in the case of two long-term contracts the results have been inferior. I ask, why is that?"

"Enthusiasm and verve seem to get results everywhere except in the middle, where a gray uniformity is preferred. Written recommendations from satisfied current customers that attest to dynamic teaching joyfully accepted with 85-90% attendance rates cause no effect, get no action whatsoever from the administrative manager—not even a phone call to check the references."

"I've had American managers tell me, 'You know my administrative manager doesn't like you. Your presentation shocked and scared him.' Why is that?"

Finding answers to these "whys" is not easy. Indeed, one must almost be pre-

pared to shrug one's shoulders and take a philosophic view about the workings of the Japanese mind and society in this sort of situation. This is what Soraghan finally did.

Every cloud has a silver lining

But, being an American small business person in Japan isn't totally a negative experience. There are plenty of roses among the thorns. While being foreign does have its disadvantages as we have pointed out, it also has its pluses.

More than one American small business person in Japan has discovered that being foreign, and therefore different, can be a distinct advantage. As one of them has put it, "Quite often the Japanese will give a foreigner extra consideration, extra courtesies, extra leeway, and extra advantage. Things become easier once they are acquainted with you."

Richard Adler, who is in the import/export business, has discovered another advantage of being foreign. Says he, "A major advantage that I have found is the perception in Japan that as an American who is engaged in trading, I am an expert on the U.S. market and that I have many friends there."

Being "different," i.e., foreign, from others in the trading business has been overall an advantage for him. He feels that the perception of being an expert is one that is enhanced by every year he can stay in business.

Being different indeed works as both a disadvantage and an advantage. More advantages are definitely visible when dealing with the Japanese people themselves. An American business person who wants to do business with the Japanese can and should take full advantage of being a foreigner and being different.

Even in the recruiting of personnel, the weak position or poor image of foreign small businesses can be overcome by having a positive view of being foreign.

There are more and more Japanese, particularly women, who are eager to work in the environment and with the work habits of the Western world. They are pleased to be in contact with the *gaijin* boss with whom they communicate in English. They enjoy the more individual-oriented American mentality. The very environment that turns away some of the traditional Japanese can be an inspiring element to younger people who seek to establish their own identity in business.

My own recent experience in screening applicants for the position of my secretary may give you some indication of

the hardships but also the pleasant surprises for the *gaijin* boss. Among the many who fell far short of the qualifications I look for, there were a few women who had the ability as well as personality to fill the needs of independent American business people. One applicant replied to my query as to why she replied to my help wanted ad with, "Because it said that the company is small and growing. I think it is more fun to work in a smaller firm where an individual can make contributions."

It was obvious from this remark that her personality was much too strong to work in a typical Japanese corporation. Although the number may still be limited, foreign employers do have a chance of finding such performance-oriented individuals. But they must be able to identify and reject those who are classified as "*eigoya-san*"—those whose only worthwhile qualification is the ability to speak English fluently.

William Nichoson, an importer and distributor of manufactured goods and also a consultant, said, "I see myself handicapped by being a foreigner. However, I turn it around to make the disadvantage work as an advantage." He went on to echo the same words commonly heard from many American business people. "After all, foreigners can get away with things that the Japanese cannot with their own people. Foreigners have easier access to executives or even presidents of large Japanese corporations. Even when their mannerisms or way of doing business do not conform to the traditional Japanese way, they are forgiven."

What businesses are best?

Although the American small business presence in Japan cuts across a wide business spectrum, it's fairly apparent that some fields are easier to enter, and perhaps easier to succeed in, than others. In such fields there is no large initial investment required, nor are there the NTB problems related to trading.

One independent management consultant frankly says that "the services area is best suited" for most foreign business people thinking about starting out on their own in Japan. He notes that American small business people in Japan already play an instrumental role in the export of U.S. goods, products and other services by providing legal advice, marketing studies, joint venture analysis, executive search and representation for overseas clients.

In fact, this American businessman

recommends that American companies and the U.S. Embassy make even more and better use of the American small business presence in Japan. This would, he feels, help the United States and the small business people here meet the challenge of the Japanese market more successfully.

Sometimes an individual finds his or her business niche more by accident than design. One former military man struggled at first as a salesman in Japan, working solely on commission. Eventually, though, he began to find himself "in demand" by teaching physical education and fitness to friends. His biggest problem today is "believing his success and the fact that people are actually paying him (substantially, too) for doing what he enjoys doing most, is good at, and would do anyway."

According to Richard Adler, exports are a good field to be in. "To the Japanese, a foreigner who remains independently in business in Japan for three years assumes a mantle of expertise and is looked on as an avenue of instant access to the U.S. market, particularly by the smaller Japanese companies that really have no independent access to the U.S. market. This is very important, since the major opportunities for doing business and creating a cash flow and banking relations will come from exports initially."

Perhaps the biggest advantage and attraction to most of the American small business people in Japan are the limitless opportunities that do exist here. Once they learn to cope with and overcome the problems, and survive the difficult first years, these opportunities are perhaps greater than anywhere else in the world. As one entrepreneur puts it, "Doing business in Japan as a foreigner is frustrating, challenging and fun. You must expect the unexpected. You need good, strong financial backing for a long-term start-up and must be willing to work hard and be positive and philosophical in outlook. If you succeed, there are financial rewards and satisfaction to the soul."

Even those who take a somewhat dim view of the chances of an American small business person being successful in Japan, agree they wouldn't be here if it weren't for the prospects and the great satisfaction they derive from being independent and making their small businesses grow from small to "bigger."

And when all is said and done, the secret to success, according to all the small business people I talked to, is that the American small business person in Japan "must capitalize on the advantage of being different." ●