McGill University
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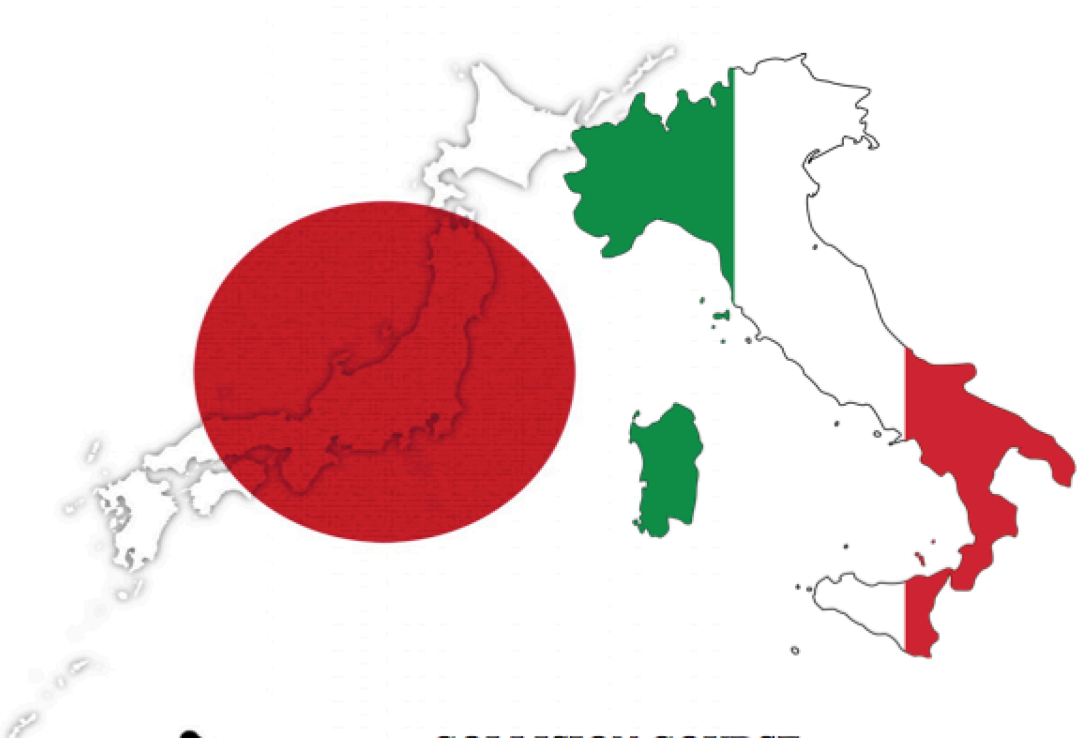

COLLISION COURSE:
Selling European High Performance Motorcycles in Japan

Introduction

It is undeniable that Japan has always been an important player in the motorcycle industry, making its debut in the country in 1895. By 1953, there were more than 200 domestic manufacturers, made possible through the excess of technical engineering talent in the workforce (Hicks, Lehmber, 2012, 6). Japan prides itself in providing high quality products, to the extent that "*minor blemishes that would go unnoticed by European or American customers often resulted in defect complaints by customers in Japan*" (6). It is therefore important to remember that Japan has always had a long-standing tradition with regards to motors.

Tommasi Motorcycles is an Italian manufacturer of high performance motorcycles, with its central office responsible for operations in Japan known as the JNO, and with a network comprised of 16 independently owned dealerships (6). The fact that these dealerships are independent means that each dealer has its own way of doing business; the Tommasi dealership network is very different compared to that of other Japanese competitors (8). As a result of the way the system is set up, a strong, honest and long-term relationship between JNO and the dealers is a vital requirement in determining the success of the entire operation. However, JNO's problems are surfaced when two consultants, from the British management consultant firm Horizon, begin interviewing the dealers about Tommasi's new customer data management software application. It soon becomes obvious that the main problem in the case is the fact that Fabio Bonardi, President of JNO, has not been able to build prosperous and trustworthy relationships with his dealers in Japan, who are represented in the case by Saito, as well as within the company itself with Katoh, Director of Marketing and Sales in Japan. This can be attributed to Bonardi's unconscious incompetence, which is not allowing him to recognize that miscommunication is occurring between all parties involved (Osland, Turner, 2011). In this case analysis, our main focus will be to examine the key differences between the Italian and Japanese cultures, both within and outside of JNO.

Miscommunication Within JNO

It is undeniable that there is clear miscommunication within JNO; more specifically between Fabio Bonardi and Nobu Katoh. Firstly, it is important to remember that Japan ranks high with regards to power distance, while on the other hand, Italians prefer equality and decentralization of power and decision-making (Appendix 1). Thus, while Japanese managers tend to provide direct orders to their subordinates and do not require collaboration, Italian managers expect to get feedback and comments from all levels of the organisation; there is open communication between all workers regardless of their status or rank (Guirdham, 2011). This difference between the two cultures is noticeable in the case when looking at the formal information exchanges between Bonardi and Katoh. In fact, Katoh does confront or update his boss about issues that arise within the organization, but rather answers back with questions or vague open-ended responses. On the other hand, Bonardi is probably expecting Katoh to be straightforward and frank with him. Katoh's lack of transparency therefore creates issues between the two parties, and to a certain extent tensions, that undermine harmony within the company.

Japanese "Wa" and its Importance in the Business Context

The concept of *Wa* is a fundamental aspect in the Japanese culture. Defined by harmony, reconciliation and unity, it is one of the most essential traits that determine the success of businesses and personal relationships in Japan. The preservation of harmony is mostly done by consensus making, by avoiding any confrontations, and through the consideration of the formal ranks and of the seniority (Parry, 2006). According to *Wa*, harmony between Japanese business partners is the highest goal of business behaviour (107). In this case, Bonardi's confrontational approach most likely disrupted the business harmony which comforts Katoh. Furthermore, the issues within JNO were stated directly in front of Saito and the Horizon's consultants, which created an issue for the Japanese director. This can be explained in two ways. First of all, confrontations diminish greatly *Wa* (108). Usually in Japanese business meetings, objections are raised quietly through the exchange of memos, e-mails, and hallway conversations. The usual purpose of business meetings in Japan is not to make decisions or to directly confront any members, but to confirm the decision or the consent made by the business partners. Meetings are also used in the goal of strengthening business and personal relationships, which involve non-business conversations (108). In JNO's case, the meeting held between Bonardi, Katoh, Saito, and the Horizon consultants could be regarded as too confrontational for Katoh. It did not respect the Japanese business behaviour of maintaining harmony and resulted in Katoh's non-responsiveness. In order to be able to perform well in the Japanese business culture, Bonardi must understand the indirect communication style employed by the Japanese people.

Secondly, Bonardi's confrontation created an issue because of the powerful concept of *losing face* in the Japanese culture. This concept is directly related with the will of conserving

Wa, thus preserving harmony within the business members (Parry, 2006, 109). If one causes another member of its work environment to lose face, whether through direct criticism or by directly rejecting a suggestion or idea, this will disrupt the harmony. This concept can be observed by looking at the ineffective communication between Katoh and the dealers since Katoh never mentioned to them that JNO was previously sued for patent infringement. Katoh explains to his superior that "*to be honest sir, we thought it would sound like an excus*e" (Guirdham, 2011, 6). In other words, Katoh and his team decided not to mention it in the newsletter because of the already existing issues. In order to save his face, as well as President Bonardi's face, Katoh decided not to mention the issues that caused the delays. The president of JNO is not picking up the fact that Katoh is irritated and ashamed by the confrontations made in the meeting. Moreover, Bonardi is not making any efforts to adapt to the Japanese business manners, which can also affect his relation with Katoh. Bonardi was clearly unconsciously incompetent when he greeted Saito, because "*bowing is the beginning of human relations*" (Morsback, 1976, 258) in Japan and he did not even consider the importance of the bow. Instead when Bonardi met Saito for the first time he extended his hand.

Perception of Time

Another main source of the miscommunication between Katoh and Bonardi is the difference with regards to time orientation between the two cultures. Time orientation is the way that different societies "*maintain some links with its own past while dealing with the challenges of the present and the future*" (Hofstede, 2001). The Japanese are very much long-term oriented, whereas the Italians in comparison are short-term oriented (Guirdham, 2011). This short-term orientation is presented through JNO and Bonardi believing that the new IT software is the key to maximizing profits for both firms; however, "*sales in Japan are driven by relationships, not data*" (Hicks, Lehmberg, 2012, 2), which represents the Japanese's long-term goals. The firms whose dealers have strong, trust-based relationships with their customers are the firms that succeed in the Japanese market. Bonardi and the Italian Tommasi firm clearly did not do much research on the local Japanese market because if they had, they would know that getting "*the product mix and the positioning right*" would "*double sales in Japan*" even in the "*down economy*" (Hicks, Lehmberg, 2012, 3).

These miscommunications can also be explained by the fact that Italians are universalist, meaning that they have a preference for drawing general principles (Guirdham, 2011, 49). As a result of this, they are task-oriented and aren't as focused on building relationships. The Japanese, on the other hand, are particularist, valorizing relationships while still maintaining their roles (A Watchman's View, 2011). Since Japan is particularist, they "*think that the relationship is more important than the contract and that a good deal requires no written contract"* (Guirdham, 2011, 49). In a universalist culture, meetings would likely be scheduled for the purpose of negotiating the details of a contract. On the other hand, in particularist societies, meetings would be viewed as a time to strengthen both personal and business relationships (Parry, 2006). This thus further emphasizes the importance of building strong relationships within JNO.

These ways of thinking not only affect the dealers' difficulty in selling the product to their customers, but are also permeated to upper management. Bonardi's assignment in Japan is temporary; therefore, he did not create or maintain relationships with the dealers or with Katoh.

This has caused frustration amongst the dealers and Katoh as they want to develop a relationship with Bonardi yet feel that he does not care given that he is not the permanent president of JNO. During the meeting, Saito, one of the dealers, told Bonardi:

> "...we don't always make our views known so clearly to JNO because frankly, we're not sure the message would get through. We are not sure who is in charge here. Of course we know your name, but most of us dealers have never met you, and we know, again to speak frankly, that this is a temporary assignment for you" (Hicks, Lehmberg, 2012, 14).

Here, we can sense Saito's exasperation and his feeling of perhaps inferiority within the company if and when he tries to communicate his concerns to JNO. It is also difficult for Katoh and the dealers to build a relationship with the president because the person occupying that position constantly changes. Saito mentions how he tried a few years ago to develop a relationship with the current president at the time only to find he had gone back to Europe when Saito tried to make an appointment with him (Hicks, Lehmberg, 2012, 14). This further emphasizes Saito's reluctance and frustration. Thus, given that in Japan building relationships within upper management is crucial, the relationships within JNO are hindered due to Bonardi's and Tommasi's incompetence to act appropriately in a foreign environment.

Differences in the Way of Doing Business

When going on an expatriate assignment, the ability to adapt to the host culture is necessary in order to optimize productivity in the work environment. The success of a given assignment can be jeopardized if there is a misunderstanding with regards to the host culture's business practices. In this case, Bonardi comes from an individualistic culture where task prevails over relationship, whereas Japan, a collectivist culture, establishes relationships before conducting business (Brislin, 2008, 21). These differences rendered communication practically nonexistent between the two parties. Hence, Saito complained during the meeting about the lack of communication: "*It's been at least two years since JNO invited us to review the options and accessories for the Japanese market"* (Hicks, Lehmberg, 2012, 13). Seeing as in collectivist cultures interacting smoothly within groups is important (Guirdham, 2011), it can be said that it was out of the collectivist norm for the dealers to be excluded from contributing in decision-making (Brislin, 2008, 24).

As an expatriate from an individualistic society, transitioning to a collectivist country can create some discomfort and disagreements regarding how to deal with partners. Although Bonardi has been in Japan for almost three years, he has barely met any of the JNO dealers. Building such relationships does not seem as important to him, hence he has not been able to gauge what the real problems are due to the lack of self-assessment. Furthermore, he thought that the dealers were "*quite enthusiastic*" about the new IT system although the opposite was true. In fact, it was " *not clear to [them] what the benefits of system will be*" (Hicks, Lehmber, 2012, 10). Bonardi thought that this system's standardization, which cost 10 millions (Hick, Lehmberg, 2012, 9) would solve the dealers' problem. This could have been avoided if he had been able to evaluate the real nature of the problem: lack of relationships. Saito stating that he knows "*every single one of [his] customers"* (Hicks, Lehmberg, 2012, 10) further emphasizes the importance of strong relationships especially in a collectivist culture.

Moreover, one can see how Bonardi's individualism and universalism affected his inability to understand that relationships have a greater influence on sales than the IT system. During the meeting, instead of working on his relationship with each party, he constantly suggested more tasks to accomplish as an alternative. Bonardi kept talking about the new IT system and how it could benefit the entire operation, stating, *"we feel the same way that is why we are excited about new customer data system*" (Guirdham, 2011, 9). Because the IT software perhaps worked well for the Tommasi firm in Italy, Bonardi immediately assumed that it should also work well in the Japanese market. This, however, is not the case because the dealers' main concern is building intimate relationships with their customers who are ultimately the company's most important asset.

Miscommunication Outside of JNO

The miscommunication between JNO and the Japanese dealers undoubtedly stems from the fact that no relationship was ever initiated, and subsequently nurtured, between the two parties. As previously mentioned, Japan ranks high on power distance (Appendix 2), and therefore the dealers probably expected Bonardi to initiate the relationship. However, they had never met nor spoken to him face-to-face before. As can be seen from the case, the dealers appeared to be more comfortable opening up to the Horizon consultants. They managed to make "*some quality connections with the dealerships in a very short amount of time*" (Guirdham, 2011, 14), which is something that Bonardi was never able to do. These issues are enhanced by the fact that the Japanese and Italian cultures have very different ways of communicating, which affects how messages are encoded and decoded (Guirdham, 2011, 57). The Japanese are high-context communicators, and thus emphasize interpersonal relationships. They prefer oral communication and agreements, and place the onus on the listener (Munter, 1993, 74). In contrast, the Italians are low-context communicators: concise, direct, and place the onus on the speaker (Guirdham, 2011, 57). Given these characteristics, it is inevitable that if the communication is not carried face-to-face, there will be confusion and misunderstandings.

Lack of Mutual Trust and Respect

So far, the various presidents of JNO, including Bonardi, had been sent to Japan for temporary assignments only and therefore the turnover rate was very high (in contrast to the low turnover rate of the dealers). Instead of taking care of the dealers' issues, it seemed as though Bonardi was developing a compensation plan with his director located in Italy and looking out for himself. In addition, whenever the dealers tried to contact a senior executive, they could only get through to the secretary, who appeared to have no idea what was going on either. The dealers essentially never know whom to contact, which is frustrating, especially given that Japan is ranked high in uncertainty avoidance (Appendix 1). The Japanese dealers would prefer to know who their superior is in order to feel more comfortable and secure.

From the Japanese perspective, mutual trust is imperative to the success of a business venture (Parry, 2006, 111); however, there cannot be mutual trust if there is no relationship, and there is no relationship without continuous communication. In this case, the mutual lack of trust is compromising the entire business. Rather than rushing to get down to business, the JNO executive staff should have made an effort to get to know the various dealers. Although Bonardi does acknowledge this later in the case: "*obviously I need to do a much better job of staying in touch*" (Hicks, Lehmberg, 2012, 14), the damage has already been done. Overall, by putting effort into building successful relationships, disputes of this sort could have been avoided, or at least reduced. We can see also see from the feedback expressed by the consultants that the dealers are open to some sort of dialogue, and to provide valuable insight in order to ameliorate the entire business.

Lack of Cultural Knowledge

Finally, as mentioned previously, Bonardi and his executive staff also do not seem to realize that relationships are what drive business in Japan; "*selling these types of imported high-end, high performance motorcycles in Japan is simply* ***not*** *a data driven business, it's a relationship-driven business*" (Hicks, Lehmberg, 2012, 10). The system that JNO wants to implement is misdirected because the dealers believe the new system will undermine the personal relationships they have with their clients. This indicates a lack of cultural intelligence from JNO's part, as the branch never devised learning strategies prior to arriving in Japan and never made an attempt to understand the local culture or the dealers' perspective. Inevitably, this affected the relationship with the Japanese dealers, as JNO simply does "*not understand the Japanese market*" (Hicks, Lehmberg, 2012, 2). This is further illustrated in the case by the fact that JNO's perception of quality is not the same as how it is perceived in Japan; "*minor blemishes that would go unnoticed by European or American customers often resulted in defect complaints by customers in Japan*" (Hicks, Lehmberg, 2012, 8). In addition, the "*dealers feel pressure by JNO to sell more of the larger models (...) because margins are higher*" (Hicks, Lehmberg, 2012, 12) and "*are afraid of interference by Tommasi*" (Hicks, Lehmberg, 2012, 13). The dealers do not trust Tommasi and JNO to make the right decision based on the characteristics and needs of the Japanese local market. Bonardi is clearly more focused on meeting the short-term goals by asking them to focus on the larger models, without thinking about how this could affect their operations; while on the other hand, the dealers would rather sell safe reliable motorcycles to loyal customers, regardless of the size of the model. JNO is essentially not meeting the needs of the dealers, and allowing them to incur all the costs of having to, on one hand meet JNOs expectations, and on the other, comply with what the local market wants. JNO and the local market are essentially pulling the dealers in opposite directions, and making their lives more difficult than what they should be, which increases their frustration and disappointment. Ultimately, it seems as though the two parties cannot find common ground.

It can also be said that the dealers themselves also misconceived the system, in the sense that they assumed it would replace their traditional way of conducting business, rather than viewing it as an addition that could help them by having "*real customer data in their hands, for planning, forecasting, campaigns*" (Hicks, Lehmberg, 2012, 5). Likewise, during the meeting with Saito, Bonardi explained that the system would provide other features such as "*internal web sites, campaign management, reporting and segmentation*" (Hicks, Lehmberg, 2012, 5) of which Saito was not aware. Obviously, given the lack of communication, the dealers' disregard and dissatisfaction with the new system are not unexpected responses. In general, JNO should have put more effort into trying to explain and present this system to them in order to ensure that the dealers were well aware of its benefits, and the advantages from using it.

Recommendations

It is undeniable that Tommasi Motorcycles, being a multinational corporation, is ultimately responsible of making sure that suitable managers are being sent overseas, so that they can succeed in the host culture. Managers' suitability can be increased by offering cross-cultural training, which could include language teaching, cognitive or information-acquiring approaches, and experiential or immersion exercises by providing realistic simulations or scenarios to the trainee (Ko & Yang, 162). In general, these trainings strengthen the ability to understand and appreciate multiple cultural perspectives (160). Due to the fact that Tommasi Motorcycles does not appear to have such programs in place, Bonardi should have informed himself regarding the local culture and market prior to arriving in Japan. By doing so, he would have been able to build stronger relationships from the very beginning, both within and outside of JNO.

It has to be noted that regardless of the lack of adequate training, Bonardi's motivation may also have been hindered by the fact that he was sent to Japan as a temporary assignment. He is constantly reminded of this by his boss, with whom he talks to frequently about what awaits for him back in Europe. For this reason, he might not have had the motivation required to learn and improve himself in the first place. Perhaps it would be more beneficial for subsequential managers sent by Tommasi to operate the JNO branch, to be told that their assignment will take longer three years (and therefore be more long-term), in order to allow them to fully immerse themselves into the Japanese culture, and thus be able to provide the best business outcomes. Overall, it is probable that Bonardi is a competent and successful manager, otherwise he would not have been sent to Japan by Luca Peluso, Tommasi's Senior Vice President of Sales and Operations, in the first place. However, because he was not provided with the right tools to succeed, his leadership at JNO was not as strong and effective as it could have been.

In addition, a strong platform of communication within JNO should be implemented, in order to allow the dealers to express their concerns. Given that they have a better understanding of the Japanese local market, the company would benefit as a whole from their experience and knowledge. Another aspect that should have been taken into consideration is individual frequent meetings between the executive staff of JNO and the dealers, as well as within JNO management itself. If relationships had been created and maintained, these individual meetings would have allowed Bonardi to speak with Katoh as well as with the dealers one-on-one about the problems and concerns within the company, thus eliminating the embarrassment of losing face in a public business meeting setting. These meetings should welcome frankness and directness, allowing the individuals to address each problem head-on. All in all, a strong working network is necessary given the Japanese context.

Conclusion

To conclude, it is clear that several cross cultural concepts come into play in Tommasi Motorcycle's complications. Most importantly, Fabio Bonardi's inability to build strong relationships both within and outside of JNO resulted in a lack of mutual-trust between all parties involved; this thus hindered communication throughout the case. Due to the fact that Bonardi was incompetent, and therefore did not know and/or understand what the causes of the problems he was facing were, he was unable to fully adapt his behaviour. In order to succeed in overseas assignments, managers must not only be aware of the cultural differences, but need to be willing to learn about the new culture in which they are immersing themselves. It is also the company's role to direct the expatriate who is sent overseas. Making sure that he/she will be able to immerse in the host culture is fundamental for the success of such an operation.

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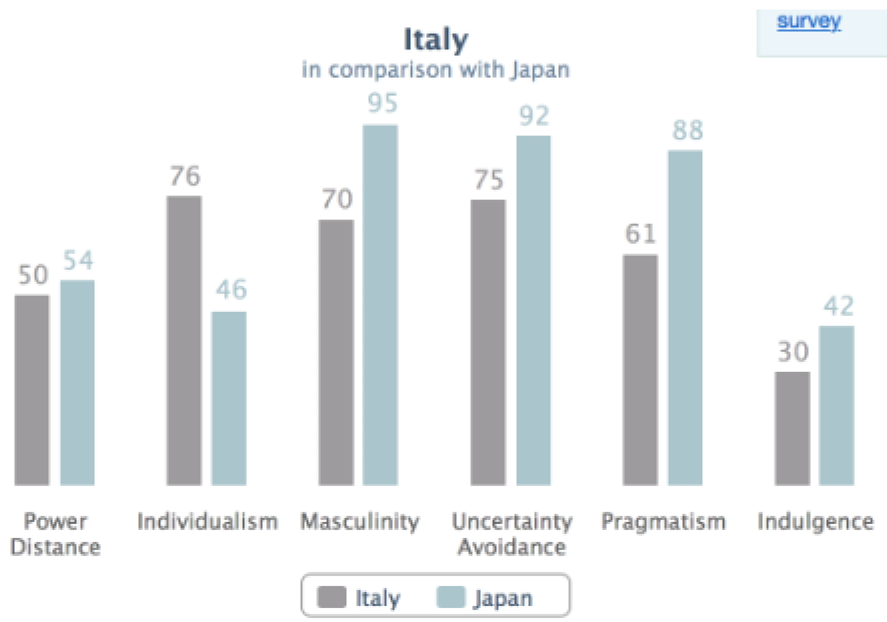
"Universalism vs. Particularism (What Is More Important, Rules or Relationships?)." *A Watchman's View*. N.p., 21 Nov. 2011. Web. 01 Dec. 2014

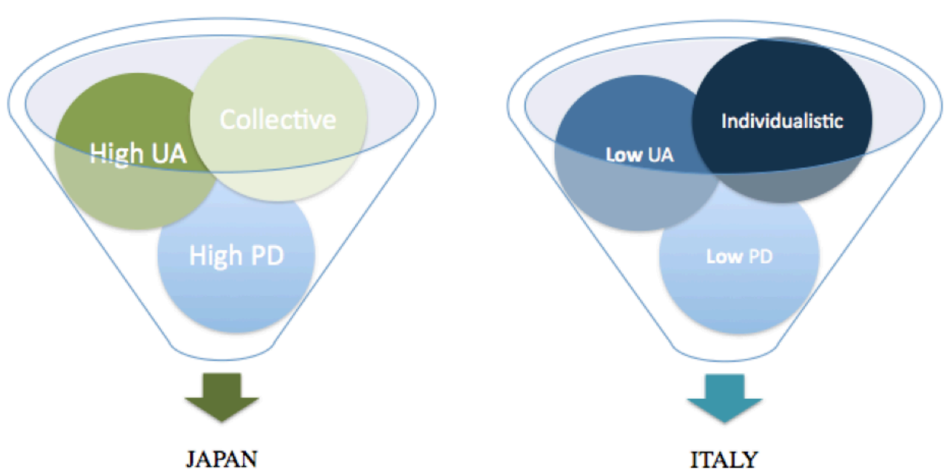
Appendix

Appendix 1

Hofstede's Cultural Dimensions: Japan vs. Italy

http://geert-hofstede.com/dimensions.html

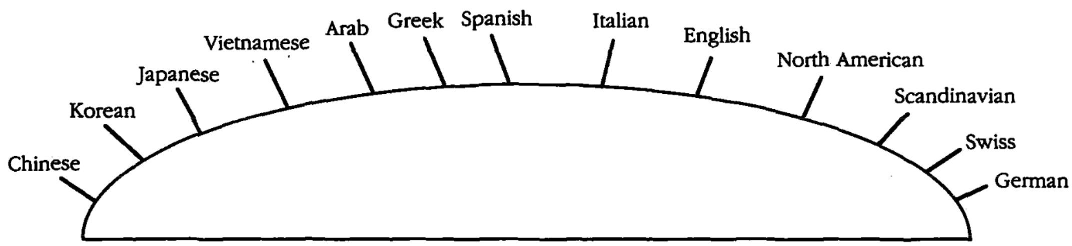




Appendix 2

Munter, Mary: “Cross Cultural Communication for Managers”

Figure 3
High Context and Low Context Cultures



HIGH CONTEXT
- Establish social trust first
- Value personal relations and goodwill
- Agreement by general trust
- Negotiations slow and ritualistic

LOW CONTEXT
- Get down to business first
- Value expertise and performance
- Agreement by specific, legalistic contract
- Negotiations as efficient as possible

Source: Adapted from Hall (1976)