The curious case of Japan has made several businesses scratch their heads in frustration. Many have entered the market with lofty dreams of seamless international expansion. But like any other country, Japan operates on its own terms. Understanding those terms is often the tricky part.

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The curious case of Japan

In 2002, Walmart entered the Japanese market for the first time. But after 18 grueling years, the U.S. retail giant sold its majority stake in Seiyu, a Japanese supermarket chain, in a move that signaled its near exit from the market.

Like Walmart, many other international businesses struggled to see longevity in Japan. For example, after investing GBP£250 million over eight years, Tesco called it quits and exited the Japanese market. And Airbnb and Uber struggled to take off in the region.

Why do so many international businesses face considerable roadblocks when starting a business in Japan? Oftentimes, failure to understand Japan itself is the underlying issue.

When Vodafone first entered the Japanese market, it invested GBP£1.5 billion for a 15 percent equity stake in Japan Telecom. But the telecommunication giant failed to understand
and service the technologically savvy and highly developed Japanese market.

After nearly six years of trying to succeed Japan, Vodafone gave up and sold its operations to Japanese company SoftBank. The latter aggressively rebranded and transformed the business into a leading telecom provider by bringing 3G services and advanced headset models to the market.

How to win in Japan

But not every international enterprise has failed in Japan, and Costco and Amazon are notable standouts.

Here’s how your international venture into Japan can be a resounding success, too.

#1 Invest in relationship building during the hiring process

Building a successful international venture is heavily reliant on hiring top-tier local talent.

In Japan, lifetime employment or sticking to one employer until retirement is fairly common. On average, Japanese employees remain in one job for around ten years while those in the U.S. stay for just over four years.

Because Japanese candidates are less likely to job-hop, they have less experience with “selling” themselves and the interview process overall.

Hence, it’s common to have a lengthy hiring process where employers build sustainable relationships with candidates, especially for mid-career to senior hires.

“In a typical hiring process for regional heads, you may have up to five interviews. But what often happens for us here [in HCCR] is that you may also have another 50 to 100 percent additional meetings. So that’s two to five extra meetings just on the relationship side, outside
of the formal process,” said Casey Abel, Executive Director at HCCR.

But many international companies might underestimate the level of relationship building that’s critical when establishing trust with candidates.

“I think it’s important to come to an understanding that you’re going to need to court, you’re going to need to spend time to allow candidates to let their guard down and open up and develop that relationship,” said Abel.

“It’s something that most organizations, frankly, are not prepared to do. They get frustrated with the lead times, and they get frustrated with the amount of time they need to invest in the process. And that’s where a lot it actually goes wrong here,” continued Abel.

#2 Don’t go at it alone

Another common mistake many international businesses make is navigating Japan’s complex and rich market alone.

“Many companies often try to ‘go at it alone’ here and develop direct sales channels as opposed to partnering with local players with existing relationships in the market,” said Abel.

While this might lead to success for some, companies must understand and cater to Japan’s preference for honing lasting relationships with clients.

“More often than not, having a local partner who can help you open doors can be a much faster path to market development, especially given the relationship-based orientation of doing business here,” continued Abel.

Companies have a better chance at success by partnering with domestic players who can help increase brand and product awareness. Take Uber, for example. Despite having a presence in Japan, Uber only successfully entered Tokyo after six years by partnering with
local taxi operators.

Working with local players is key for both established and emerging companies.

“Partnering is a better path, especially for earlier stage companies that don’t have the organizational or financial firepower behind them yet,” explained Abel. “You can’t tip-toe into Japan and expect success in this market. I’ve seen too many companies come and go like that.”

International firms can also sponsor events, such as technology conferences featuring local leadership personnel as speakers to promote brand awareness.

“Ultimately though, securing a solid ‘anchor’ client recognized by other companies is often the single best way to validate your offering and develop your brand here,” said Abel.

#3 Don’t fixate on English skills

In a 2020 survey, Japan ranked 55 out of 100 countries for English proficiency and was assigned a “low proficiency” band.

Although most multinational companies mandate English as the corporate language, international companies should focus less on language restrictions and more on a candidate’s skills and ability to execute a job.

Candidates with best English language skills might not always be the best candidate for your company’s needs.

In fact, Abel noted that he frequently sees hiring managers fall into the trap of choosing candidates with high English speaking skills that fit comfortably into the company instead of those best suited for the role. And according to Abel, once companies begin to gain traction
in Japan, they can mitigate language barrier issues by partnering with a local expert.

“If you can afford it, get a pair of eyes on the ground early, whether it’s a local technical expert or business development person, who can partner with the team and help build a bridge back to headquarters.”

#4 Be in it for the long haul

Perhaps the most challenging aspect of expanding into Japan is the time it takes to set up a company there. The country can be bureaucratic with complex regulations, laws, and procedures.

Establishing an entity in Japan can be a lengthy affair, and companies must deal with various offices, plus the expenses associated with the required capital.

“In general, I’d say whatever you set your expectations to, add another 150 percent. So, if you want X amount of market share in 12 months, I’d say make it 18 to 24 months instead,” suggested Abel.

The Japanese word “Nemawashi” represents a consensus-building procedure where approval of a proposed ideal is sought from all significant parties in an organization. This concept of Nemawashi is rampant in Japanese businesses and can further slow lead times.

In Japan, digitization is also slower, with many organizations still dependent on paper processes. Thus, managing expectations and factoring in a more realistic timeline to succeed in Japan is key.

“Once you’re in, they [the Japanese] tend to be very loyal and stick with you. So the upside is very much there, and it’s very real. But you’ve got to check your expectations in terms of lead times for market growth,” explained Abel.
Adapting to Japan’s business landscape

Successfully doing business in Japan is not an impossible feat. But it requires an intimate understanding of the local market, an appreciation for how businesses are conducted locally, and empathy for the local culture.

Abel reinforces the fact that sticking to your guns and refusing to adapt to Japan’s model of business simply will not work.

“A lot of foreign companies come in here and say it should be this way or that way, but let’s be real, any foreign entity is not going to change Japan. Japan is going to change itself the way it wants to change itself.”

And once businesses fully understand the complexity and opportunity the Japanese market presents, there is plenty to be gained.

“For people or organizations that do figure it out, Japan is very charming. It’s a very good place to do business, and there’s a ton of opportunity. It’s just, you can’t come in with your standard modus operandi and expect it to work perfectly,” said Abel.

**Building a global team in Japan**

Hiring international talent can be a complicated process that involves an understanding of different languages, cultures, and regulations. But partnering with a management consulting firm with talent acquisition and talent marketing capabilities, like HCCR, is immensely useful.

With deep expertise in Japan, HCCR partners with numerous local clients to run global
strategic talent sourcing. The management consulting firm also provides clients with employer branding and recruitment, marketing solutions specifically tailored to the Japanese market, and direct sourcing teams.

**Learn how we can help**

While HCCR can enable your company to find the best possible candidate with its multi-disciplinary talent solutions team, Globalization Partners can help onboard the employee, establish a local entity compliantly, and take care of all payroll, taxes, and HR-related matters.

The help of an Employer of Record like Globalization Partners can simplify global business growth by making it easy companies to hire anyone, anywhere, within minutes, and without setting up subsidiaries. Our legally compliant SaaS Employer of Record platform and a world-class team of in-country experts will ensure you move quicker than your competition.