

Research based on individual  
interviews with Japanese and US  
senior executives

# Insight into Partnering with Japanese Companies

BRUNSWICK + Keidanren  
Japan Business Federation



# Why Japan matters

3<sup>rd</sup>

largest economy globally

Largest

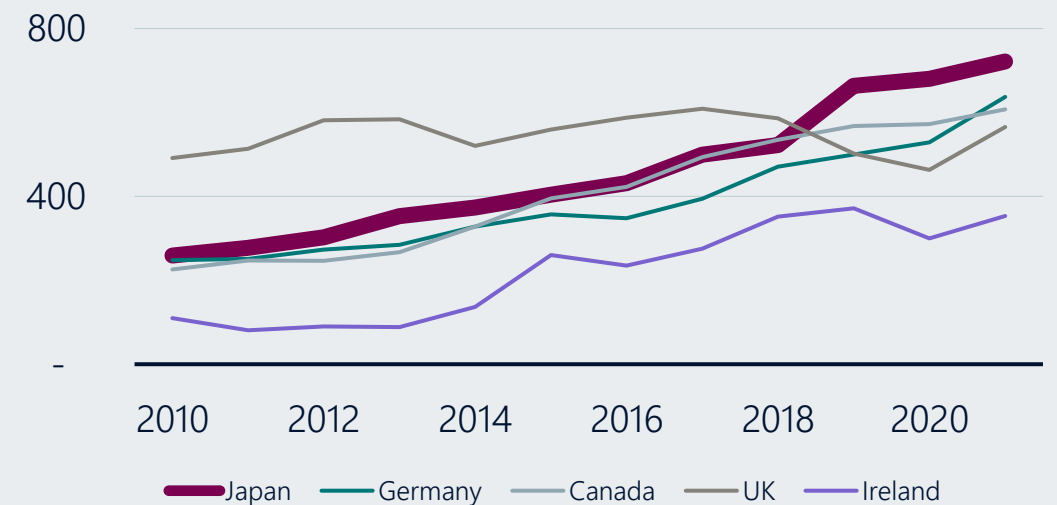
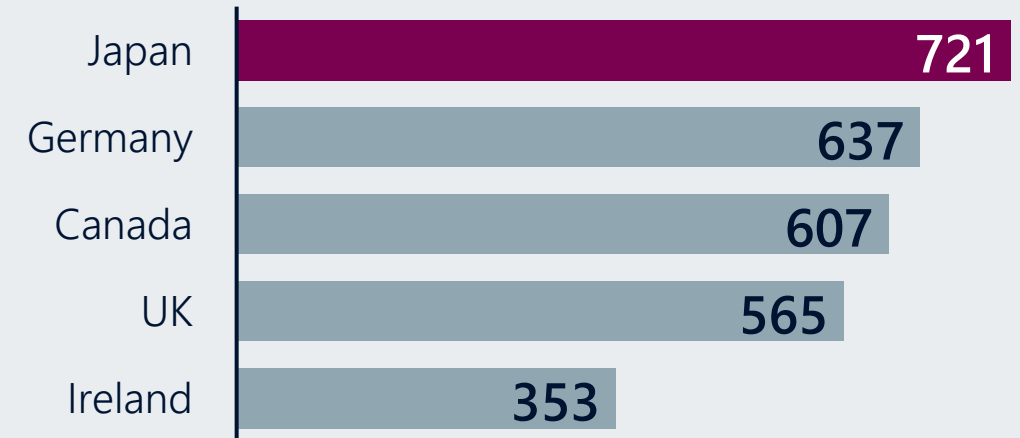
investor in the US

X2

Investment in the US in the past 10 years

## Direct Investment to the US

Top 5 countries (Billion USD)



# Ongoing geopolitical tensions make Japan a compelling partner for US Companies.

The potential decoupling of US-Chinese relationships is requiring a boost in supply chain resilience through “friend-shoring.”

**NIKKEI Asia**

Japan to spend \$2.4bn on joint chip research hub with U.S.

Domestic chip production also earmarked for supplementary budget

**Bloomberg**

**Harris Says Japan Plays ‘Critical Role’ in Chips Supply Chain**

There must be gaps that can hinder the successful partnerships between two distinctive cultures.

So what is the **key to success** ?



# Research objectives and methodology

- Individual interviews with **22 senior executives** of the top Japanese and US companies from various sectors.
- Focus on **M&A** and **Social issues**.
  - What are the challenges Japanese companies face in M&A and PMI (Post Merger Integration) in the US market?
  - What are the challenges to tackle with social issues in the US market?
- **Deep dive analysis on the similarities and differences** between Japanese and US senior executives.



During our interviews with Japanese and US executives, executives from both countries mentioned **keywords**.

However, it soon became clear that these words have very **different meanings across borders**.

**5 Key words  
commonly used  
in the interview**

Culture

Trust

Diversity

Stakeholder  
Engagement

Social  
Issues

# Culture

- When it comes to M&A deals, many Japanese firms focused not only on mission and vision, but also on finding a US company with a corporate culture similar to their own.
- On the other hand, US companies, while acknowledging the importance of cultural issues, were willing to adapt their values in order to be flexible, demonstrating a respect for cultural differences.

	Japan	US
<b>What is corporate culture?</b>	<b>Historic property</b> Culture is the foundation of a company, which is fostered over time and must be protected.	<b>Flexible and variable</b> Corporate culture is fluid and flexible, always changing with the times.
<b>How do you create corporate culture?</b>	<b>Adapting to the existing culture</b> Essentially, new employees are expected to adapt to the existing corporate culture.	<b>All employees can create the corporate culture</b> All employees, regardless of seniority, play a role in creating the corporate culture.



# Trust

- Both Japanese and US executives stated that it is very important to trust the management of the acquired company.
- During an M&A deal, Japanese executives are often focused on if the acquired company understands the acquiring company's corporate culture. Japanese executives stated that only by taking the time to share company values and understand each other intrinsically, can they build strong relationships of trust with employees and each other.
- On the other hand, US executives wanted to focus on leveraging the existing expertise and experiences of the acquired company management, despite the fact that they are being acquired. US executives still trust their ability to lead business.

## How is trust built?

Japan	US
<b>Shared values</b> Trust is something that is built between people in an organization over time. To gain trust, employees are expected to follow already established relationships, structures, values, and cultures.	<b>Individual competence</b> Whether or not a person trusts others in the workplace depends on his or her ability and experience. Managers tend to assign work based on ability, not titles.

# Diversity

- Both Japanese and US executives recognized that diversity is an important social issue and prioritize it.
- Many Japanese executives talked about HR-led initiatives focusing on gender (hiring and promotion of women), but did not focus on diversity in a broader sense.
- On the other hand, US executives mentioned that the added value of incorporating broad diversity must always be a consideration of top management.

	Japan	US
<b>What is Diversity?</b>	<b>Giving opportunities to women and younger people</b> It is mainly perceived as being based on gender and age.	<b>Promoting a diverse workforce</b> It means a diverse workforce in terms of age, gender, sexual orientation, race, religion, and physical and mental disabilities.
<b>Why Diversity Matters?</b>	<b>Compliance with rules</b> In addition to keeping up with recent global trends, Japanese companies must take appropriate measures to meet major guidelines, including the ones set by the Japanese government.	<b>Strengthening management capabilities</b> Having a diverse workforce has a beneficial effect on business by incorporating creative and different perspectives into decisions.

# Stakeholder Engagement

- Japanese companies mentioned the importance of dialogue with stakeholders directly related to their business, such as customers, while interaction with other stakeholders tended to be disseminated through industry associations.
- When it came to social issues, Japanese respondents took a reactive approach, focusing mainly on avoiding criticism. Additionally, tools for the dissemination of information were often unclear, and information dissemination systems were sometimes unestablished.
- On the other hand, US companies attempted to engage in proactive dialogue with a wide range of internal and external stakeholders. At the same time, however, they faced challenges in establishing a process for deciding what to say and when to say it, as well as in establishing criteria for making decisions.

	Japan	US
<b>Who are the stakeholders?</b>	<b>Emphasis on business associates</b> Customers, suppliers, etc. directly related to the business. Fewer references to employees, shareholders, activists and NGOs. Focusing on engagement through industry associations.	<b>Emphasis on a range of stakeholders</b> A wide range of actors, such as employees and regulators, who have opinions about the company and can influence the overall business and reputation.
<b>How do we engage with stakeholders?</b>	<b>Passive</b> If the business contributes to society as a whole, they often believe that there is no need to explicitly engage with stakeholders other than customers.	<b>Active</b> It is important for companies to take strategic and concrete action on certain issues and actively communicate about their stances and approaches.

# Social Issues

- Japanese executives demonstrated an honest commitment to complying with social rules and norms, and a quiet attitude toward communication, based on the assumption that social contribution has always been ingrained in the corporate philosophy of Japanese companies.
- US executives often stressed the importance of improving employee engagement as well as social responsibility, as the reason for their efforts to address social issues. Additionally, US executives took care to actively communicate and act on various social issues, in order to demonstrate leadership.

	Japan	US
<b>Why do companies work to solve social issues?</b>	<b>Compliance with rules and norms</b> Companies work to solve social issues in order to be compliant with social norms, taking into consideration the demands and expectations in the global marketplace. Therefore, many companies focus their actions on following national government guidelines and UN guidelines.	<b>Society and employee expectations</b> Companies need to respond to expectations of society in the US, take concrete actions to solve social issues, and actively communicate their results. In addition to demonstrating leadership to the outside world, executives believe it is essential to meet employee expectations and earn their support as they seek to grow their businesses.

# Summary of the 5 gaps

	Japan	US
<b>Culture</b>	Corporate culture must be protected. Newcomers are expected to adapt to the existing culture.	Corporate culture is fluid and flexible. All employees join to create an inclusive and evergreen corporate culture.
<b>Trust</b>	Trust is based on shared values. Employees gain trust by understanding and following already established systems.	Trust is gained through individual competence based on existing expertise and experiences.
<b>Diversity</b>	Diversity is narrowly defined as gender and age, with a focus on compliance with the laws.	A diverse workforce - in terms of gender, age, sexual orientation, race, religion, and physical and mental disabilities – is beneficial to strengthen management capabilities.
<b>Stakeholder Engagement</b>	A passive approach to stakeholder engagement, focusing on indirect engagement with industry associations and how direct business associates affect the company.	An active approach to stakeholder engagement, focusing on a wide range of stakeholders, including employees and regulators.
<b>Social Issues</b>	Companies work to solve social issues by focusing on being compliant with government and UN guidelines.	Companies are expected to be proactive and respond to societal and employee expectations.

# Key to bridge the gaps

- Some of the interviewed Japanese companies were more advanced and have bridged the gaps better. They are focused on growing their business in the US.
- By analyzing these advanced companies, we found that they share **common characteristics in terms of management structure and individual managers**.
- These findings suggest that the ability to build a system that **incorporates diverse experiences and perspectives into management decisions** will be a key factor in determining whether Japanese companies can achieve further success in the US market.

## Management structure

- The percentage of **outside directors** in the head office who are **non-Japanese personnel**: 50% or more.
- The percentage of **executive officers** in the head office who are **non-Japanese personnel**: 20% or more.
- There is proactive use of **external advisors** in disseminating and delivering strategic information to overseas stakeholders.

## Individual managers

- Management is led by a seasoned president with **overseas management experience**.
- Management is led by a president who was **scouted externally with extensive overseas experience**.



# Contact



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Long recognized and respected as the leading voice for Japanese businesses, KEIDANREN (Japan Business Federation) seeks to establish consensus in the business community on a variety of important domestic and international issues, and works for their steady and prompt resolution. At the same time, we communicate with a wide range of stakeholders including political leaders, administrators, labor unions, and citizens. We also strive for the resolution of international issues and the development of closer economic relations with various countries through policy dialogue with the governments and economic associations of each country as well as international organizations.

#### Membership

- 1,494 Corporate Members
- 108 Nationwide Industrial Associations
- 47 Regional Economic Organizations

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For more than a decade, Brunswick has advised on Japan-related issues. The firm helps many of Japan's leading businesses to navigate critical situations such as crisis, M&A, activist campaigns, restructuring and litigation, including by engaging effectively with institutional investors, regulators, the media, employees, shareholder activists, NGOs and other key audiences. Brunswick also helps many multi-national corporates to engage effectively in high-stakes situations with key audiences and stakeholders in Japan.

Brunswick's global Japan team comprises more than 25 multi-lingual, Japan specialists with diverse backgrounds who provide seamless, around-the-clock advice and support for clients in critical situations.



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