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## **SUSTAINABLE CROSS – CULTURAL BUSINESS BETWEEN ROMANIA & JAPAN IN THE AUTOMOTIVE INDUSTRY**

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### **Abstract**

The impact of cultural differences between Romanians and Japanese in the Romanian automotive industry was analyzed in order to determine the main factors on which the success or failure of such collaborations depends. The present study shows that in most cases of business misunderstandings and difficult communication inside the companies or with partners, the main determinants were of an intercultural nature. The research method used is that of the interview. The structure and content of the interviews were based on the results of a secondary research of the cross-cultural management materials. The interviews were conducted both with the decision makers within the companies, who directly negotiated a deal with partners from the other culture, but also with employees located at different hierarchical levels within the companies. The real-life situations reveal that concrete and correct misunderstanding of the mentality and business principles of the partner can be defining for the good running of the business. The cultural dimensions theory of Hofstede represented the theoretical basis for the analysis carried out. Comparing the Romanian approach with the Japanese one, it was clear that it is much easier for a Japanese company to do business in Romania than for a Romanian company in Japan. Even in the case of businesses run by Japanese companies in Romania, the demands for adaptation to cultural differences are higher for Romanian partners. Openness and the availability of adaptation proved higher on the Romanian side. The study is limited to an analysis conducted in the Romanian automotive industry.

### **Keywords**

Cross - Cultural - Business, Romanian culture, Sustainability, Japanese culture, Business – Model, communication, development opportunities.

### **JEL Classification**

F23, M14, M16, L29, L62

### **Introduction: General information about the two countries: Romania and Japan**

The goal of the study is to investigate the factors which influence the success from an intercultural business standpoint and if and how communication and business relationships can be affected by Cross-Cultural Differences.

Globalization makes the business world more homogenous over time. Even in this situation, cultures may still pose barriers between countries. Hofstede explains that the cultural dimensions are very important for international business (Hofstede and Minkov, 2010). Therefore, they highlight that cultural dimensions play an important role in international business. From the planning stage, a new business relationship is important to choose the correct entry mode, after collecting and evaluating the possible cultural problems and differences between the two cultures involved (Trompenaars and Hampden-Turner, 2011).

Every investment in another country needs a special strategy. The success could be affected by the attitude of the employees that are bound to traditions and beliefs. Some companies corporate culture is strongly related to the idea, that things are done right only in their own way. They will not be open to other possibilities or innovation strategies from outside (Yamazaki, K. et. al., 2012).

These aspects are more important today, because according to political discussions, Romania and Japan are developing their economical relationships. According to ONRC (Oficiul National al Registrului Comertului) Japan is on the 25th place in the list of countries which invested in Romania. At ONRC there are 358 registered companies with Japanese capital (CCIR, 2018). This number does not include the Japanese investment which comes from Japanese companies that already established in other parts of the EU. This means that the biggest Japanese holdings in the Romanian market are not included in this list.

### **An economic opportunity for both countries**

Japan is the world's third largest automobile manufacturing country and has the largest electronics goods industry. Japan is often ranked among the world's most innovative countries. The Bank of Japan (BoJ) expects an economic growth between 1.3% and 1.5% in the 2018 fiscal year (FOCUS, 2018). The global commercial real estate transaction volume decreased with 3.2% to US\$ 231 billion in the second quarter of 2018 (CBRE, 2018).

Romania is part of the European Union single market. Our country is a fast developing and a high-income mixed economy with a very high Human Development Index and a skilled labor force. Romania's monthly exports averaged 2150.25 EUR Million from 1991 until 2018, reaching an all-time high of 6106.60 EUR Million in March of 2018 and a record low of 143.20 EUR Million in February of 1991 (Trading Economics, 2018).

Romania is extending the economic relationship with Japan. In July 2018, during a meeting between the president of the Romanian Chamber of Commerce and Industry, Mr. Daraban and the executive vice president of Jetri Tokyo (Japan's Foreign Trade Organization), Mr. Yasukazu Irino, they discussed important issues regarding Japanese investments in the port of Constanta. Constanta port has a key position at the Black Sea and could become an important logistic platform for Japanese products for the Romanian and European market (CCIR, 2018). The meeting represented the second important step, at a governmental level, after the meeting of July 2017 between the President of Romania, Mr. Klaus Iohannis, and Japan's State Minister for Foreign Affairs, Mr. Nobuo Kishi. During the meeting both countries expressed their intention to strengthen and intensify their relationship. The Romanian side "encouraged new Japanese investment in Romania. They showed that the Romanian's economy has a high potential, including by capitalizing on enhanced opportunities of economic cooperation. Romania is open to new relations with Japan following the completion of the negotiations of the EU-Japan Agreement of Economic Partnership and the Agreement of Strategic Partnership at the EU-Japan Summit of July 6"

(AGERPRESS, 2018). The Japanese side expressed their orientation and interests for Romania regarding the Brexit situation (Brenovici, 2017).

The third important event regarding the Romanian – Japanese relations was in July 2018 at the conference „Romania and the Japan-EU EPA”. This conference was organized by the Romanian Institute for Asia-Pacific Studies (RISAP). The conference took place in the context of the signing of the Economic Partnership Agreement (EPA) between Japan and the European Union. “This free trade agreement (FTA) is the European Union’s largest FTA to date and it will have a considerable impact on trade and investment flows between Europe and Japan” (Cocci, 2018). This agreement opens not only the possibility for further Japanese investments in Romania, but also for Romanian exports to Japan.

In July 2019, a visit of a Romanian delegation to Japan took place. At this occasion, the start of a major new Japanese investment in Romania was discussed, as well as the start of joint initiatives in the fields of start-ups, IT and automotive. The representatives of the Japanese corporation JTEKT announced the expansion of the operations and production facilities from Koyo Seiko Romania (formerly Alexandria Bearings company) for the production of specialized car components needed for Toyota Motors factories in the Czech Republic.

In 2018, bilateral trade totaled USD 709.7 million, of which Romanian exports amounted to USD 296.1 million, and imports USD 413.6 million. The main Romanian products exported to Japan: wood and wood semi-finished goods, clothing and accessories, electrical machinery and equipment, chemicals, metallurgical products, glass, ceramics, wines, honey, cosmetics. The main Japanese products imported into Romania: transportation equipment, electrical equipment, machinery and equipment, metal products, chemicals, optical and photographic instruments (Cicovschi, 2019).

More than 40.000 Romanian employees work in the Japanese companies that invested in Romania. The main sector is automotive, but the other sectors are also developing. One example is the IT sector and here NTT Data is planning to employ until 2020 up to 3.500 people (Laur, 2017). Another example of a big Japanese investment in Romania is the electric motors manufacturer Nidec Corporation which was founded in Kyoto, Japan in 1973. Currently, it operates in over 40 countries through approximately 300 companies with 110,000 employees. 2013 Nidec invested indirectly in Crevedia, Dambovita, and opened Nidec ASI Ro. In 2016 the group bought 94.8% of ANA IMEP, a manufacturer of electric motors for washing and drying machines. In 2018 Nidec invested in Arges County in a new electric motor company, employed 500 people and it plans to extend this number to double in the next two years (Banila, 2018).

Traditionally Romania had very good relations with Japan. The first diplomatic contact is dated to 1902, “when the Envoys Extraordinary of the two countries held in Vienna an informal consultation for establishing diplomatic relations” (MOFA, 2016).

The first Romania legation in Tokyo is dated to 1921, while Japan established its legation in Bucharest in 1922 (MOFA, 2016). The economic relations between the two countries developed rapidly after 1991. The Economic Partnership Agreement (EPA) gives Romanian companies a very good chance to increase their export to Japan. According to this agreement, 99% of the taxes on EU’s exports to Japan will be reduced and the creation of a free trade area of 600 million consumers will be opened (Romania Insider, 2018). Romanian companies can benefit from the removal of Japanese import taxes on agricultural products from the EU, such as cheese and wine. As mentioned, not all the Japanese companies in Romania came as a direct investment. That is why not so many well-known Japanese names are on the list from ONRC (JETRO, 2018). In the past years, Japanese companies were and still are also involved in major funding projects in Romania (CCIRJ, 2018).

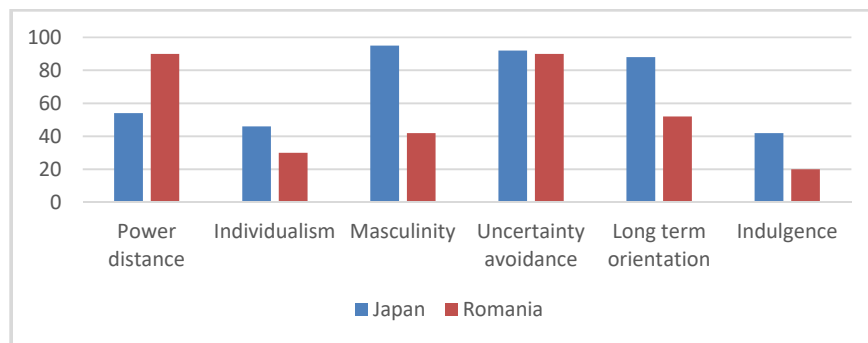
### Comparing the Romanian approach to the Japanese

In order to carry out the research, elements from the scientific literature were combined with the results of the primary qualitative research, achieved through the interview. The interview consisted of two parts. The first seven questions were related to the field of activity, age, occupation, professional experience and international professional experience of the respondents, and the second part (questions 8 - 14) to their experience in the Romania - Japan relationship.

The result of the interview from each individual respondent was carefully read two / three times and the essentials were marked for each individual question. Three main ideas were extracted from each interview, which were noted separately. The answers of the interviewees were analyzed by summing all the answers in a category to each question, starting with question eight. From each answer I retained only the essential elements for the proposed analysis. From all the essential elements paraphrases were formed, from which categories were created. After the formation of the categories I applied for each question: frequency analysis (for different characteristics), valence analysis (positive, negative, neutral towards a subject or a person), intensity analysis and contingency analysis. Based on the results obtained, the results of the interview with the 27 professionals were formulated.

The main questions were: Did you ever get any form of training for working together with different cultures? If yes, please describe your experience; What did you expect from the professional relationship with the Japanese / Romanian people? Describe your experience with the Japanese / Romanian people. What were the main problems? What were the pleasant surprises? What would it really take to stop these problems from happening again?; What was the relationship with the manager / direct partner?; What did you learn from your professional relationship with the Japanese / Romanians?.

Comparing Japan and Romania according to Gert Hofstede's Cultural Dimensions we find a lot of differences, starting with power distance, masculinity, until long term orientation.



**Fig. no. 1 Hofstede Cultural Dimensions for Japan and Romania**

Source: Hofstede Insight, 2018, Country Comparison. From Hofstede Insight: <https://www.hofstede-insights.com/country-comparison/japan,romania/>

With a score of 54, Japan is a borderline hierarchical society. Even if we had the impression that Japan would be highly hierarchical, this is not true. Hofstede said, “Japanese are always conscious of their hierarchical position in any social setting and act accordingly” (Hofstede Insight, 2018). Our impression, that Japan would be highly hierarchical is related to the fact that they have a very slow decision-making process in business. According to the Japanese rules, all decisions must be confirmed by each hierarchical layer and finally by the top management in Tokyo. Exactly this fact means that nobody takes decisions alone. In Japanese society there is no one top person who can take decision alone, like in more hierarchical societies. All persons involved in the process must confirm all decisions. Japan has always

been a meritocratic society. All the children learn in school, that everybody is born equal and is up to people what they learn and how hard they work to achieve a certain position.

Japan cannot be compared, regarding to power distance, to other Asian countries which are very hierarchical.

Romania has a score of 90 for power distance. Even if generally everybody talks bad about their boss, Romanians accept a hierarchical order. In this hierarchy, everybody has a fixed place and this needs no further justification. We have the feeling that hierarchy in an organization is as reflecting inherent inequalities. People are not ready to take decisions and subordinates expect to be told what to do. For a long period, all the important happenings took place only in Bucharest and were related to the decision of one person. Centralization is very popular in our country. If the employee does not agree with his boss, about what needs to be done, the employee will just answer: "It's impossible to be done". Most employees do not try to find a solution, according to their experience and they are afraid of responsibilities and decision-making. According to this kind of thinking the best boss is benevolent autocrat (Hofstede Insight, 2018).

According to Hofstede definition for "Masculine", it indicates in this dimension a society driven by competition, achievement and success. Success is defined here by being the winner / the best in the field. This value system starts with the education at home, then mainly in school and continues throughout organizational life. Opposed to this, a Feminine society has as dominant values: carrying for others and the quality of life. In a Feminine society we understand success to be the quality of life. To be number one is not the goal (Hofstede and Minkov, 2010). At 95, Japan is one of the most Masculine societies in the world. However, in combination with their mild collectivism, you do not see assertive and competitive individual behaviors which we often associate with Masculine culture. What you see is a severe competition between groups. From very young age in kindergarten, children learn to compete on sports day for their groups (traditionally red team against white team) (Hofstede and Minkov, 2010). In corporate Japan, you see that employees are mostly motivated when they are fighting for a winning team against their competitors. What you also see as an expression of Masculinity in Japan is the drive for excellence and perfection in material production (monodukuri), in material services (hotels and restaurants) and presentation (gift wrapping and food presentation) in every aspect of life. Notorious Japanese workaholism is another expression of their Masculinity. It is still hard for women to climb up the corporate ladder in Japan with the Masculine norm of hard and long working hours (Hofstede Insight, 2018).

As we know, every country developed its own specific management according to its vision and culture for facing the very competitive environment. The Japanese management is one of the most studied management styles, this resulting from their economic success. The Japanese people are known as hard-working, efficient, serious and disciplined (Veres, Marian, and Moica, 2017). According to Professor Saini, there are discussions that Japanese companies are facing intercultural problems in employee relations management at different branches abroad. This happens because they are ethnocentric abroad. The host country has to follow what the Japanese managers decide (Saini, 2017). Some of the answers from the interview present exactly this situation. This happened not only at the level of employees in Japanese branches in Romania, but also with Romanian business partner, where the negotiation went from the Japanese side, like this: "My way or the highway". In many situations, we find Japanese expatriates as branch managers. Because of this, many misunderstandings and cultural clashes occur. On top of this, the Japanese "foreigner complex" has an important effect on intercultural communication. The miscommunication with foreigners leads to difficulties and unpleasant experiences (Esposito and Verma, 2017). This was one of the main problems expressed by the interview participants. At the beginning of the relationship it was difficult to understand and to accept the Japanese way of communication and negotiation.

An important issue in cross cultural management is the psychic distance. This is defined by differences in regulations, political systems, language and traditions, which influence the communication between the companies and the new market. If the psychical distance is big, then more preparation for a market entry is needed. The psychical distance is not an objective concept, it's only an important perception in the mind of an individual, which takes a specific decision (Stolba, 2009). In this segment, Japanese people had many problems understanding how Romanian public institutions are working.

Depending on the existing cultural differences, the expectations of business people are expressed differently. Business behavior and etiquette are aspects that show considerable differences depending on one's cultural background (Ieng, 2013). This was proved by the answers of the interview participants regarding the different expectations on both sides. On the Romanian side expectations were high regarding the Japanese partners in matters related to: efficiency, punctuality, strictness, honesty, adaptability, flexibility i.e. On the other side the Japanese expected from Romanian not to be so flexible, to respect and to accept their traditions and requirements. Traditions, including greetings, specific to the Japanese are considered by our employees, managers and partners in our country to be exaggerated or sometimes unnecessary. Greetings in our country have become a mere formality. Not infrequently, the young generation looks crooked when they see a person who greets the people around him carefully and possibly with a smile on his face. If we see someone greeting an unknown person we immediately label him as coming from the country. In the case of Japan, it is a proof of a complete lack of education and respect for not knowing how to say hello, and not least who and how to say hello first. A person who knows how to greet is a person who cannot be violent and who seeks to establish good relations with those around him (Ciubacan, 2014). Older people receive more respect in Japan, even in companies, because of their experience and have even if not a formal power, for sure an informal one (Veres, Marian and Moica, 2017). Totally different than in Romania, Japanese employees try hard to be "inside" the group and not different from the others (Veres, Marian and Moica, 2017). This is difficult in Romania where young people are in management positions in many companies. Also, a very big difference between the two cultures is the role of women in business. Japanese people had to accept, that Romania is a modern, democratic country, where equal rights between sexes is not only a declaration on paper, but a fact in life.

In the relationship with the manager, Romanian employees had problems to understand the Japanese way of dealing with work. The interview participants explained, that after the intercultural training, for those how had one, it was clear, even understandable. According to the Japanese beliefs, work makes you proud and a member of the group. For Romanian employees, work needs to be done for surviving or for having a better life.

According to the differences in cultures, people act different in the labor market. Romanian are very open to move their home for a better job and a better future. Even if the strength of family ties is high in Romania this does not stop people from taking professional opportunities even abroad. Alesina and Guilano presented the relationship between family ties and the regulation of labor markets. In societies with strong family ties the required mobility of a free labor market can be painful (Alesina and Giuliano, 2014). In the long term this is not a solution for Romanians, because this mobility is not painless.

According to the answers in the interview regarding the needed training, we need to mention that this is nothing new. The training is needed for the whole staff dealing with different cultures. It is mentioned in the scientific literature since 1986 that the training should include skills development, adaptation and performance to overcome the cultural differences (Mendenhall, M. and Oddou, G., 1986). Without an intercultural training, a relationship based on trust cannot be established, which leads to good communication and efficiency in results. Confidence is related to the level of risk that the parties assume in the business relationship.

The higher the level of trust, the better the professional relations, the communication between the parties and, not least, the business performance (Donaldson, B. and O'Toole, T., 2007).

### Conclusions

As a first conclusion is that it is much easier for a Japanese company to do business in Romania than for a Romanian company in Japan. This has two reasons: Japanese companies demand adaptation from the locals to their culture and management style and they have very high-quality expectations. This could be offered by Romanian companies, but not with "zero" mistakes. Until now, there was little cross-cultural training provided. For having a trustful and good business relationship, all persons involved need intercultural training. On the Japanese side it is needed to accept the differences regarding the position of women in business and society in Romania. According to the intercultural training, Romanians need to learn and respect the Japanese traditions in this partnership.

This study is limited to a qualitative analyze of mainly Japanese branches in Romania in the auto-motive sector. The study can be extended in order to understand why some companies came with their own organizational structure, which is different from the Romanian working behaviors and dimensions of national culture. The study can be extended to all economic sectors where Japanese investments exist.

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