Entering Japan

Rebecka Andom & Patricia Joxelius

- A qualitative literary study on potential barriers to market entry for Swedish retail companies in Japan.
Acknowledgements

This thesis was conducted during the spring of 2012 at The Swedish School of Textiles in Borås, Sweden. The thesis is written within the area of management and marketing and during the writing process, we have gained a deeper understanding of new market entry strategies and learned how culture has a clear impact on organisations and consumers.

We would like to sincerely thank our supervisor Eva Gustafsson for all the help and support during the writing process and for providing us with new and meaningful ideas. We hope that the thesis will increase the readers’ interest for strategies concerning foreign market entry barriers and organizational culture. Furthermore we hope that the thesis will provide an insight into the Japanese society and generate a deeper understanding of the Japanese market.

Borås, May 2012

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Abstract

Title: Entering Japan: A qualitative literary study on potential barriers to market entry for Swedish retail companies in Japan

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Background and problem: There are strong incentives for Swedish retail companies to establish their business in Japan. With its 128 million inhabitants the country accounts for 40 percent of the total world consumption of luxury goods and is the world’s largest importer of foreign fashion. Moreover, Japan is the second largest retail market in the world.

However, as a company in a foreign market there are many obstacles to overcome. A Swedish retail company aiming to enter the Japanese market does not have the same insight and knowledge into the formal and informal institutions in the country as a domestic company might have. Furthermore, Japan is experiencing complaints from both business organisations and foreign politicians regarding the trade practices in the country arguing that the Japanese market is not receptive enough to Western products. A company that moreover aims to enter markets where both the cultural and actual distance is far away from the business’ home country shall preferably realize the complexity of such a decision and be as prepared as possible.

Purpose: The purpose of the study is that “through a literary study identify and provide a deeper understanding of the major entry barriers a Swedish retail company may encounter when entering the Japanese market”. The following research questions were developed in order to reach the purpose: “What are the main industry and institution-based barriers a Swedish retail company may encounter when establishing its business in Japan?” and “What are the main cultural barriers a Swedish retail company may encounter when establishing its business in Japan?”

Methodology: When conducting the study, a descriptive research approach has been used. The study is of a qualitative nature and the design of the study is a descriptive literary study. Performing a literary study involves the collection of data from already published scientific articles, journals and dissertations. The data used for this study consist of eight scientific articles and journals and one dissertation.

Conclusions: The analysis was based on the theories, which explains a company’s decisions of where, when and how to enter a foreign market as well as theories that explains a nation’s cultural impact on an organisation. Based on the findings the results were divided into two sections. The study reached the conclusion that among the industry and institution-based barriers the high level of rivalry among firms, the high level of bargaining power of suppliers, the high standards regarding quality and service, regulatory risks, trade barriers and institutional norms were the most important barriers to market entry for foreign companies in Japan. The most important cultural barriers to market entry in Japan were the high level of collectivism, power distance, uncertainty avoidance and masculinity in the country.

Key words: Foreign market entry barriers, The cultural dimensions theory, Japan, Retail.
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1. Introduction

The chapter starts with a background description of the subject in order to introduce the reader to the research area and highlight the strong incentives for Swedish retail companies to establish their business in Japan. Thereafter follows a discussion of the problem related to foreign market entries and the purpose and research questions of the study are being presented. Then follows the delimitations made for the study and the chapter concludes with a disposition of the structure of the study.

1.1 Problem background

Japan is the world's second largest retail market and the country itself accounts for 40 percent of the total world consumption of luxury goods. Moreover, Japan is the largest importer of foreign fashion in the world and the capital city Tokyo is one of the world’s most important fashion cities (Swedish trade, 2012a).

Swedish companies are widely represented in Japan and the country is Sweden’s most important export market outside Europe, after the United States and China (Scb, 2012). Japan is a country with high life expectancy and a declining population growth and the country is undergoing major demographic changes. People’s lifestyles and values are shifting, subcultures are emerging from everywhere and the Japanese government has begun to deregulate economic activities in both the public and private sector, which also affects the inhabitants. All these major changes have created new business opportunities for foreign investors in Japan. Between the years 2005 and 2007, the turnover for Swedish companies in Japan increased by 65 percent. This implies strong incentives for Swedish retail companies to establish their business in the country (Swedish trade, 2012b).

The choice of study subject reflects our interest in management and marketing. The fascination with the Japanese society occurred a couple of years ago when one of us stayed in the land of the rising sun for a longer period due to studies in the country. Japan is and will certainly always be an interesting country to analyse from a western perspective and by conducting this study we hope to increase our knowledge on new market entry strategies and gain a deeper insight on how culture affects organisations and consumers.

The term culture distance involves the size of differences between two cultures. It can be the dissimilarity of values, language or economic development (Peng, 2009). Japan is not only geographically far away from Sweden, the Japanese culture is in many aspect very different from the Swedish one. The entire Japanese society is built up around a power hierarchy and within the Japanese business culture this becomes especially evident. In Japan, invisible rules are governing everything from how to receive a business card properly to what to give away as a present when meeting a new business partner for the first time. Since cultural aspects are of particular importance in the country, western companies
that do not fully understand the Japanese culture can many times experience difficulties when entering the Japanese market (Moberg & Cederholm, 2009).

The term entry barriers are obstacles that make it complicated to enter a new industry or market. It can be barriers related to rules and regulations, other competitors or cultural differences (Macafee, 2003). Besides the cultural entry barriers that Swedish retail companies may encounter in Japan, barriers related to the Japanese industries and institutions also needs to be taken into consideration before entering the Japanese market.

1.2 Problem discussion

As a company in a foreign market there are many obstacles to overcome. A Swedish retail company aiming to enter the Japanese market does not have the same insight and knowledge into the formal and informal institutions in the country as a domestic company might have. Moreover, Japan is experiencing complaints from both business organisations and foreign politicians regarding the trade practices in the country. Many argue that the Japanese market is not as open to Western products despite the fact that Japanese products are welcomed in the West (Hokey, 1996).

The Japanese market is in many aspects very different from the Swedish one. It can be both time consuming and costly for companies to invest and commit themselves to the Japanese market in order to deepen their knowledge and gain a better understanding of the complexities surrounding it. This may result in companies feeling reluctant to establish their operations in the country simply because the barriers seems excessive and overwhelming.

However, in order to successfully overcome the major obstacles related to a new market entry it is important that companies are well prepared. By understanding the structure and composition of the Japanese market foreign companies have the possibility to foresee problems that may happen in the future and erase existing problems by understanding why they occurred.

1.3 Purpose and research questions

The purpose of the study is:

Through a literary study identify and provide a deeper understanding of the major entry barriers a Swedish retail company may encounter when entering the Japanese market.

The study aims to investigate the potential barriers to market entry for Swedish retail companies in Japan. Therefore a business perspective has been chosen for the study. Companies decisions on where, when and how to enter a foreign market is influenced by
different types of considerations. A company that moreover aims to enter markets where both the cultural and actual distance is far away from the business’ home country shall preferably realize the complexity of such a decision and be as prepared as possible.

The research questions of the study are:

1. What are the main industry and institution-based barriers a Swedish retail company may encounter when establishing its business in Japan?

2. What are the main cultural barriers a Swedish retail company may encounter when establishing its business in Japan?

The answers to these questions can be of interest for Swedish retail companies that in the current situation are planning to take on the Japanese market or have it as a future goal. It can also be of interest for other Western companies that shares similarities to Swedish retail companies. Although the study is focusing on the retail sector in Japan the result of the study can still be used by both retailers and producing companies. The study can provide an insight into the Japanese society as a whole.

1.4 Delimitations

The study is based on theories, which explains a company’s decisions of where, when and how to enter a foreign market as well as theories that explains a nation’s cultural impact on an organisation. The study is a literary study based on nine scientific articles, journals and dissertations and was conducted in Sweden. The delimitations associated with this study was mainly concerning time and the fact that the study was conducted in Sweden and not in Japan due to the fact that the actual distance was too far. The study is focusing on the Japanese retail sector and is written from a Swedish perspective. The literature used for the study was written in English or Swedish, hence no Japanese literature has been analysed for the study. The study is delimited to investigate only industry, institution and cultural-based barriers to market entry. Other entry barriers such as resource-based considerations mentioned in the model conducted by Peng (2009) have not been included in the study.

1.5 Disposition

In order to answer our research questions and fulfil the purpose, we have structured our thesis accordingly:

The first chapter presents background information on the chosen subject and a discussion of the problem related to foreign market entries. Additionally, the purpose and research questions of the study are addressed followed by the delimitations made for the study. Chapter two begins with an introduction of Japan on the world market. Thereafter, a short overview
of the Japanese trade and retail system are being presented. The methodology chapter, which is the third chapter of the thesis, introduces the design and implementation of the study. The study is of a qualitative nature and the design is a descriptive literary study. The methodological choices and considerations made are presented and we go through the criteria that we have used in our analysis of the literature. Further, the data gathering procedure as well as the analysis of the data is presented. Additionally the quality of the study is evaluated through a discussion of validity and reliability.

In chapter four the theories that constitute the theoretical framework of the study are presented. The Comprehensive Model of Foreign Market Entries which explains a company’s decisions of where, when and how to enter a foreign market as well as The Cultural Dimensions Theory that explains a nation’s cultural impact on an organisation are used for the study. Chapter five presents the results of the gathered data. Based on the findings the results were divided into two sections in order to answer the research questions and presented under the following themes, industry and institution-based barriers and cultural barriers. The last chapter starts with a discussion of the methods used for the study. Moreover, the main findings of the study are presented in the results and conclusions and the authors give their own reflections and suggestions for further research on the subject.

Fig 1:1 Thesis Disposition
2. Introduction of Japan

In the following chapter a general introduction of Japan is presented in order to provide the reader with more information on the Japanese market. The Japanese market differs in many aspects from the Swedish one and therefore background facts on the Japanese market are offered in order to facilitate the understanding of the findings in the study. The chapter begins with an introduction of Japan on the world market followed by a brief overview of the Japanese trading system. The chapter concludes with a short description of the Japanese retail system.

2.1 Japan on the world market

Japan has 128 million inhabitants and accounts for 20 percent of the world’s total production of goods and services and nearly half of Asia’s BNP (Swedish trade, 2012b). Japan is a country with a developed infrastructure and a stable business climate. It is clear that Japan is an important player in the world market, which is a great reason for international companies to establish operations in the country.

The Japanese currency Yen has been strong in relation to other world currencies, which has affected the Japanese exports (Dagensnyheter, 2010). However, the earthquake that hit Japan in 2011 has left its marks and has made the currency more instable (Forex trading, 2012).

The corporate tax rate in Japan is in the current situation 40 percent, which can be considered relatively high compared to other leading nations (KPMG, 2012). The leading Democratic Party has plans to reduce the tax to 25 percent to achieve a more international level, and in that way promote economic growth (Affärsvärlden, 2010). The interest in Swedish design and Swedish products has become huge in Japan. The two large Swedish companies IKEA and H&M has in many ways, contributed to this fact. As pioneers in their fields, the retail giants have cleared obstacles and shown the way for its Swedish followers (Swedish trade, 2012b).

2.2 Japanese trade

According to nationsencyclopedia (2012) the post-war period in Japan was characterised by heavy trade barriers for imports. The Ministry of International Trade and Industry (MITI) had power over the allocation of foreign currency that companies needed for handling imports and a majority of the products on the market were subject to government quotas. This protectionism policy was justified because of the weakened Japanese position on the world market after World War II and the country's long lasting trade deficit.

Japan's international trade gradually converted into a healthier balance of payments at the end of the 1950s, which led to a state where a policy of protectionism became more difficult to
justify. The main incentive for a change in Japan's trade rules was due to foreign pressure rather than domestically. The IMF and GATT stressed Japan to internationalize the trading system. As a result, the Japanese government adopted a policy that led to a gradual liberalization of trade, reduced quotas, reduced tariffs and simpler currency management for businesses (ibid).

Today Japan has the lowest tariffs on industrial goods in comparison with U.S., EU and Canada and almost never uses trade defence measures. However, Japan has the most expensive non-tariffs trade barriers and traditions that make it very difficult for foreign countries to export to Japan (Kommers, 2012). These non-tariffs trade barriers have brought continuous complaints and pressure from the trading partners of Japan since the 90's. In 1995 Japanese consumers paid 292.6% higher in relation to the world price for the same goods because of the additional cost of non-tariffs trade barriers. Examples of such barriers are domestic standards, test procedures, government procurement, standards and specific domestic certifications (Wps.aw, 2010).

The Ministry of Economy Trade and Industry (METI) is the head of the textile industry responsible for enforcing rules on the labelling of clothing in Japan. This is an important part of the non-tariffs regulations for the textile and clothing industry and Japanese clothing label must have the following headings;(Ehow, 2012).

**Composition**
All the different material components of an item must appear on the clothing label according to the manual published by METI. Labels on jackets and coats should also include all the materials used in the filling, coating and lining.

**Care**
All relevant information regarding the accurate care of a garment shall be labelled on the item. Everything from bleaching, washing and dry cleaning must be addressed on the label.

**Contact**
The consumers shall be given easily accessed contact information. The contracting party responsible for the labelling must always show its name and contact details on the garment.

**Enforcement**
Any company that does not follow the rules and regulations set by the Minister of Economy, Trade and Industry risks being published by the organisation.

### 2.3 Retail in Japan

Japan is the world's second largest retail market, with a value exceeding US$1,124 billion (135 trillion Yen). The huge influence of Japan's retail industry attracts global attention and
consumers from all over the world are inspired by the trends originating from Japan. The high diversity of products available on the Japanese market offers the possibility for retailers in particular to sell products and services that offer great style, luxury, high value and convenience (Jetro, 2009a).

Japan and Korea stands for 70 percent of the total Asian consumer market and Japan itself for 40 percent of the total world consumption of luxury goods. Japan is also the world’s largest importer of foreign fashion, and has by far the most prosperous consumers in Asia (Swedish trade, 2012a). International retailers have for long tried to achieve a broad acceptance in the Japanese market by introducing products that meet the preferences and style of Japanese consumers (Jetro, 2009b). Tokyo is one of the world's most important fashion cities and the Japanese consumers set the trends for the entire region as well as for the rest of the world (Swedish trade, 2012a). The world-class fashion district Ginza has in recent years become so popular that it nowadays competes with New York’s Fifth Avenue and the Champs-Élysées in Paris (Jetro, 2009c).

Compared to the UK and Germany Japan has three times the number of retailers per capita and the double amounts of retailers per capita compared to the US. The Japanese government support the small sized retailers in Japan with tax benefits primarily out of political reasons. Therefore large sized companies in Japan are facing a very high level of competition among firms (Maguire, 2001).

In Japan the quality standards regarding products and service are set higher than in the West and Japanese consumers also expect a high standard of after sales services. The difference between after sales service in Japan and in many other western countries is that in Japan this service is provided by the producer of the goods and not by the retailer (Maguire, 2001).

Unlike the European situation where the retailers have the largest power and can make the final decisions Japanese wholesalers have the strongest bargaining power. In Japan it is not unusual that as much as four different layers of wholesalers are included in business operations depending on aspects such as the industry type or the size of the retailer (Hockey, 1996).
3. Methodology

In this chapter the implementation of the study as well as the scientific approach and methods used for the study are presented. A descriptive literary study is used as the design for the study. Furthermore, the data gathering procedure with a clear description of the data bases used for the study are presented. Additionally the analysis of the data is addressed and the chapter ends with the quality of the study being evaluated through a discussion of validity and reliability.

3.1 Research approach

A descriptive study, aims to understand and describe the characteristics of a phenomenon and is used when wanting to answer well-specified research questions (Wiedersheim and Eriksson, 1991). Since the study aims to identify and provide a deeper understanding of the major entry barriers a Swedish retail company may encounter when entering the Japanese market we have chosen to use a descriptive approach when conducting the study. The descriptive approach is suitable when the research questions are well-defined and when there is previous research on the specific subject.

3.2 Qualitative method and design

The purpose of a qualitative study is to create an understanding of the research subject, within such a study the researcher plays an important role in the interpretation of the result. Therefore the qualitative method might implicate difficulties when trying to compare the respondents’ answers. A qualitative study does not aim to present generally representative data (Holme & Solvang, 1997). The study is of a qualitative nature since the purpose of the study is to identify and provide a deeper understanding of the major entry barriers a Swedish retail company may encounter when entering the Japanese market.

We have chosen to conduct a descriptive literary study, which involves the collection of data from already published scientific articles, journals and dissertations. The selection of articles for analysis must be made in order to answer the purpose and the research questions posed in the literary study (Friberg, 2006).

3.3 Data gathering

The investigation methods and research strategies for this study was based on a strategic selection of literature in order to answer the purpose and research questions of the study. For the searching process, the databases Taylor & Francis Online, LIBRIS, Wiley Online Library, ejcjs and Emerald Library were used. The databases were chosen based on its content and since they were logically structured and easy to handle.
To narrow down the search, the inclusion criteria were already published scientific articles, journals and dissertations between 1995 and 2012. The literature would also have an industry, institution or cultural perspective on the Japanese market and be written in English or Swedish. The search terms used in the study where: Japan market entry, Japan establishment, Japan employment, Japan Masculinity, Japan face, Japan consideration, distribution channels Japan and Japan trade barriers.

For the first two search terms six and 21 articles were found and out of them two articles were selected for the study based on their relevance to the research purpose. For the search term Japan employment, Tsukaguchi-le Grand’s “The Japanese employment system” were chosen out of eight different alternatives. The choice was based on the fact that it was a dissertation and we found it to be applicable for the study since it had both an industry, institution and cultural perspective. Ten articles were found when searching for literature on masculinity in Japan and out of these one article were selected since it had an interesting analysis of Japanese masculinity and we found it to be of great interest for the study. For the search term Japan face we found 20 matches and chose the article “Face and facework in conflict: a cross-cultural comparison of China, Germany, Japan, and the United States”. The reason why we chose this article was that it was most relevant for the study since the remaining articles were more focused on comparisons between different Asian countries and did not have a clear focus on Japan. The last two search terms used in the study resulted in six and 29 articles and out of them two articles were selected for the study since they had a clear industry and institution based perspective yet managed to bring up important cultural aspects typical for Japan. Moreover two articles were found in the reference lists of the already selected literature.

Both secondary and primary data has been collected for the study. Secondary data consists of existing information collected by others and shall mainly be used to achieve greater understanding of the subject investigated and create a broader picture of the problem itself (Wiedersheim-Paul & Eriksson, 1991). Initially, sources such as newspaper articles and websites were used to create an overview of the subject and the Japanese market.

Primary data is information collected specifically for the study and there are different methods to collect primary data. The primary data for the descriptive literary study consists of the nine scientific articles, journals and dissertations used for the study.

3.4 Data analysis

The quality of the literature can be reviewed by analysing if the literature has a good structure, the problem is well defined, if the results and method are well described and if the data has been analysed correctly. Furthermore it is also important that the reader is able to follow the main thread of the research. The nine scientific articles, journals and dissertations used for the study fulfilled the quality criteria (Friberg, 2006).
According to Friberg (2006) data shall be analysed using certain criteria. The literature were repeatedly read in order to get a good idea of the content and not miss out on any important information. We chose to divide the articles and the dissertation between us and write down our own personal notes and opinions and then discuss them afterwards to see if we understood and interpreted the literature in the same way. The literature was divided into different units depending on the similarities and differences, which later led to the different themes presented in the results. The division of the units were based on what perspective they were written from. The literature written from a cultural perspective was thus belonging to the same section or unit. The same applied to the literature written from an industry or institutional perspective.

### 3.5 Validity and reliability of the study

The validity of a study concerns whether the measurement method is consistent with the purpose and research question of the study, meaning examining only what one intended to investigate and nothing else. The reliability of a study indicates how resilient the measurement method is to influences of the circumstances surrounding the data collecting process and whether the investigation can be repeated with basically the same results (Kvale, 1997).

In a literary study the circumstances surrounding validity and reliability are mainly related to how the data has been collected and analysed. It is of great importance that the reader understands how the selection of literature was made and that the inclusion criteria were clearly described. Regarding the validity of the study we believe that the data has been correctly collected and that the circumstances surrounding the data collecting process has been clearly described. Regarding the reliability of a study we believe that it might be difficult to get the same results if one were to repeat the study by using the same purpose but without using the exact same literature as a basis. However the analysis was based on the theories, which explains a company’s decisions of where, when and how to enter a foreign market as well as theories that explains a nation’s cultural impact on an organisation. By using the same theoretical framework as well as the same literature one would be expected to get a similar result.
4. Theoretical framework

The chapter presents the theories that constitute the theoretical framework of the study. The Comprehensive Model of Foreign Market Entires which explains a company’s decisions of where, when and how to enter a foreign market as well as The cultural dimensions theory that explains a nation’s cultural impact on an organisation are addressed in this chapter. The two theories used as theoretical framework are both content rich and comprehensive and can serve as a basis for looking at foreign market entries from two different perspectives.

4.1 A Comprehensive Model of Foreign Market Entries

According to The Comprehensive Model of Foreign Market Entries a company’s decisions to where, when and how to enter a foreign market is influenced by three types of consideration: industry-based considerations, resource-based considerations and institution-based considerations (Peng, 2009).

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<tr>
<th>Industry-based considerations on the degree of competitiveness</th>
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<td>• Rivalry among firms</td>
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<td>• Entry barriers/scale economies</td>
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<td>• Bargaining power of suppliers</td>
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<td>• Bargaining power of buyers</td>
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<td>• Substitute products/services</td>
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<th>Resource-based considerations on firm-specific assets</th>
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<th>Institution-based considerations on country risks</th>
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<td>• Trade barriers</td>
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<td>• Currency risks</td>
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<td>• Cultural distances</td>
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<td>• Institutional norms</td>
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Fig 4:1 A Comprehensive Model of Foreign Market Entries (Peng, 2009 p.157)
Industry based considerations

An industry-based consideration can be the competition amongst already established companies on the intended market to enter and the outcome of the establishment strategy can differ widely depending on the companies on the market (Peng, 2009). It is common for companies especially those in oligopolistic industries to match each other’s foreign entry strategies. However, companies sometimes enter foreign markets because of other reasons. One example of this is the company Texas Instruments (TI). The company had experienced that Japanese companies used domestic profits to cross subsidize their expansion overseas and therefore entered the Japanese market with a low price strategy as a response to the Japanese strategies (ibid).

A strong attendance outside the home country highly affects the industry-based consideration companies have to take. By looking at the market from a wider perspective international sale can increase economies of scale and reduce costs (Peng, 2009).

The power of the suppliers can prompt certain foreign markets entries and is called backward vertical integration, this because they involve multiple stages of the value chain. Something else that can lead to foreign market entries is the bargaining power of the buyers. This is called forward vertical integration; Sony is an example of a company that has entered downstream activities in a foreign country. This was done through the acquisition of Columbia pictures and Sony Music. Moreover, the market potential of substitute products and services is also something that can make companies want to go aboard (Peng, 2009).

Resource based considerations

The value of a company’s specific resources and potentials is a key factor when it comes to making a decision of whether or not a company shall be internationalised. It is often the assets of a company that allows foreign companies to overcome the uncertainties in establishing their operations abroad (Peng, 2009).

Protection like patents, brands and trademarks is a way of protecting the rarity of a specific product. Because of the wide market and the uneven protection of intellectual property rights on the world market there is a great risk that counterfeits will appear and this is something that companies need to take into consideration when entering foreign markets (Peng, 2009).

The risks connected with the illegal imitation and diffusions of a company’s specific assets may restrict the company from entering a specific county since the transaction costs may be perceived as too high. There are risks associated with letting a foreign company receive a license from a domestic company to manufacture or market a specific product, since the foreign company might use it for other things then the intended purpose (Peng, 2009).
**Institutions based considerations**

The relationship between organisations and institutions has become more important. The impact of the institutions is something that a foreign company has to take into consideration when entering a new market. Adapting to foreign rules and regulations can be both time-consuming as well as costly for companies (Peng, 2009).

A changing currency is something that a company can be affected by. Companies can speculate on the outcome of the currency, which involves commitments to stable currencies. However, this can be risky if the currency movement is going in the wrong direction (Peng, 2009). The differences between two cultures can be called culture distance. Institutional distance however is the extent of similarity or dissimilarity between the cognitive and regulatory institutions of two countries (Peng, 2009). Linguistic similarities are also something that can affect internationalisation strategies. The most natural move for a company in Belgium would be to enter France because of the culture similarities such as sharing the same language. Language can play an important role when doing business and often the business is going more smoothly when both parts share the same language (Peng, 2009).

It is proven that companies that come from emerging economies manage to enter developed countries in a more successful way than underdeveloped countries. This is because of the institutional distance and the same level of economic development (Peng, 2009).

**4.2 The cultural dimensions theory**

Japan distinguishes itself as a country whose national culture is very different from the Western. Japanese management philosophies are rooted in general norms and values, which also affect the organisational structure of Japanese businesses and the way decisions are being made. Before entering the Japanese market it is important for western companies to take into consideration both organisational opportunities and obstacles that may occur in the future.

In order to understand the difference between Japanese and Swedish organisational culture the cultural dimensions theory by Geert Hofstede has been analysed. Hofstede’s model, which explains a nation’s cultural impact on the workplace addressed four different dimensions that characterises national culture; *individualism/collectivism, power distance, uncertainty avoidance* and *masculinity/femininity* (Hofstede, 1983).

**Individualism/collectivism**

The degree of individualism versus collectivism is a measurement that shows to what extent the group or the individual is seen as the lowest common denominator. Employees living in a country that is characterised by a culture of high level of collectivism expect companies and organisations to treat them similar to family members. In a collectivistic culture individuals...
are to a high degree integrated into groups and the group protects the individual. This approach helps to create a strong loyalty and high work ethic towards the organisation one are functioning within (Hofstede, 1983).

As opposed to a culture characterised by a high level of collectivism are a society where the individuals are not tightly connected to one another and everyone is assumed to look after his or her own interests. In such cultures the organisation does not have the role of protecting the members within it, instead the society leaves the individuals with a large amount of freedom (Hofstede, 1983).

According to Hofstede Japan is a country characterised by a high level of collectivism while Sweden on the other hand has a high degree of individualism.

Fig 4:2 Individualism index (Hofstede, 1983 p.80)
**Power distance**

According to Hofstede, power distance is a tool of measuring to what extent the subordinates within an organisation or a society accepts inequality in power sharing and whether one accepts and expects that superiors possess more power.

Companies that are characterised by cultures that approve large power distance tend to have pyramid shaped organisations where clear structure and formal leadership illustrate the work place atmosphere. The opposite can be said about cultures that endorse low power distance, companies operating in such countries tend to have flatter organisations and a more democratic or consultative approach to relations (Hofstede, 1983).

On the power distance index (PDI) Japan represents a country with large power distance while Sweden is found among the countries with the lowest amount of power distance.

![Figure 4:3 Power distance/ Individualism index (Hofstede, 1983 p.82)
Uncertainty avoidance

The level of uncertainty avoidance measures to what extent individuals of a society are troubled by uncertainty and ambiguity. In a culture with strong uncertainty avoidance there is a greater need for clear rules and guidelines. Companies operating in cultures with strong uncertainty avoidance often have employees that seldom put themselves in situations that require risk taking or insecurity. Individuals living in a country characterised by strong uncertainty avoidance dislike changes and value secure employment conditions (Hofstede, 1983).

In contrast, individuals living in cultures characterised by weak uncertainty avoidance are more open to change and unstructured situations. In such countries the need for rules and guidelines are not as strong and evident as in the cultures with strong uncertainty avoidance (Hofstede, 1983).

On the uncertainty avoidance index (UAI) Japan is a country with a very high level of uncertainty avoidance. Sweden on the other hand is characterised by weak uncertainty avoidance.

Fig 4: Power distance/ Uncertainty avoidance index (Hofstede, 1983 p.84)
**Masculinity/femininity**

In cultures with a high degree of masculinity there is a strong focus on success, competition, performance and materialism. In masculine societies the gender roles are clear and distinctive and men are expected to have a successful career while women on higher positions are a rarity (Hofstede, 1983).

Countries with lower level of masculinity tend to value relationships to a higher extent than the masculine societies. In feminine societies the power between the genders is more evenly distributed, there is a clear distinction between one’s private life and work life and the level of stress are often lower (Hofstede, 1983).

On the masculinity index (MAS) Japan represents the country with the highest amount of masculinity while Sweden as a contrast represents the country with the lowest amount of masculinity.

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Fig 4:5 Masculinity/ Uncertainty avoidance index (Hofstede, 1983 p.86)
5. Results

The chapter starts with a description of the purpose and the research questions of the study and thereafter presents the results of the gathered data. Based on the findings the results are divided into two sections in order to answer the research questions and presented under the following themes, industry and institution-based barriers and cultural barriers.

5.1 Results of the study

The purpose of the study is to identify and provide a deeper understanding of the major entry barriers a Swedish retail company may encounter when entering the Japanese market. Companies decisions on where, when and how to enter a foreign market is influenced by different types of considerations. The purpose of the study was developed based on the underlying research questions:

1. What are the main industry and institution-based barriers a Swedish retail company may encounter when establishing its business in Japan?

2. What are the main cultural barriers a Swedish retail company may encounter when establishing its business in Japan?

Based on the findings the results were divided into two sections in order to answer the research questions and presented under the following themes, industry and institution-based barriers and cultural barriers. The analysis was based on the theories, which explains a company’s decisions of where, when and how to enter a foreign market as well as theories that explains a nation’s cultural impact on an organisation. The inclusion criteria for the selected literature were already published scientific articles, journals and dissertations that had an industry, institution or cultural perspective on the Japanese market.

5.2 Industry-based barriers

The high level of rivalry among firms

The Japanese market consists of a majority (99.7%) of small and medium sized companies where competition is mainly domestic. This can constitute a problem for foreign companies failing to differentiate themselves in this competitive environment (Haghiri an, Sinkovics, & Bamiatzi, 2008).

The international retail company Carrefour entered the Japanese market as a wholly owned company. Because of the high competition from the local companies, Carrefour had to sell
shares of the company to a Japanese retailer. The company eventually was forced to leave the market due to reduced sales (Uzama, 2009).

The large number of small sized firms in Japan can often be a big obstacle to overcome for new market entrants and especially foreign ones. Since the small size of the stores only allows the Japanese retailers to keep a limited selection of products foreign products that are new to the consumers are often considered to risky to have in stock by Japanese retailers (Hokey, 1996).

Compared to the UK and Germany Japan has three times the number of retailers per capita and the double amounts of retailers per capita compared to the US. The Japanese government support the small sized retailers in Japan with tax benefits primarily out of political reasons. Therefore large sized companies, especially foreign ones willing to enter the Japanese market not only has to deal with the high level of competition among firms but there are also political aspects involved in the entry process (Maguire, 2001).

In Japan, which mostly consists of mountains, the prices for land is set high and the inhabitants are faced with overcrowded living conditions. This means that rents are sky-high and for a retail store where location is crucial and it can be hard to find a vacant area that meets the needs of the business. A local partner with an established network can often facilitate the search for properties (Hokey, 1996). In Japan business are built on personal relationships and trust as opposed to business based on institutions. Therefore Japanese companies can many times be reluctant to do business with a foreign company. Since there are no aspects of trust involved in the process, a local distributor might many times be needed and foreign companies should consider increasing joint inter- dependency between their own companies and the Japanese firms (Hokey, 1996).

When the company Office Depot entered the Japanese market they had a partnership with the Japanese company DEODEO. Because of the partnership Office Depot was able to analyse the competitor’s strengths and weakness on the Japanese market. Some sort of collaboration with a domestic company has been proved useful and almost necessary for new foreign companies when entering the Japanese market (Uzama, 2009).

**The high level of bargaining power of suppliers**

A fundamental feature of the Japanese market is the small number of large businesses in comparison to the large majority of small-scale firms. Another feature typical for the Japanese market is the large amount of businesses that are placed in a subordinate position. The subcontracting networks in Japan generally consist of a hierarchy of many layers of subcontractors. The large amount of subcontractors are integrated vertically with one another which means that it becomes even more important for businesses to trust their partners and maintain a good relationship (Tsukaguchi-le Grand, 1999).

The distribution channel in Japan has repeatedly been characterised as a complex relationship-
driven network of middlemen who interacts closely with one another. In Japan it is not unusual that as much as four different layers of wholesalers are included in business operations depending on aspects such as the industry type or the size of the retailer. The strong power of Japanese wholesalers can constitute a problem for foreign companies in Japan. Unlike the European situation where the retailers have the largest power and can make the final decisions Japanese wholesalers have the strongest bargaining power. It can be very difficult for foreign companies to circumvent the many different levels that traditional Japanese distribution channels are characterised by (Hokey, 1996).

Due to a lack of control over local distribution/sales operations, heavy reliance on the wholesalers has become a major stumbling block for foreign firms entering the Japanese market (Hokey, 1996 p. 3).

The many layers of wholesalers in Japan leads to additional margins on the products and this means that goods that compete primarily on price will lose that advantage since it will be much more expensive in Japan than elsewhere. This can constitute a large problem for companies trying to sell low-priced products on the Japanese market (Maguire, 2001).

The preservation of so many small businesses has meant that Japanese consumer pay a higher price for many types of goods (Maguire, 2001 p. 244).

As a foreign company it’s important from the start of business to be ready for a long-term commitment in the market rather than a quick profit (Uzama, 2009 p. 291).

It is important that foreign company strategists that intent to enter the Japanese market pay attention to all the different aspects of distribution in Japan. Since the distribution channels in the country are regarded as special and complex, a long time perspective is preferred and it is important to establish and maintain a good relationship with potential distributors (Lee, 2004).

The high standards regarding quality and service

The Japanese consumers are the foundation of the traditional retail system in Japan. They usually share a tendency to equate price with quality and are known for favouring domestic brands since they generally believe that Japanese products are superior to the products made by Western companies. This favouritism of domestic brands can be a troublesome obstacle to overcome for a foreign company in Japan (Haghirian, Sinkovics, & Bamiatzi, 2008).

Doing business in Japan requires commitment to adapt to Japanese standards, especially to Japanese expectations toward quality and service (Haghirian, Sinkovics, & Bamiatzi, 2008 p. 57).

Before designing a market entry strategy foreign companies need to be aware of the high standards that the Japanese consumers demand from products and customer service. Strategists need to set goals that are realistic and appropriate for the Japanese market (Lee, 2004).
The Japanese customers expect a high standard of after sales services and in Japan this service is provided by the producer of the goods and not by the retailer. This can cause implications and be very costly for foreign companies who wish to sell their products in the country since the companies need to establish a distribution system that ensures after sales service that meets the requirements of the Japanese consumers (Maguire, 2001).

The Japanese industry is changing and the demands of the customers have been more strict and unique. This has put pressure on firms to have a customer oriented instead of a product oriented marketing strategy. The Japanese consumers expect companies to think about their needs and problems and as a foreign company entering the Japanese market it is important to take this aspect into consideration. By understanding the structure and composition of the Japanese market foreign companies have the possibility to anticipate problems that may happen in the future (Uzama, 2009).

### 5.3 Institution-based barriers

#### Regulatory risks

In Japan the quality standards are much higher than they are in the West and many foreign investors in Japan find it challenging, costly as well as time consuming to adapt to the high quality standards of both products and services in Japan (Haghirian, Sinkovics, & Bamiatzi, 2008).

In addition to the complexity of the Japanese distribution system, which can be hard for foreign companies to understand, is the Warehouse Industry Law that requires that companies willing to set up wholesale operations must first obtain permission as well as pay a fee to the Japanese government (Hokey, 1996).

The Large Scale Retail Store Law is by many considered the most important regulation regarding the Japanese retail system. The law regulates all opening and expansion of retail stores with floor space exceeding 500 square metres. There are many bureaucratic issues involved when opening up a large sized retail store in Japan and the process of getting the formal approval to open up a planned store can take up to 20 months or more. This systematic restriction of establishments of large sized retail stores in Japan can be explained by a governmental fear of disrupting the traditional distribution culture that exists in the country (Hokey, 1996).

Legislation has a huge impact on the way that business is done in Japan. The Large-Scale Retail Store Law of 1974 that restricts the size of stores has affected the development of the retail industry in Japan. The law has especially protected small businesses against large foreign retailers (Maguire, 2001).
The Large Scale Retail Store Law has for a long time protected the small family business typical for the Japanese retail system and kept large retailers often found in the U.S or Europe away from the market (Maguire, 2001).

The Ministry of International Trade and Industry (MITI) help Japanese corporations to secure competitive advantages and protect Japanese companies from foreign competition. MITI also controls the allocation of foreign currency. However the reforms in 1980 has reduced the power of the MITI but foreign companies are still affected by the organisation (Maguire, 2001).

**Trade barriers**

Some would argue that the reason why Japanese companies are so successful is a result of government intervention, the practice of monopoly, the expensive tariffs and non-tariffs as well as network approach to business that allows centralized planning by the Ministry of International Trade and Industry (MITI). As a foreign company such an institutional system can be very hard to pass through (Lee, 2004).

Most foreign firms have consistently maintained the back position in the market, and even with all the resources these companies have invested in promoting their products or services (Uzama, 2009 p. 280).

Japan is experiencing massive complaints from a large number of foreign politicians and business organisations regarding the trade practices in the country. The expensive non-tariffs trade barriers and traditions that make it very difficult for foreign countries to export to Japan do not appear to be in decline. Many are those who argue that the Japanese market is not open to Western products despite the fact that Japanese products are welcomed in the West and this is a large foreign entry barrier for companies to overcome in Japan (Hokey, 1996).

The recession during the last decade hit Japan’s image as an economic powerhouse hard. It added a layer of scepticism to the already existing difficulties in coping with tariff and nontariff entry barriers” (Haghirian, Sinkovics, & Bamiatzi, 2008 p. 51).

According to Maguire (2001) it is the non-tariff barriers and not the regular tariffs that has proven to be the hardest obstacles to overcome for foreign companies trying to sell their products and services in Japan.

**Institutional norms**

The Japanese market has a different institutional structure compared to the western society. One example of this is the Keiretsu conglomerate which is a business group of enterprises where the group members own shares in each other’s companies. This is present on the Japanese market but not on the Western markets and the Keiretsu based system can be troublesome for foreign companies to penetrate (Uzama, 2009).
Until the mid-1990s, lifetime employment where employees worked for a single company during their whole careers where the traditional way of working in Japan. Working for a foreign company was associated with high risks since it was hard to return to a conventional Japanese company. Nowadays being hired by a Japanese company does not necessary involves lifetime employment but the tradition still has an impact on the Japanese population. Moreover, the identification of qualified Japanese staff can from a Western perspective be troublesome due to the complexity of the Japanese labour system (Haghirian, Sinkovics, & Bamiatzi, 2008).

The tendency to avoid risk is highly displayed in the Japanese culture and work organisations in Japan function as family-like institutions. In Japan companies recruits their staff directly from school or university. Work is very much linked to security and group belonging and foreign companies can find it problematic to hire competent staff since it might be hard to offer the same or better types of contract as the Japanese companies (Maguire, 2001).

Japanese business contracts also tend to be quite different from western contracts in both their content and length. It is of high importance for the Japanese to build a relationship rather than a set a deal. The contract in a way reflects the beginning and the hopes of the new business relationship and the main purpose is not to set rules on how to proceed if one party violate its commitment (Maguire, 2001).

5.4 Cultural barriers

The high level of collectivism in Japan

The importance of belonging to a group is highly displayed in the Japanese culture; a person’s group could include one’s family, friends or work colleagues. What status or rank one have within the group affect the way Japanese people behave and the way they communicate inside the group as well as to the people outside their own group (Haghirian, Sinkovics, & Bamiatzi, 2008).

The Japanese word for home or house is called ie and the concept represents the whole Japanese family system. The concept itself is a model of an idealised family system and has considerable influence on the behaviour of the Japanese people (Tsukaguchi-le Grand, 1999).

Work organisations in Japan has a clear resemblance to the ie concept and function as home like institutions that provide the workers with a framework and identification for their social life (Tsukaguchi-le Grand, 1999).

In Japan there is a differentiation between private and public life and the concept is referred to as honne and tatemae. Honne which stands for a person’s true feelings and desires can stand in contrast to what society expects of a person based on his or her status or position in society. Most often these feelings are hidden from the public and are revealed only for the very inner
circle. Tatema means face and is the behaviour that people display in public and the views and opinions that one should have in order to be fully accepted by the group (Tsukaguchi-le Grand, 1999).

Honne and tatemae are present in all contexts of modern Japanese life and are probably the two most difficult concepts for Westerners to understand, leading them often to perceive Japanese communication styles as vague (Haghiran, Sinkovics, & Bantiazzi, 2008 p. 55).

The Japanese communication style is the most implicit, or high-context. This means that the level of discrepancy between what is said (tatemae) and what is meant (honne) is the highest among the Japanese (Furuoka & Kato, 2008 p. 2).

There are specific differences regarding how individuals uphold face within the collectivistic cultures. In Japan it is more common that people give in, pretend and remain calm in order to avoid confrontation to a higher extent than individuals do for example in China (Oetzel et al. 2001).

Negotiating in Japan can be very difficult and complicated and cause great harm if the process is done incorrectly. Personal relations and introductions are very important for doing business and cold calling, which is a normal way of negotiating in the West, is considered rude and unacceptable. To make it even more complicated there are different negotiating styles for different sectors. The banking sector is typically considered more traditional than for example the retail sector with regards to negotiations (Maguire, 2001).

The avoidance of punishment and the expectations of reward from the members of one’s in-group have highly affected the tendencies of collectivism in Japan. This high level of loyalty to the inner group can help to explain the large inconsistency between what is being announced publicly and what is actually being done (Furuoka & Kato, 2008).

The whole Japanese society is organized around different kinds of groups. Either an individual is part of a group or outside a group. Obviously, this group mentality that pervades Japan means that the Japanese people are fully aware of the impact of the group. Therefore interpersonal harmony as well as a stable relationship within the group is of great importance in Japan. This often leads to individuals feeling restricted to stick out or have an opinion that is distinctly different from the majority of the individuals in the group. The decision making process in Japan can therefore from a management perspective measured by western standards be considered dysfunctional and time consuming (Haghiran, Sinkovics, & Bantiazzi, 2008).

The high level of power distance in Japan

Most relationships in Japan are based on a superior-subordinate relationship. Individuals in Japan acquire immutable ranking status from the moment that they are born. This status is
depending on the relationship they have to the head of the family, the father or the husband. Status and position is not something that only affect the family structure, in Japan there are well-defined rules for all individuals’ everyday life. In the workplace this becomes evident since an employee with a higher rank are perceived higher up in the hierarchy and there are certain guidelines one must follow when interacting with someone from a different rank (Haghirian, Sinkovics, & Bamiatzi, 2008).

Before talking to unknown parties, Japanese people need to find out about their rank or status to ensure the appropriate way of communication (Haghirian, Sinkovics, & Bamiatzi, 2008).

In Japan age and gender are highly linked to status and rank. Generally the starting salary in a typical Japanese company is determined by educational level, age and gender where being female implies entering occupation in an inferior status class. The idea behind the system is that the salary shall meet the various costs of the different stages in the life cycle of the employee. Men in Japan are expected to support their families, hence one of the reasons why men’s wages exceed women’s. Seniority based salary in Japan is only used until the employee has reached the age 48 or more since it is very likely that the children of the employee has finished their education which implies less expenditures for the family (Tsukaguchi-le Grand, 1999).

The importance and complexity of the status and ranking system in Japan can constitute a problem for foreign business partners who do not understand the system or do not directly reveal their status in the company. When a business negotiation takes place in Japan the partners need to be of a similar rank and sending someone from a lower rank to negotiate is considered very rude and might damage the outcome of the negotiation (Haghirian, Sinkovics, & Bamiatzi, 2008).

Specifically, collectivistic cultures tend also to be large-power distance cultures (Oetzel et al. 2001 p. 240).

Japanese are not like Americans and Europeans in the way they perceive and react to events and ideas, nor do they necessarily share the same sense of right and wrong (Uzama, 2009 p. 280).

No matter the situation, Japanese people share norms of maintaining harmony and avoiding conflicts especially when negotiating with someone from another status. Research on politeness theory shows that a person becomes less polite to his or her negotiating partner the greater status that person has and that individuals in conflict with someone from a higher status have more other-face concerns. This is even more evident in collectivistic cultures such as Japan (Oetzel et al. 2001).
The high level of uncertainty avoidance in Japan

The tendency to avoid risk is highly displayed in the Japanese culture. Responsibilities in Japan are shared with other members of the corporation, family or group. Formally when reaching a decision an instrument called the ringi seido (ringi system) is necessary (Haghirian, Sinkovics, & Bamiatzi, 2008).

The Japanese ringi system reflects the group dynamics of the Japanese organisational culture and is a process aimed at reaching a decision by circulation letters. The foundation of the system is based on a sense of collectivism and shared responsibility where a written proposal is circulated throughout various departments up along the hierarchy chain in order to be approved by everyone (Haghirian, Sinkovics, & Bamiatzi, 2008).

In terms of business relationships, it is important to realize that overly careful planning is necessary to prepare negotiations and meetings (Haghirian, Sinkovics, & Bamiatzi, 2008 p. 55).

The ringi seido can from a western perspective be viewed as very time consuming and the high level of uncertainty avoidance in Japan can therefore constitute a problem for western companies aiming to establish the business in Japan (Haghirian, Sinkovics, & Bamiatzi, 2008).

It is important to note that Japanese managers places great emphasis on details and are reluctant to making changes once a plan has been formulated. This can be hard for foreign business partners to understand and the Japanese managers might be viewed as inflexible from a Western perspective (Lee, 2004).

The high level of uncertainty avoidance typical for the Japanese society can be linked to the risk of being punished from the members of one's inner group if one would express opinions contrary to the group’s (Furuoka & Kato, 2008).

Concealing one's feelings or intentions when communicating and negotiating with others is an acceptable and indeed widely adopted mode of behaviour in many cultures. However, the extent to which the Japanese would go to conceal their own feelings has been described as unusual (Furuoka & Kato, 2008 p. 2).

The concept of face is especially problematic in uncertain situations such as conflict situations when the situated identities of the communicators are called into question; cultural variability, individual-level variables, and situational variables influence cultural members’ selection of face concerns over others (Oetzel et al. 2001).

The image during much of the post-war period has today been obscured, as if forgotten along with the promise of secure employment. Instead, salaryman imagery has become an index of Japanese-style management (nihon-shugi keiei) techniques that offered lifetime employment (shūshin koya) and secure seniority promotion (nenkō joretsu) (Slater &
Galbraith, 2011 p. 4).

Just as a father lets his children be members of the family, an employer assures his employees job security during their whole working life. The employees, in return, dedicate themselves to the employer with unlimited loyalty and concern (Tsukaguchi-le Grand, 1999 p. 59).

Lifetime employment typical for the Japanese employment system is related to the high level of uncertainty avoidance in the country. The ideal Japanese employee do not switch employer, instead it is more common to be transferred internally to other locations or to other duties (Tsukaguchi-le Grand, 1999).

The high level of masculinity in Japan

Regular and stable work conditions has for a long time been considered a fundamental part of middle class identity, sociality and masculinity in Japan. The shift into irregular working conditions due to Japan’s long recession has affected especially the men in Japan and has created anxieties and instability that goes beyond economical reasons (Slater & Galbraith, 2011).

The problem of class instability was not equally shared by women, who have long served as a reserve labour force, but one that was distinct to men. The problem was men being "feminized" by this instability, this failure to find "regular" and stable employment (Slater & Galbraith, 2011 p. 1).

According to Slater & Galbraith (2011) the media in Japan contributed to what the authors refer to as a "sexualisation of failure": How a man’s failure in the workplace was related to his failure as a person and as a man.

In Japan, there is a romanticised image of the post war middle class masculinity. This becomes particularly evident when analysing the almost iconic image of the Japanese salaryman, often portrayed as a white-collar working middle class male with lifetime employment in one single company. However this image only represent a small number of the Japanese workforce and can therefore in some aspects be considered misleading (Slater & Galbraith, 2011).

The workforce in Japan is in broad terms divided in to two different paths, career and non-career. The decision of who shall be assigned to which path is generally determined on the basis of sex. Female employees are normally working on the non-career track and even though their employment status is of a permanent nature they often expect their employment to terminate after a couple of years when it is considered appropriate (Tsukaguchi-le Grand, 1999).

Today, a broader range of masculinities in Japan has been identified and recognised. Ideals
are shifting in Japan and men have more possibilities than before to enhance their appearance and explore fashion (Slater & Galbraith, 2011).

Women are allotted a specific role within the *ie* system which displays a number of specific characteristics. The first of these is that, in terms of hierarchy, they are inferior to male *ie* members (Tsukaguchi-le Grand, 1999 p. 40).

The characteristics of the *ie* system and the foundation of the Japanese working system is built up on a gendered hierarchical order whereby the status and power differences in the Japanese society is being legitimised. Women are both in work related situations as well as in their private life being assigned to tasks and duties which men do not want (Tsukaguchi-le Grand, 1999).

It is important to recognise “the other side of the coin” of the Japanese employment system and realise how reality looks like for women in Japan. The high level of masculinity in the country needs to be questioned and noticed (Tsukaguchi-le Grand, 1999).

Although the high level of masculinity may involve difficulties for a western company willing to establish its business in Japan it is important to note that foreign female managers in Japan do not report many obstacles when working in the country. This might be due to the fact that foreign businesswomen stand out in the country’s male dominated business climate (Haghirian, Sinkovics, & Bamiati, 2008).
6. Discussion

The main findings of the study are presented in the results and conclusions under industry and institution-based barriers and cultural barriers. Thereafter follows a discussion of the methods used for the study were the validity and reliability of the study is further deliberated. The chapter ends with the authors giving their own reflections and suggestions for further research on the subject of new market entry barriers.

6.1 Results discussion and conclusion

The analysis of the results was based on the theories, which explains a company’s decisions of where, when and how to enter a foreign market as well as theories that explains a nation’s cultural impact on an organisation. The purpose of the study was to identify and provide a deeper understanding of the major entry barriers a Swedish retail company may encounter when entering the Japanese market. The results were divided into *industry and institution-based barriers* and *cultural barriers* in order to answer the two research questions. Listed below are the main findings of the study:

**Industry and institution-based barriers**

- The high level of rivalry among firms
- The high level of bargaining power of suppliers
- The high standards regarding quality and service
- Regulatory risks
- Trade barriers
- Institutional norms

The literature with a focus on Industry and institution-based barriers all highlight the fact that the Japanese market is very different in comparison to typical western markets. In Japan the market consists of a majority of small and medium sized companies and the large number of small sized firms in Japan can often be a big obstacle to overcome for new market entrants and especially foreign ones. This is mainly due to the fact that the small size of the stores only allows the Japanese retailers to keep a limited selection of products and foreign products that are new to the consumers are often considered to risky to have in stock.

Several of the articles points out that the strong power of Japanese wholesalers can constitute a problem for foreign companies. Moreover the articles and journals highlight the fact that the distribution channel in Japan is a complex relationship-driven network of middlemen who interacts closely with one another. Unlike the European situation where the retailers have the largest power and can make the final decisions Japanese wholesalers have the strongest
bargaining power.

The findings also shows that the quality standards in Japan are set much higher than they are in the West and that Japanese consumers also expect a high standard of after sales services. It is also important to notice that it is the producer and not the retailer that are responsible for the after sale service in Japan. Foreign investors in Japan can therefore find it very challenging and costly to adapt to the high quality standards in the country.

Legislation has a huge impact on the way that business is done in Japan and the expensive non-tariffs trade barriers and traditions make it very difficult for foreign countries to export to Japan. The Large Scale Retail Store Law is by many considered the most important regulation regarding the Japanese retail system. The law regulates all opening and expansion of retail stores with floor space exceeding 500 square metres. The Japanese market has a different institutional structure compared to the typical western society and it can be hard for foreign companies to understand the different aspects of the institutional norms.

**Cultural barriers**

- The high level of collectivism in Japan
- The high level of power distance in Japan
- The high level of uncertainty avoidance in Japan
- The high level of masculinity in Japan

All of the literature with a focus on cultural barriers stresses the importance of belonging to a group in Japan. Most relationships in Japan are based on a superior-subordinate relationship and there are well-defined rules for all individuals’ everyday life. In the workplace this becomes evident since an employee with a higher rank are perceived higher up in the hierarchy and there are certain guidelines one must follow when interacting with someone from a different rank. The complexity of the status and ranking system in Japan can therefore constitute a problem for foreign business partners who do not understand the system. All articles point out that negotiating in Japan can be very difficult and complicated and cause great harm if the process is done incorrectly.

The avoidance of punishment and the expectations of reward from the members of one’s in-group have highly affected the tendencies of collectivism and can be linked to the high level of uncertainty avoidance in Japan. From a Western perspective Japanese managers might be viewed as inflexible due to their strong focus on details.

The group mentality in Japan means that the Japanese people are fully aware of the impact of the group. Therefore interpersonal harmony as well as a stable relationship within the group is of great importance and individuals often feel restricted to stick out or have an opinion that is distinctly different from the majority. In Japan, people do not always reveal their true feelings...
and desires since it can stand in contrast to what society expects from them and the concept of “face” can be problematic for foreign managers to understand. From a Western management perspective the decision making process in Japan can be considered dysfunctional and time consuming.

The workforce in Japan is in broad terms divided in to two different paths, career and non-career. The decision of who shall be assigned to which path is generally determined on the basis of sex. The Japanese working system is built up on a gendered hierarchical order whereby the status and power differences in the Japanese society are being legitimised. The high level of masculinity can involve difficulties for western companies in Japan and it is important that foreign companies operating in the country understand and recognise that the gender issue is a factor that very much affects and influences the Japanese employment system.

6.2 Method discussion

We have chosen to conduct a descriptive literary study, which involves the collection of data from already published scientific articles, journals and dissertations. The study is of a qualitative nature since the purpose of the study is to identify and provide a deeper understanding of the major entry barriers a Swedish retail company may encounter when entering the Japanese market. The purpose of the study is to create an understanding of the research subject and not to present generally representative data.

There is a lot of published material regarding entry barriers in Japan; therefore we have chosen not to use literature written more than 20 years ago. The study is written from an industry, institutional and cultural perspective. Since culture evolves over time and institutions and industries can change dramatically between the years it is important that the literature is up to date. When analysing the data in order to come to the right result and conclusions we came across some difficulties to find themes that were coherent and did not overlap each other. This was especially true for the cultural barriers since they in a way affect each other and the high level of collectivism for example has a lot to do with aspects such as uncertainty avoidance and power distance.

We have chosen to include a certain amount of quotations in the results section. The reason for this being that the use of quotations is a way to improve the quality by giving a richer description of the problem area that allows the reader to better understand the problematics surrounding entry barriers on the Japanese market.

We believe that the data used in the study has been correctly collected and that the circumstances surrounding the data collecting process has been clearly described. Regarding the reliability of a study we believe that it might be difficult to get the exact same results if one were to repeat the study. However, by using the same theoretical framework one would be expected to get a similar result.
6.3 Suggestions for further research

There are many different types of considerations that companies need to reflect on before entering foreign markets. In order to successfully overcome the major obstacles related to a new market entry it is important that companies are well prepared. A company that aims to enter a market where both the cultural and actual distance is far away from the business’ home country might hesitate to do so if the knowledge of the intended marked is not adequate. The delimitations associated with this study was mainly concerning time and the fact that the study was conducted in Sweden and not in Japan due to the fact that the actual distance was too far. Below follows suggestions for further research on new market entry barriers:

- A study similar to this one conducted from a Japanese perspective.
- A study similar to this one that uses the same theoretical framework that aims to provide a deeper understanding of the major entry barriers Swedish companies may encounter when entering the Chinese market.
- A literary study on the same subject that includes resourced based considerations as an important new market entry barrier.
- A study based on interviews or case studies that aims to provide a deeper understanding of the major entry barriers western companies may encounter when entering the Japanese market.
References


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## Appendix: Summary of the analysed literature

<table>
<thead>
<tr>
<th>Title</th>
<th>Perspective</th>
<th>Purpose</th>
<th>Method</th>
<th>Result</th>
</tr>
</thead>
</table>
| **Title:** Re-Narrating Social Class and Masculinity in Neoliberal Japan: An Examination of the Media Coverage of the Akihabara Incident of 2008  
**Author:** Slater, D. & Galbraith, P.  
**Journal:** Journal of contemporary Japanese studies  
**Year:** 2011 | Qualitative study | This Purpose with the paper was to examine the media response to the slayings in Akihabara in 2008, particularly coverage of the perpetrator, Katō Tomohiro, as a way to understand the contradictions and anxieties of this moment of neoliberal capitalism. | Data was gathered from the blogosphere and the mainstream media in Japan. | New media and the ways that they informed and interacted with traditional media to describe the Akihabara incident provide a look into a society where regular work has been so constitutive of middle class identity, sociality and masculinity. |
| **Title:** The Honne-Tatemae Dimension in Japan’s Foreign Aid Policy: Overseas Development Aid Allocations In Southeast Asia  
**Author:** Furuoka, F. & Kato, I.  
**Journal:** Journal of contemporary Japanese studies  
**Year:** 2008 | Quantitative study/ Qualitative study | The purpose of the paper is to employ the socio-psychological concept of 'honne-tatemae' to analyse Japanese foreign aid policy. | Secondary data obtained from the MOFA ODA homepage, World Historical Rankings, World Bank’s EdStats and the Ministry of Finance’s homepage. | In short, the findings of the panel data analysis show that Japan’s ODA allocations to the selected ASEAN countries were influenced by both altruism (tatemae dimension) and selfishness (honne dimension). |
| **Title:** Face and facework in conflict: a cross-cultural comparison of China, Germany, Japan, and the United States  
**Author:** Oetzel, J et al.  
**Journal:** Communication Monographs  
**Year:** 2001 | Quantitative study/ Qualitative study | The purpose of the study was to investigate face and facework during conflicts across four national cultures: China, Germany, Japan, and the United States. | A questionnaire was administered to 768 participants in the 4 national cultures, in their respective languages, to measure 3 face concerns and 11 facework behaviours. | The findings illustrate a number of cross-cultural differences both within and between individualistic and collectivist cultures and the importance of individual-level factors for face and facework. |
<table>
<thead>
<tr>
<th>Title: The “Japanese employment system” revisited: Gender, Work and Social Order</th>
<th>Perspective</th>
<th>Purpose</th>
<th>Method</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Author: Tsukaguchi-le Grand, T. Diss. Department of Oriental Languages, Stockholm University</td>
<td>Qualitative study</td>
<td>The purpose is an attempt to examine the influence of cultural elements on the Japanese society of today, especially in regard to social organisations and economic activities.</td>
<td>Empirical data from fieldwork studies.</td>
<td>The first proposition is that the ie ideology continues to be the predominant determinate for social institutions and the mind-sets of people in Japan. The second proposition is, that the company ie stands in a position dominance over the kin ie.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Title: Japan-New Business Opportunities in an Established Market</th>
<th>Qualitative study</th>
<th>The purpose with the article is to look at new business opportunities in an established market.</th>
<th>Empirical data from fieldwork studies.</th>
<th>It is necessary to understand the Japanese culture, society, and business etiquette when doing business in Japan.</th>
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</thead>
<tbody>
<tr>
<td>Author: Haghirian, P. Sinkovics, R. &amp; Bamiatzi, V</td>
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<tr>
<td>Journal: Global Business and Organizational Excellence</td>
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<td></td>
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<tr>
<td>Year: 2008</td>
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<tr>
<th>Title: Distribution channels in Japan: Challenges and opportunities for the Japanese market entry</th>
<th>Quantitative study/Qualitative study</th>
<th>The purpose with the article is to investigate the distributions channels in Japan. look at the challenges and opportunities for the market.</th>
<th>A structured literature review followed by two case studies. Mainly in-depth interviews and company sales data analysis where used.</th>
<th>Foreign companies have to re-formulate their distribution and marketing strategies which can adapt to the current Japanese rules and standards. Understanding the market competition, distribution dynamics, and consumer needs is all major factors for success.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Author: Hokey, M.</td>
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<td></td>
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<tr>
<td>Year: 1996</td>
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<tr>
<td>Title: Factors to consider when entering into a partnership arrangement in Japan</td>
<td>Perspective: Qualitative study</td>
<td>Purpose: The purpose of the article is to look into which factors to consider when entering into a partnership arrangement in Japan.</td>
<td>Method: A literature review and field studies.</td>
<td>Result: There are many opportunities in Japan, it is important that strategists contemplating entering the Japanese market pay attention to some key factors. These factors relate to government priorities, the priorities of individual companies and the needs and wants of consumers.</td>
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<tr>
<td>Title: A Critical Review of Market Entry Selection and Expansion Into Japan's Market</td>
<td>Perspective: Qualitative study</td>
<td>Purpose: The purpose of the article is to offers a contribution to the Japan market entry model selection. It critically analyses the various models such as the eclectic, transaction cost analysis, Uppsala, resource-based, interactive network, and bargaining power models.</td>
<td>Method: Data were gathered from past academic journals like the Japan External Trade Organization and newsmagazines. Knowledge of corporate Japan and the society were key factors when gathering data.</td>
<td>Result: Any model to be used for entering the Japanese market must incorporate reality checks into it to get a better transition from the present old Western models to a more dynamic Confucian market entry model.</td>
</tr>
<tr>
<td>Title: Penetrating the Japanese market: the challenge of non-tariff barriers.</td>
<td>Perspective: Qualitative study</td>
<td>Purpose: The purpose is to analyse hidden barriers as a foreign company exports to Japan.</td>
<td>Method: A structured literature review.</td>
<td>Result: Foreign companies will need to be prepared to take advantage of the opportunities offered by the Japanese market. They will have to give special attention to the difficulties of non-tariff barriers.</td>
</tr>
</tbody>
</table>

**Author:** Lee, Y I.  
**Journal:** Strategic Change  
**Year:** 2004

**Author:** Austin, U.  
**Journal:** Journal of Global Marketing  
**Year:** 2009

**Author:** Keith, M.  
**Journal:** European Business Review  
**Year:** 2001