

Winning in Japan: The British Way



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Introduction

This is the first in a series of articles that will focus on insights from foreign executives representing a range of national headquarters. We look at the unique perspectives on the importance of Japan as a market, the challenges it presents, strategies for managing talent and leadership, and potential brand advantages for companies of different origins.

To provide a comprehensive overview of the Japanese market, this paper draws on one-on-one interviews with country managers and executives across various industries from companies headquartered in the UK and survey results that reflect a wider range of perspectives.

Why Japan?

Despite experiencing low GDP growth and deflationary conditions until recently, Japan still holds its position as the world's third-largest economy.

While the rapid growth of China, India, and other developing markets may have overshadowed Japan, it still presents a significant market that major multinationals cannot afford to neglect. Moreover, recent geopolitical trends have caused executives to explore alternatives to China and consider diversification in the region, making Japan an attractive option to hedge against or reduce reliance on China.

Many foreign business leaders believe that the younger generation of Japanese are more receptive to purchasing foreign products, challenging the dominance of "Japan Inc." in the domestic market. To succeed in Japan, foreign companies must offer strategies that cater to local preferences, such as partnering with Japanese firms or differentiating products based on functionality or service offering.

Building trust with Japanese customers requires unique initiatives, often utilising "soft" marketing techniques. A thriving foreign business in Japan not only generates revenue but also opens doors to leverage opportunities globally, as Japan remains one of the largest non-English speaking markets with trends that quickly influence other non-English speaking markets. Investing in Japanese technical know-how also remains an opportunity, especially in high-tech industries like quantum computing, material science, battery technology, nanotechnology, automation, robotics, and infrastructure.

Japan is strategically and commercially important to our business.

65%

Strongly agree

35%

Agree

0%

Neutral

0%

Disagree

0%

Strongly disagree

The Challenge of Japan



The Japanese market faces challenges in leadership, talent shortage, and meeting customer expectations. Addressing these challenges requires a shift towards more transparent decision-making processes, a focus on developing creative and critical thinking skills in the workforce, and a commitment to understanding and meeting the needs of Japanese consumers.

The Japan market represents a significant opportunity for our business.

35%

Strongly agree

47%

Agree

12%

Neutral

6%

Disagree

0%

Strongly disagree

Talent needs are one of our biggest challenges.

12%

Strongly agree

35%

Agree

41%

Neutral

12%

Disagree

0%

Strongly disagree





Overall, there is a trend towards developing local leadership, particularly for those firms that have been operating in the local market for a significant period. It is not uncommon to see the Japanese entity established and grown initially by an expatriate seconded from headquarters or elsewhere, later to be handed over to a Japanese leader either developed internally or hired externally from the market. This allows the benefit of more easily building relationships with local regulatory bodies, government agencies, partner companies, and Japanese customers.

In addition, a foreign company with a Japanese leader can often instill confidence and make it easier to attract young Japanese talent. However, one pitfall that companies need to be aware of is maintaining effective lines of communication with relevant global stakeholders. A Japanese entity where only the country head can speak English can become a “black box” for headquarters, so often striking a balance between Japanese and non-Japanese senior management in the local entity, whether ex-pat or locally hired, is critically important.

It is our long term goal to develop local leadership in Japan.



Developing local leadership and attracting talent is a challenging task. Japan has the highest job-to-applicant ratio globally, meaning that it faces the most significant talent shortage and is one of the most competitive markets for talent.

Consequently, Japan tends to rely on recruitment agencies more than other countries, with recruitment fees among the highest worldwide, and online recruitment remains relatively challenging. Identifying and nurturing the right skill sets, whether technical, sales, communication, or managerial, is crucial for meeting Japanese customers' expectations and internal requirements.

However, the shortage of talent is compounded by the relatively low level of English communication skills, which is lower in Japan than in most Asian countries. Foreign executives face the challenge of identifying talent that possesses the right capabilities, such as independent thinking, creative problem-solving, and the ability to access global best practices.

Therefore, implementing global strategies and initiatives can be difficult, and local leadership must strike the right balance between headquarter expectations and field requirements. Achieving a harmonious balance between global and local needs requires additional effort to bridge the gaps, and an appropriate organisational structure with effective communication channels is essential.

Apart from internal considerations, Japanese customer behaviour can be different from other major global markets which means global initiatives often do not fit the local market without considerable localisation.

For example, customers in many markets may accept a slightly defective or damaged product if it is discounted in price whereas Japanese customers will simply not accept this and demand a product without flaws. Japanese willingness to make purchasing decisions without the ability to touch, feel, and inspect a product is also often lower than in other markets, meaning e-commerce and digital marketing to the Japanese can present unique challenges not apparent elsewhere.

As a result, customer loyalty is also something that is less likely engendered simply by high volume, low cost, or ease of purchase; Japanese customers tend to demand extremely high quality, trustworthiness in the brand, and exceptional service.

BRITISH BRAND ADVANTAGE

Is there any advantage to the British brand image in Japan? There seems to be a consensus amongst executives working at British firms, both Japanese and non-Japanese, that indeed there is. In concrete terms, the alliance between Japan and the UK has become stronger which is evidenced by both trade and defence agreements signed in recent years.

The UK has traditionally been viewed by Japanese firms as a good inroad to the European market.

Despite concerns about how Brexit may affect this dynamic, it does seem to have reciprocated in how British firms operating in Japan are viewed here. In addition, the UK is also well regarded for the quality of its educational and academic institutions, with universities like Oxford and Cambridge being renowned in Japan and globally. Talent and technologies developed in collaboration with British institutions are, therefore, often highly regarded.

More subjectively, there is a consistent opinion that both Britain and Japan, being island nations with long, rich, and sophisticated histories and cultures, and similarly sharing proximity to major world powers (China and Russia for Japan; the EU for the UK), engenders mutual respect between the two countries. There are many aspects to this that companies may be able to leverage and capitalise on. With its images of, for example, the “English Gentleman” or the Royal Family, Britain continues to maintain a brand of sophistication and gentlemanliness that can be applied both to product perception as well as business integrity. While not necessarily a differentiator in terms of mechanical or industrial precision, the idea of premium quality certainly applies to the brand image of craftsmanship, traditional elegance, and creativity in British products.

The idea of a “gentleman’s agreement” is also well received in the Japan market, where of course contractual agreement is important, but mutual trust between business partners and customers is as important, if not more so. Integrity, transparency, and fairness that is expected when working with British companies or using their products and services is something that is very valuable to Japanese customers and partners. As a result, the “storytelling” done by British firms can be an important function of their marketing and, ultimately, success in the Japanese market.

British brand identity is advantageous to our business in Japan.



Conclusion

It is unsurprising that British companies share similar experiences in the Japanese market as companies headquartered in other countries. Japan remains a challenging market as it is highly competitive and still insulated to a certain degree.

The talent situation in Japan is unique and arguably unlike any other country in the world.

Traditionally, different cultural norms with respect to communication and leadership contrast with those in the West. However, Japan still represents a huge opportunity for many multinational companies as it is a large and sophisticated economy. Success in Japan requires focusing on many areas that are also important globally – business integrity, product and service quality, and trust – albeit understanding the local nuance in these areas and adapting where necessary is critical. Companies that can develop environments where communication in both Japanese and English is effective that allows them to attract, develop, and enable both Japanese and non-Japanese talent as well as leverage both global and local expertise will be able to create competitive advantages that can be applied both in Japan and elsewhere.

In addition, collaboration with local partners and identifying strengths from the global operations that can be correctly applied in Japan can lead to success both in the local market and be exported as best practices in other markets. While very challenging, Japan is a market where success is achievable and winning here can mean not only increased revenues generated from the local market but the opportunity to leverage that success and bolster the business globally.



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Our global reach

66 offices in 32 countries

