

GLOBALIZATION  
AND  
ISSUES OF INTERCULTURAL COMMUNICATIONS  
--DOING SUCCESSFUL BUSINESS IN ASIA

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I feel extremely honored to be invited to address this gathering of Saint-Gobain's international business executives in Kyoto.

The main subject that I was asked to discuss today is "Globalization and Issues of Intercultural Communications." This can be a very broad subject. I would like to discuss the subject based on my experiences in doing business in Asia. This is also not simple because Asia is diverse and every country in the region is unique in terms of history, language, culture, ethnic background, etc., but I will try my best.

We are on the threshold of globalization. The world economy is "borderless" and markets are becoming essentially one. Corporations are looking at the free flow of goods and services, capital and human resources as well as information as the pathway to growth. Hence, the corporate strategy of going global is no longer a choice, but rather a "must" for survival.

In Asia, like elsewhere, we see overwhelming forces shaping the topography of our business landscape. Everyone is keenly aware that radical changes have been taking place in the business environment and industries need to adjust speedily to such changes. Anything that has failed to adjust to its environment, be it the dinosaur or the U.S.S.R., was doomed to extinction. Indeed, what Charles Darwin wrote about the species is true also to private-sector corporations : "It is not the strongest of the species that survive, nor the most intelligent, but the ones most responsive to change."

By way of example, I would like to draw your attention to three specific factors of change in the aftermath of the collapse of Soviet communism in the late 1980's : 1) The globalization which was accelerated by the Information Technology(IT) Revolution and which brought about a rapid expansion of international and regional trade; 2) Higher customer expectations about the quality of products and services and stronger public demand for better environmental performance; and 3) Investors' demands for ever higher "shareholder value" and greater focus on the ethical dimensions of business decisions.

I believe that these are all self-explanatory, but I would like to elaborate on the first point.

Several years ago, when I was working in New York as President of Sumitomo Chemical America, Inc., I heard Sir Ronald Hampel, then Chairman of ICI speak at the Chemists Club in Manhattan. He told the audience, "In 20-25 years, the share of Asia in the world chemical industry will reach 50 percent, and unless you become active in Asia, you will be dead." Dead or alive, I don't know, but Asia's share in the world industry will continue to increase in the coming decades. Thus, "Move to Asia" is a common strategy for European, American and Japanese companies.

There have been sharp trade increases both within and without the East Asian region. For example, in 2001, U.S. exports to East Asia amounted to \$117 billion, while its imports were \$241 billion. In 1989, U.S. exports to the same region were \$54 billion and its imports were \$93 billion. The sharp increases of both exports and imports are striking. Over the 12 years between 1989 and 2001, U.S. exports to East Asia more than doubled, while her imports increased by 260 percent.

Similarly, in 2001 European exports to East Asia were \$109 billion, while imports amounted to \$163 billion. The enormous growth is clear

when we consider that in 1989, European exports to the same region were \$44 billion and its imports \$54 billion. Over the same period, Europe's exports to the region increased by about 250 percent, while her imports by as much as 300 percent.

Within the Asian region, rapid economic development of China is phenomenal. As you know, China was officially admitted to the WTO in 2002. Her entry into the world trade system is significant as she represents a huge potential market as well as an extremely cost-competitive supplier of intermediate and finished products. Its impact will be pervasive and felt more acutely in the coming years.

For example, China's comparative cost advantage is striking, and it appears that only a few countries such as Vietnam can compete effectively with China. According to a comparative survey on labor cost in Asian countries which was conducted by the UFJ Bank's Singapore Branch in 2001, the relative labor cost index was (assuming the labor cost in Japan is 100): 3.0 in Shenzhen and 9.5 in Shanghai, China; 5.7 in Thailand; 8.0 in Malaysia; 2.7 in Jakarta, Indonesia; 4.6 in the Philippines ; 3.8 in Hanoi, Vietnam ; 6.7 in India.

China's process of industrialization has a significant feature: it can simultaneously accommodate both labor-intensive and highly sophisticated capital-intensive industries. Its labor force is highly industrious and abundant. A surge of young Chinese people is just entering the work force and the consumer market. Nearly half of China's 1.3 billion people are under the age of 30.

At a recent Asian leaders conference held in Tokyo, Singapore's Senior Minister Lee Kuan Yew pointed out that China would become an economic "partner" for Northeast Asia, while being a "competitor" to Southeast Asia. He expressed optimism that China would be able to manage its "dramatic transformation" successfully. Mr. Lee also said that over the next 15 to 20 years, Southeast Asia couldn't hope to compete

with China in terms of labor costs, size of market and as a magnet for foreign direct investment. South-east Asian leaders seem to be feeling the potential threat which China's full-fledged entry into world trade is likely to bring about, lest it would cause so-called "hollowing-out" of industries.

As a footnote, I would like to mention that for the leaders of the developing nations, finding a feasible path to industrialization in the information-oriented world is a profound challenge. Given the overwhelming evidence of vast income disparities, can the leaders successfully convince the vast population that such disparities are a necessary stage in the transition to a market-oriented economy, with the promise that the day will come when there will at last be enough to go around? I am afraid there is no ready-made formula that promises success.

India is also treading a similar path of industrialization. When I worked for the India Division of the World Bank in the late 1970's, India's population was about 600 million. In 2000, it was estimated to reach one billion. Over the past 20 years or so, India's population increased by as much as 70 percent. If the present rate of India's population increase will continue, her population is forecast to exceed 1.5 billion by 2050, surpassing that of China. The enormous increase of the populations of China and India combined will have a profound impact of global importance, which may include vast upheaval of social order and the ownership of property.

The changing nature of our economic environment is forcing companies to select business fields that best fit their current strategy and outlook and to concentrate resources in such fields. In order to remain competitive in the global market to achieve a higher "Shareholder Value" under pressure of ever demanding financial institutions and individual investors, companies must trim weak and uncompetitive operations. At the same time, they must invest in new potential lines of business.

The incessant pursuit by private-sector companies of higher value-added fields means a significant change in work force requirements. This is particularly true in the light of the ongoing IT Revolution whose full impact we have not yet seen. In Japan, the traditional industrial systems such as indirect finance, bank credit based on land mortgage, cross shareholding, the seniority and life-time employment systems have been undergoing change as they no longer offer advantages but rather have become burdens after the growth rate of the Japanese economy started tapering off.

Rapid innovation in IT has brought about a new industrial paradigm. By use of the Internet and e-mail, information exchange and business transactions can be done at the speed of light with practically anyone living in any corner of the world around-the-clock. Emerging forces are causing significant changes in corporate structures and no aspect of the modus operandi of business operations is left unscrutinized. Companies must now concentrate on the ways and means to enhance efficiency and competitiveness in terms of quality, cost, product design, and delivery to the global markets.

The economic activities of all countries are increasingly intertwined and person-to-person contact opportunities increase immensely. Business persons who travel to other countries often feel uneasy if they lack intercultural communication skills. That is troubling when, as Peter Drucker declared, "cross-border alliance" is becoming the strongest integrating force of the world economy.

Unfortunately, few people realize the importance of training to overcome the communication barriers. A lack of effective intercultural communication skills often causes misunderstandings. This leads to irritation and even distrust between the parties concerned. More often than not, problems arise from differences in communication styles.

Here is an example that illustrates the problem of the so-called "perception gap."

A mission of several U.S. Senators visited Tokyo a few years ago. After the American delegates met with high-level officials of the Japanese government, one Senator spoke to a close Japanese friend about his impression of the joint meeting. "The Japanese dignitaries received us with utmost courtesy and seemed to listen carefully to our comments. But after the meeting, the members of our mission unanimously agreed none of us had clearly understood the points the Japanese probably wanted to make. We also shared the impression that a chilly atmosphere prevailed during the meeting, and we were left with the feeling that the Japanese had become even more arrogant than before."

A Tokyo newspaper reported on the same meeting the next morning. The article quoted one of the Japanese government officials: "We extended our utmost courtesy to the U.S. delegation. We tried to be good listeners instead of strongly pushing our own views, and we feel they appreciated that."

What went wrong? Well, contrary to general American perception, it is considered to be a proper behavior for Japanese to be silent. It is a discreet way to show respect if he or she listens to others speak rather than speaking out. So the Japanese delegates did what they considered proper, i.e., listening quietly to what the Americans had to say. Silence often means that they are seriously contemplating the subject at issue. Besides, didn't a well-known philosopher declare, "He who knows, doesn't speak. He who doesn't know, speaks?"

While diversity defines the world and makes it more interesting, we need to be aware of significant differences between Eastern and Western thought in order to deeper understanding of intercultural communication gaps. I would like to elaborate.

In the Christian tradition, great importance is attributed to words. The basic approach to cognition and communication in that tradition can be seen, for example, in the Gospel According to St. John: "In the beginning was the Word, and the Word was with God, and the Word was God." Hence, Westerners, it could be said, are more dependent on words. Since the time of Aristotle(384-322B.C.), they have been accustomed to seeing things in terms of a choice between alternatives. For example, "war or peace," "friend or foe," "good or bad," "fair or foul." Such clear cut distinctions have provided Westerners with their basic patterns of thought and behavior. If one listens to speeches of the U.S. Presidents, for example, one can easily recognize that they often reflect this mode of thought.

Thus, traditional cognition in the West is reflected in the strong intellectual inclination to try to define things and events, to clarify respective positions, and to choose one of two alternatives. J. P. Echerman pointed out in his Dialogues with Goethe that Johann Wolfgang von Goethe, the German poet, novelist and philosopher king claimed that the act of contrasting East and West itself represents a Western mode of thinking.

Eastern philosophy differs strikingly. Traditional Eastern ways of thinking de-emphasizes "words." For example, in the philosophy of Lao-tzu, the founder of Taoism who lived from 604 to 531 B.C., one does not find such concepts as "the Word" as the basis for existence. To Lao-tzu, the word was neither "with God" nor "God." He rejected any distinct order and saw the world and human life in terms of a non-rational "process." Lao-tzu put greater value on "life" than "words." Hence, at the heart of Eastern culture, there is a distinct disposition to try to hear things that have no voice.

Given the above fundamental difference in cognition which apparently causes challenges in intercultural communication, can the West understand the East and vice versa? I believe that we can be optimistic about overcoming the cognition gap and reaching deep

understanding between East and West. In his extremely enlightening book The Conquest of Happiness, one of the greatest British philosophers, Bertland Russell wrote : "Civilized man must enlarge his heart as he has enlarged his mind. He must learn to transcend self, and in so doing to acquire the freedom of the Universe." Here is a practical wisdom that can provide people in the East and the West with a solid basis for deeper human understanding and peace. I would like to claim that this is something fundamentally important which the West can learn from the East.

In contrast to Westerners who depend on words, Japanese can fully communicate through simple indications or hints; words are merely an indication leading to the meaning, and the meaning itself is often buried between the lines without being explicitly expressed in a way that would be immediately understood by Westerners. In Japanese-style communication, what is uttered can be fully understood only by those who have had similar experiences.

Europeans and Americans do not fear confrontation or conflict to the same degree that Japanese do. They do not hesitate to say "No." On the other hand, Japanese usually hesitate to say "No." A blunt no is considered rude, almost like a judgment on a person rather than on his ideas. Hence, they often use ambiguous expressions such as "It's difficult" or "I will think about it", meaning practically "no."

Acute observers would note that other expressions that can mean no include: "I will try, but ---", "I am not sure" or "It's an interesting idea, but ---." They use such expressions to minimize friction and to avoid confrontation and hurting others' feelings. While this is an integral part of Japanese or Eastern communication skills, trouble begins when a Westerner's understanding is different from what his Japanese counterpart means. Westerners who expect clear answers are often confused by this style of communication.

I learned that some Westerners also accept ambiguity in their daily life. A British friend of mine told me that the British traditional ruling classes used a good deal of ambiguity to avoid embarrassment and are often as careful about what they say as what they leave unsaid. The traditional way The Bank of England disciplines city bank managers is said to be through a cup of tea and a raised eyebrow. This is a discreet way of appealing to a person's sense of what is right!

Not all Asians indulge in ambiguous expressions. For example, Koreans are known for being straightforward and expressing their principles explicitly, especially to outsiders. Their verbal ability seems to be serving them well. In diplomatic discourse, Korean, Chinese and other Asian leaders seem to outperform their Japanese counterparts. I always get an impression that the leaders of other Asian nations often interact better than the Japanese at international gatherings.

I understand that some of you saw Kiyomizu Temple, one of the Buddhist temples in the city of Kyoto, which was the capital of Japan from 794 till 1868 A.D. Buddhism and Confucianism were introduced to Japan through Korea in the mid-sixth century. These Eastern philosophies have profoundly influenced the Japanese. The Japanese have assimilated two key principles that now constitute essential elements of their thinking: the Confucian concept of "harmony" and the Buddhist concept: "the inner self of man and the inner essence of the universe are one."

The latter concept stems from the basic principle of the Upanishads philosophy conceived in ancient India. It implies that through a long process of training, reflection, and meditation, an enlightened individual can realize that his "individual self and the universe are one." This metaphysical identity of man with the universe leads to the concept of "non-self," or "transcendence of one's ego".

To elaborate this concept a little bit, I would like to refer to an insightful book titled Zen in the Art of Archery by Dr. Eugen Herrigel. He came to Japan philosophy at the University of Heidelberg. Determined to grasp the essence of Zen Buddhism, he enrolled in a local school of traditional Japanese archery and practiced very hard for five years under the guidance of Japanese master. He recognized that Zen had a great deal to do with the art of archery, not so much with shooting technique per se as with the state of mind of the teacher.

As you may know, Zen Buddhism was introduced from China to Japan in the 12th century. Dr. Herrigel recognized that the attitude of the master of archery is one of complete self-abandonment or "non-self." Free from interfering calculation, the master draws his bow quite spontaneously, without any deliberation, fear, doubts or hesitation whatsoever. If Dr. Herrigel were in Japan today, he might try to master the art of golf and the title of his book might well be Zen in the Art of Golf. If one could hit the ball freely with complete self-abandonment, one would certainly be a single-handicap player or even better.

At any rate, I think that this concept underlies the basic religious beliefs and the social conventions of the Japanese; it not only is a goal of Japanese spiritual life but also provides a foundation for the concept of "teamwork" embedded in modern Japanese corporate culture. Transcending one's ego means to give up or sacrifice his or her self-interest in an attempt to enhance the interest of the group he or she belongs to. In business, this means to achieve maximum efficiency by trying to cover what other workers may miss either out of lack of capability or attention through teamwork.

It has become critically important for multinational companies to provide their employees with training with an emphasis on improvement of communication skills so as to facilitate managerial interactions with foreign affiliates and markets. The bulk of multinational

corporations have duly recognized the importance of intercultural competence, mutual respect and open dialogue, and integrity.

Based on my personal experience, the following seem very important challenges that international business managers have to deal with in order to carry out their work in Asia successfully :

- 1) International business managers in the head office must communicate clearly their corporate vision and concrete strategic policies. This lack of communication reduces opportunities for them to learn the differences in strategic thoughts through active intellectual interactions with local nationals;
- 2) Managers must build sufficient linguistic competence in English to provide effective directions for overseas branches or subsidiaries for efficient operations. The lack of adequate language skills often causes delays in responses by the head office to inquiries and proposals for international business;
- 3) Managers should learn local values and cultural backgrounds so that they know how to behave themselves in intercultural settings. Cultural arrogance can be a massive obstacle to understanding. They should not let ethnocentrism and lack of social linguistic competence jeopardize effective intercultural communication; and
- 4) Managers should recognize local needs and adjust the modus operandi accordingly. These would involve differences in perception as well as communication styles. Competent local managers and staff often feel that decision-making authority is not sufficiently delegated to them. It may be useful for the head office to have a qualified staff who can play the role of "go-between" for the head office vis-à-vis the branch office or subsidiary to fill the communication gap.

It is encouraging to see more organizations encourage direct communication approaches which can effectively lead to business successes. For example, the coach of the Japanese team in the World Soccer Championship, Philippe Troussier was a Frenchman. The success story of Carlos Ghosn who drastically turned around Nissan's operations is another example. In the car industry, Matsuda, Ford's subsidiary in Japan, and Mitsubishi Motors whose main shareholder is Chrysler appointed American expatriates as their CEOs, probably with a view to bringing a new momentum to its operations, often in an un-Japanese way.

Apart from this, the globalization of business and industry enormously enhanced entry by American and European companies into the Japanese market. In fact, the number of foreign operating units in Japan increased from 1,500 to 3,400 companies over the past decade. This has been happening in spite of a general perception that in Japan, everything is prohibited unless it's allowed. In contrast, in America, everything is allowed unless it is prohibited by the law; and in France, everything is allowed even if it is prohibited!

While the Japanese need to adjust to and adapt to a more direct style of communication to help bridge the gap, non-Japanese should receive training in the Japanese style of communication so as to minimize misunderstanding and conflict. An old saying, "Do as the Romans do" applies when conducting business in other Asian countries because each Asian country is unique in terms of history, culture, language, etc.

I believe that the time is approaching when we will fully develop effective intercultural communication skills with some trial and error. All of us must prepare for an increasingly globalized economic environment, and this highlights the long-term importance of creating intercultural training opportunities for business people and students.

On a national policy level, it is of essential importance to mobilize budgetary resources toward developing the negotiation and communication skills needed to communicate effectively with the respect of the world. This is a new challenge in the era of globalization. In the process of pursuing such policy of objectives, I think that the following teaching of Confucius should be kept in mind: "He who learns but does not think is lost. He who thinks but does not learn is in great danger."

Thank you for your attention.

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