

Expertise and insight for the future

Tuukka Nyman

Cultural factors affecting business between Japan and Finland

A study from the Finnish perspective

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The purpose of this thesis is to study the cultural differences and their effect on conducting business in Japan and Finland. The goal is to explore what similarities and barriers exist, whether those can be an advantage and what, if anything, can be done to prepare for them. The research was conducted by studying existing theory and literature by various authors; namely Hofstede and Trompenaars for their popular cultural dimensions, Richard D. Lewis due to his vast cultural knowledge about both countries and also Nishiyama Kazuo about doing business with Japan.

The cultures seem far apart, but many similarities exist, especially in terms of communication despite the two very different languages. Both cultures are quiet and polite, and their non-verbal communication is very similar.

Major differences can be seen in how business is conducted. Hierarchy is prevalent in all aspects of life and work and should not be underestimated. In Japan, relationship building is vital for establishing good business partnerships, and one should be prepared to work on this aspect for a long time.

The conclusion is that while both countries have their equal share of differences in culture and business, many of these can be prepared for. Finns possess many values that are respected by Japanese and thus have a natural advantage over many countries.

,	Finland, Japan, Culture, Intercultural Communication, Business, Comparison
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1 Introduction

As the world globalizes and ways of conducting business are constantly changing, it is increasingly important to possess the needed intercultural knowledge and skills to survive in the competitive international environment. Each country has their own way of doing business, affected by various factors such as culture, laws, history. Understanding these factors will help in avoiding unnecessary setbacks and complications that might occur due to unintentionally offending the other party because of seemingly insignificant factors. Stereotypes exist for each country but relying on just this superficial knowledge might make the situation even worse. In the case of Japan, basic manners such as exchanging business cards and bowing, or strictly following rules are commonly known, but this is just the tip of the iceberg (Chaney & Martin 2011). The thesis aims to dig deeper into the two cultures and find out what influences their decisions. The goal of this thesis is to identify the barriers in intercultural communication in conducting business and build a foundation that will provide a Finnish person with knowledge about Japanese culture and what needs to be considered to initiate and build successful business relations. The point is not to make an all-in-one guide, but to also provide the person with enough knowledge to be able to make decisions and deductions by himself.

Finland has a long history with Japan, celebrating the 100th anniversary of establishing diplomatic relationships in 2019. This is almost as long as Finland has been independent. Throughout the years, relations with Japan have been improving steadily on both the economic and cultural fronts. Direct flights from Helsinki to various cities in Japan offer better opportunities for creating and maintaining business relations (Embassy of Japan in Finland 2020). Compared to Finland's population of 5.5million (Worldometer 2021b), Japan's population of almost 126 million offers a very desirable market (Worldometer 2021a). Both countries also have a thriving technology industry in common, which could offer many possible business opportunities. In Finland, the technology industry employs 300,000 people and over double of that works in the industry either directly or indirectly (Teknologiateollisuus ry 2020). Japan is moving towards "Society 5.0", meaning the government is encouraging the country to provide innovative ideas (The Government of Japan 2021). However, Japan is not an easy market to penetrate. It is not a place for quick profits, instead it needs a lot of patience and building long-term relationships.



The first part of the thesis explores and explains the meaning of culture by studying various sources, including popular theories by Hofstede and Trompenaars. This builds an important foundation to better understand how and why the cultures might function as they do. The second part goes through various aspects of the Japanese business and work environment, such as work life and ethics, gender roles and compares it to the Finnish equivalents. The third section is dedicated to the comparison of communication within both countries. The final section explains practicalities in business such as initiating business, making contracts and supplier relationship management. This is done after providing the background theory, as it might help understanding why they behave as they do. This leads to the conclusion where the findings are linked to the research questions. Separating cultural information to strict sections in cultural studies is not easy since all of it links together, so some overlap may occur.

2 Research question and methodology

2.1 Research questions

The main purpose of this thesis is to study and compare the Japanese and Finnish business environments from a cultural point of view. The goal is to find out what the main cultural factors and differences affecting business are and whether these can be dealt with. The objective is to provide a foundation of information that will offer the Finnish businessperson the tools and knowledge to effectively initiate and build successful business relations. The research examines the below topics:

- Main characteristics of Japanese and Finnish cultures and their effect on business
- Differences in conducting business and how to prepare for them
- Differences in communication
- Advantages of Finnish people possess as business partners





The topic of the thesis was chosen due to the writers' personal interest in the country from both a cultural, and business point of view. The broad scale of the thesis is due to willingness to improve knowledge in all needed aspects.

Figure 1 below is the conceptual frame of reference for the thesis. The research starts by examining general cultural information with the help of two popular theories by Hofstede and Trompenaars, also various other sources. After this, the characteristics of the business environment are studied and compared, with references to the previous theory. Communication, the main barrier, is studied in more depth. Finally, the information is put together and used in the form of practical analysis. Each section progressively builds on top of each other.



Figure 1: Conceptual frame of reference

2.2 Methodology and validity

This section describes the research method type, its limitations and why specific literature was chosen. There are many different forms of research, all used for different needs. It is sometimes debated what type of research is the best, or the most scientific, but it all depends on what the purpose is. Two main methods for collecting data are quantitative and qualitative. Quantitative method is based on numbers, from where conclusion is reached by statistical methods or quantification. Qualitative method on the other hand does not use measurement, but instead describes something. The qualitative research does however not mean the quality of the research is any better, the method is just different. The methods are also not mutually exclusive as it is possible to quantify data collected by quantitative methods. For example, results of personal interviews can be formatted in a way where they could be used for quantitative research. Qualitative research was chosen as it fits the purpose of the thesis (Pervez, Gronhaug & Strange 2020: 96-97).



The design of the research started as exploratory in order to identify the problems and specify the research question. This allows having a more unspecific research problem in the beginning and evolve it throughout the research as new information is found. As the problems were identified and the structure built, the design was changed into more descriptive research in order to analyse the data and answer more specific questions (Pervez et al. 2020: 63-64).

For this thesis, this meant going through literature about intercultural cultural issues while identifying the main problems. When the main factors were chosen, more specific research aimed at those issues was conducted and finally compared between the countries. The research was done by using secondary data, which means existing data sources collected by others, while primary data would have been one collected by the researcher himself. The advantage of using secondary data is to save time and money, however the problem is that the data is more difficult to validate (Pervez et al. 2020: 154, 158).

The two central studies introduced in the cultural part of this thesis are by Hofstede and Trompenaars. They both offer an easy view to understanding cultures by breaking down the factors into easy-to-understand dimensions. While partly similar, they both offer their own useful perspectives. Edward Hall's study of high and low context cultures will be introduced later in the communication section. There are many other theories, such as. Kluckhohn and Strodtbeck who identified five orientations all containing a set of beliefs and values. However, not all studies can fit into the scope of this thesis, and Hofstede and Trompenaars studies both fit better due to their data collection methods of using questionnaires with employees and managers of companies (Gibson 2002: 26-27).

Both theories by Hofstede and Trompenaars have received critique over the years. Although their studies may not be completely up to date or valid, they can still be used for the needs of this thesis. One should understand the theory and be able to draw one's own conclusions instead of relying on the raw numbers presented. This is especially true with Hofstede's study where the numbers only work within the context.

The literature by Richard D. Lewis was chosen because of his long and extensive background in cultural studies. He has lived in both Finland and Japan, familiarizing



himself with both cultures. In Finland he also learned the language (Lewis 2006: 560). His model that breaks cultures into three categories is also explained and used later.

A lot of the practical information in the thesis will be based on Nishiyama Kazuo's study of doing business in Japan. Kazuo is a professor of intercultural communication in Hawaii, with a substantial background in teaching all around Asia (Kazuo 2000: 216). While his book provides an extensive look into the Japanese culture and business environment, the information might be outdated in some respects and should be taken with a grain of salt. Understanding the cultural issues factors however should provide knowledge to make one's own decisions to what could be correct or not. Many other sources were added as more problems were identified.

3 Culture

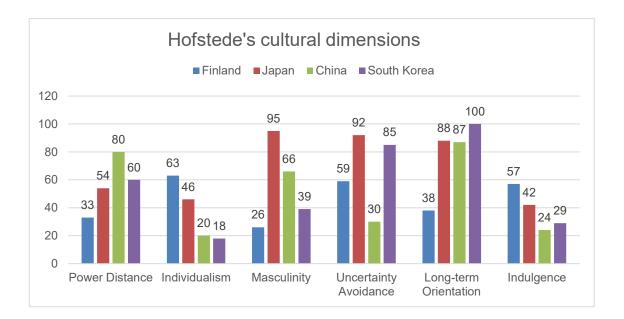
To understand what the driving factors behind all the decisions, whether in business or life, it is important to understand the cultural background of the person. What might come to mind from the word "culture" could be just the visible things such as art, music, or cuisine, but culture comprises much more. The iceberg metaphor is a popular and useful method of visualizing culture. The visible things are the tip, and everything else is hidden under the surface (Gibson 2002: 7). Everyone has at least an idea of what culture is, but it is impossible to perfectly define it. Throughout the years numerous popular approaches have aimed to describe and define cultures. The two chosen cultural dimensions by Hofstede and Trompenaars with their respective definitions are introduced and discussed more in depth later in this section. As two books by Richard D. Lewis are used in the later sections, it is worth mentioning the "Lewis model"; a model that breaks down the cultures into three categories.

This section also focuses on the effect of culture on people's attitudes, behaviour, values, and beliefs and what separates them from other cultures. This section will act as a reference when describing the work and business culture in the later sections. Starting from the studies by Hofstede and Trompenaars, then continuing to other important factors such as personal values, value of time and religion and their effects on business.



3.1 Hofstede's six cultural dimensions

When researching cultural differences, Geert Hofstede is the name that most often surfaces. He created one of the most well-known studies for comparing cultures. He defines culture as follows: "the collective programming of the mind distinguishing the members of one group or category of people from others" (Hofstede Insights 2021a). His data originates from his analysis of IBM employee data between 1967 and 1973. The current Hofstede dimensions are as follows: Power Distance, Individualism, Masculinity, Uncertainty Avoidance, Long Term Orientation, Indulgence (Hofstede Insights 2021a). Figure 2 below shows the scores assigned to both Finland and Japan for the various dimensions, and additionally China and South Korea for comparison's sake when discussing other Asian countries.





These numbers should only be used within this context and in comparison, to another country. If used elsewhere without explanation, the numbers might give completely different image (Hofstede Insights 2021b).



3.1.1 Power Distance

The first dimension considers the inequality and distribution of power in societies and how this is viewed by its members. Japan scores just over the medium score of 54, seemingly lower than expected. The explanation however is that it is less hierarchical compared to other Asian countries, as seen from the earlier graph, where China scores 80. Within the comparison between Japan and Finland the number should be viewed as high. Another factor lowering the score is being a meritocratic society, which means for example everyone having equal chance of moving forwards in life and gaining power through its education system (Hofstede Insights 2021b). While this could be true, it is still true that in Japan, money and status has a lot of importance in education. Education is free from age 6 to 15, after which it could become expensive depending on where one chooses to go. People can go to expensive private schools, and additionally go to "Juku", a cram school that prepares one for entrance exams. Thus, while one could in theory end up in same place in the end, it is true that having power makes this much easier. Graduating from prestigious schools almost guarantees a position in top corporations (Chaney & Martin 2011: 35-36).

Low score, such in case of Finland, means valuing independency, hierarchy only when needed, equality. More trust is placed on employees, and they do not always have to rely on superiors to make decisions (Hofstede Insights 2021b).

3.1.2 Individualism

Individualism dimension considers the "I" or "We" emphasis of the individuals. Individualist societies are expected to look after themselves and only direct family first. Collectivist societies on the other hand place more importance on the society and group goals as a whole. Individualism is another dimension where the score depends highly on what country it is compared against. Finland has a score of 63, and Japan 46 (Hofstede Insights 2021b). From a Finnish perspective, Japan's score could be much lower. Even within comparison to just other Asian countries the number seems high. Another fact contradicting this number is the existence of the popular Japanese proverb such; "the nail that sticks up gets knocked down." Basically, this means one should not try to be too different or act against the general consensus (Chaney & Martin 2011: 99).





3.1.3 Masculinity

Masculinity means what the main drivers in society are and what defines success. In masculine societies, this means high competitiveness throughout life, in school and later in business life. Success and achievements are what matter. Japan is a prime example of a masculine society with an extremely high score of 95. From a young age people are taught to compete with each other. A good example is yearly sporting events throughout the school (Hofstede Insights 2021b).

In a feminine society however, quality of life is more important. Although success might improve the quality of life, it is not the only thing that matters. It is not uncommon to sacrifice wealth for one's own wellbeing. Finland, scoring 26, is thus the complete opposite of Japan (Hofstede Insights 2021b). Finland being recently placed within the world's happiest countries is a good proof of this (BBC 2021).

3.1.4 Uncertainty Avoidance

Uncertainty avoidance means how well the future should be planned or if it should just be left to run its own course. A high score means preparing for the future in every way possible. Japan scores 92, which is one of the highest in the world, most likely stemming from high risk to natural disasters. The life from beginning to end is also highly planned and organized. One goes through rituals and ceremonies in life, which are the same for everybody. Most major events such as funerals and weddings involve detailed etiquette. In a business context this is one of the most important scores to understand, as it is why decision making can be seen to be extremely slow and frustrating from an outsider's perspective. Everything from start to end has to be planned and risks assessed (Hofstede Insights 2021b).

Finland has just over a medium score of 59. There is high bureaucracy in Finland, meaning uncertainty is avoided due to strict rules in some decision making. Nevertheless, people are still given much more freedom in how they live their lives (Hofstede Insights 2021b).



3.1.5 Long Term Orientation

Long- and short-term orientation deal with which is more important, the present or the future. Long term focuses on building towards future, through saving money for example, or focusing on education. In the short term, quicker results are more important (Hofstede Insights 2021b).

A high score of 88 makes Japan as one of the highest in this category. This high longterm orientation can be seen especially in the business environment. Businesses do not exist to make quick profits, but instead focus on building for the future. This can be seen from the high investments in research and development even during financially bad times. Combined with the previous section, this is also one of the most important dimensions to pay attention to from a foreign business partner's perspective, as choosing partners needs much more consideration in order not to have a negative impact on the company in the future (Hofstede Insights 2021b).

Finland, following the more western ideals, scores only 38. This is in line with the point made in the masculinity section. Money is spent on one's own happiness even in the short term and not only saved for the future (Hofstede Insights 2021b).

3.1.6 Indulgence

This section considers how freely people can grow up, and what are the consequences for not following the norm. A high score means leniency and freedom, a low score means people are pushed towards controlling their desires. Both countries are not that far apart. Japan, with a score of 42, focuses on following the societal norms and does not place much priority on pursuing self-gratification. Finland, scoring 57, places more emphasis on finding ways to enjoy life through spending money and having more free time (Hofstede Insights 2021b).

3.2 Trompenaars's seven cultural dimensions

The second, much newer study is one conducted by Trompenaars originally in 1994 and continued throughout the years. It was conducted out of interest whether the American



way of management taught in the best schools is fit for all other countries. It was conducted using Talcott Parsons's study of relational orientations as a base. The first five dimensions focus on relationships between people. These are comparative to the Hofstede's dimensions. The remaining two dimensions consider the attitudes towards time and nature respectively. The results offer information about the difference of cultures and how companies can do business with other countries (Mitrović 2017: 29). He mentions the following for defining culture: "culture is the way in which a group of people solves problems and reconciles dilemmas" (Trompenaars & Woolliams 2020: 26).

3.2.1 Universalism versus particularism

The universalist way basically means that one method or practice will work in all situations. Rules are also expected to be followed much more closely. Particularism on the other hand means that the methods should be changed depending on the situation (Trompenaars & Woolliams 2020: 28).

It may initially seem that Japan would be universalist since they are often depicted as people who strictly follow rules and regulations. However, in business they follow a more particularist approach, this will be explained later in the relationship building section, particularly in the making of contracts. Thus, it is important to understand all the aspects of the culture, and not assume everything works the same way. This is especially true for universalist Finnish people, who would rather keep the talking to a minimum and get straight down to business (Lewis 2005: 140).

3.2.2 Individualism versus communitarianism

This dimension considers whether a person sees themselves as an individual or more as a part of a group. Japan might be one of the best examples of communitarianism. The needs of all parties in business situations should be considered, and individual needs are set aside (Mitrović 2017: 29-30).



3.2.3 Neutral versus emotional

In neutral cultures, people suppress their emotions in public and are more objective in their interactions. Emotions are not needed as they might be distractions from the real issues. In emotional cultures however, it is natural to show emotions and they are openly expressed (Trompenaars & Woolliams 2020: 29).

3.2.4 Specific versus diffuse

A simpler term for this dimension is the degree of involvement in relationships. This is highly related to the previous dimension, even though it does not necessarily mean that a show of emotions is needed. In specific cultures, business relationships are not that valued, and are only followed because of contract. The other spectrum is countries with diffuse relationships where the business cannot even begin before the relationship is established (Trompenaars & Woolliams 2020: 29). One could relate emotional and diffuse with each other. However, in the case of Japan for example, they are a neutral culture, but relationship building is vital for any kind of business relationships. Finland on the other hand, while being neutral, is much more specific (Lewis 2005: 140-141).

3.2.5 Achievement versus ascription

This dimension deals with how status is achieved in society. Achievement means it is based on a person's own accomplishments. Ascription on the other hand bases status on factors that cannot be affected, such as a person's age, gender, or family background. Educational background can be a factor in both; however, the difference is that in achievement, the more important factor is "what" a person studied, and in ascription it is "where". Meaning a prestigious school will give more status (Trompenaars & Woolliams 2020: 30).

3.2.6 Attitudes with regard to time

The second last dimension looks at how time is viewed. Not only how time is used, but how it relates to a person's past and the future. What a person has achieved in the past might not be important but instead his future plans (Trompenaars & Woolliams 2020: 30)



3.2.7 Attitudes with regard to the environment

The last dimension is the attitude of cultures towards the environment, and the things around them. The means that in some cultures, motivations come from within oneself, and in some others, the world should decide what happens and should be respected. Two significant examples about Japan in this respect are mentioned by Trompenaars. First is the creation of Walkman. It was created in order for people to listen to music without bothering others, and not getting bothered by others. Another is the usage of face masks. Japanese people were wearing face masks so that they would not infect others when they are sick well before the Corona pandemic started. However, many western countries use masks to not get infected by themselves. These are two good examples of a culture who has a high regard for the environment around them (Trompenaars & Woolliams 2020: 30).

3.3 Lewis model

Richard D. Lewis breaks down cultures into three categories. Linear-actives, Multiactives and Reactive. Linear-active cultures focus on doing only one thing at a time and try to separate everything into clear steps that can be completed one by one. Germans are a perfect example of this, as are many European countries. Multi-actives do everything at the same time. They do not have strict priorities but do things depending on what they feel like is important. These are for example Latin cultures (Lewis 2006: 30).

Reactive are those that base interaction on mutual respect, they listen first and base their decisions on that. What differentiates Finland from other European countries is that they are an extremely reactive country. This is what can help them find connection with the Japanese, who share the same specification (Lewis 2006: 35).

3.4 Religion

Religion can be a major cultural factor in business or life decisions. The effect it has, can depend on the type of the religion, and the same religion can even have different effects in other countries. In some cases, religion might even affect the laws of the country.



Researching religion will help avoiding any unnecessary problems. When trying to market a business or product, some factors might be obvious. For example, selling a food to a country where that type is forbidden for religion reasons for most people. In marketing, attention has to be paid to other factors, such as overly sexual images for example (Chaney & Martin 2011: 61-62).

The two main religions in Japan are Shinto and Buddhism and they co-exist harmoniously. Most people say they belong to either one of them or even both. While the Japanese have a lot of traditions with roots in religion, these do not control their normal life, other than major situations in life, such as birth, weddings, funerals or visits to the shrine or temple on special occasions. Thus, it is not really a factor to consider in business (Japan-Guide.com 2021).

In Finland, Christianity is by far the largest religion with about 70% of the population belonging to it (InfoFinland 2021a). Similar to Japan, religion is not that an important factor, and ceremonies are often done because of tradition (InfoFinland 2021c).

3.5 Values

Values are a person's conception of what is considered good or bad, desirable, or undesirable, or what is acceptable in society. Values are influenced greatly by culture, traditions and various internal or external factors. The growing environment also plays a huge part in developing these values. They greatly influence people's behaviour and attitudes, and how they act towards other people (Chaney & Martin 2011: 51-52).

Japanese are a hardworking and respectful people, always trying their best and thinking about the benefit of others, not just themselves. These values are taught to them since young age (Hachette Book Group 2021). The Finns are an honesty and equality valuing society who highly value their own freedom and own space. While individualism is high in Finland, people still do not want to completely distinguish themselves when in groups. (InfoFinland 2021b).



3.5.1 Status and Hierarchy

How much status and hierarchy matters varies drastically between countries, as does how those two are achieved. In some cultures, background is everything and sets your position in society. Alternatively, in some cultures, both status and hierarchy are achieved and decided by a person's own efforts and achievements.

Japan as a country is very hierarchical. Hierarchy is decided by factors such as the person's age, background, status, and gender in some respects. The hierarchy is seen well in organizations, from their structure and how people act. The difference in status is clearly shown through using specific speech patterns and words, or gestures such as bowing or pouring drinks during dinners. However, Japanese people do not like to brag with their status, and it is generally frowned upon (Lewis 2006: 509-510).

Finnish people do not often show status in general or work life. The organizational structure in Finland is flat. People are almost always on a first-name basis, even between low- and high-level employees. Respect is gained through actions, and for example a manager or team leader who appears out of nowhere is not respected right away (Business Finland 2021a).

3.5.2 Age and Seniority

Age is an important factor in business. Due to the typical way of moving up in the company by going through all different roles and positions, age is a mark of experience and knowledge. This is explained more in the employment system section later (Kazuo 2000: 121). Having a high role in a company means the person is loyal, since he has gone through all the necessary steps to be where he is now. A person who has constantly changed companies might be seen in negative light. This might be a problem due to western way where it is normal to change company in order to get a better salary, instead of waiting for promotions. However, mentioning longer experience in the industry may still remedy this (Kazuo 2000: 56).



3.5.3 Perception and value of time

Time is not valued the same in every country. In some cultures, time is only thought of as an estimate and not even expected to be followed in some situations. While in others, not being early is being rude. Thus, it is important to factor both countries' views in order to find out what is expected for example when going to meetings.

Japanese are known for their punctuality. Being on time is extremely important for them. When a time is set, it should be respected (Lewis 2006: 511). While time is important, this however does not mean everything is done quickly or time used effectively. In fact, quite the opposite as mentioned earlier in Hofstede's uncertainty avoidance dimension.

Finland is similar in a way that time is important. Setting up a specific time for a meeting means that it should be followed. Things are planned in advance and Finns like to follow well defined plans and schedules. Even though things are not rushed, decisions are still made reasonably fast when things look clear. This could be a problem when working with the slow way of Japanese business (Business Finland 2021a).

4 Business and Work Environment

This section examines and compares various aspects of the business and work environment in both Japan and Finland. It highlights some issues like differences in general work culture, gender roles, and also explains some things such as gift giving for later referencing.

4.1 Work-life and ethics

Japan is known for its long working hours. There are many cultural reasons for this. One of the main reasons is loyalty to the company and not wanting to stand out from others. It is normal to stay in the company until the boss leaves, even though there may not be a lot of work left to do. It is typical to have various afterwork activities such as drinking, karaoke and golf. While these are not mandatory activities, refusing to join them might outcast the person (Herbig & Palumbo 1994).



In Finland, working overtime is not uncommon and the hours are similar to the average in the European Union. However, overtime is more often done by the employees' own will to do so. The motivator is money rather than the social pressure (Passport to trade 2019). Working overtime can also be compensated with days off work. The employees have always the right to refuse overtime by law (InfoFinland 2021c).

4.2 Employment system

Japan has a unique lifetime employment system. In this, people are hired to companies straight after their graduation from universities. They are then offered a lifetime employment, where they will keep working in the same company permanently. They are then moved from position to position through the years, gaining experience within all parts of the company. This includes steady promotions and pay rises throughout their career. This is an important factor to know why seniority is highly regarded in Japan, as it usually directly correlates to knowledge and experience (Kazuo 2000: 34). Not everyone however has the luxury of being hired to this system. There are also non-regular workers who are working multiple or ever-changing jobs (Kazuo 2000: 40).

Finnish people are not as loyal to companies. It is more common these days to advance in career and to reach better salaries is to change companies. According to the statistics collected by Tilastokeskus, the number of people who have changed workplace within five years was 45% in 2018. This was 34% in 1997 and has been increasing steadily since then (Tilastokeskus 2019: 42).

4.3 Government involvement and Keiretsu

The Japanese organizations function very differently to western countries. Despite the efforts in reducing this, Japanese business is heavily controlled by the government, even to the point where American politicians say the whole country is a huge conglomerate where the government is the main company and businesses are the subbranches. The government supports Japanese industry over foreign companies. An example is promoting one specific industry to gain advantage over foreign countries. At the top of the hierarchy, there are powerful government officials who work together to assist in ruling the country. The relationship between the government and companies is



strengthened due to the fact that these powerful leaders usually retire around 55 years old. They then move to work in private companies where they offer their knowledge and services, and also the valuable connections they have made during their years in government (Kazuo 2000: 29-30).

While the government and companies are closely knitted together, companies by themselves also have their own system. This system is called keiretsu. It originates from Zaibatsu, a similar system, whereby the companies were owned by one central family. This system was however broken after the World War 2 and reformed as Keiretsu. Keiretsu is a network of companies, usually supported by a central bank or other central company. It is a self-sufficient network of smaller businesses that all support the industry. The companies might almost exclusively trade with the main company and discriminate against all outsiders (Kazuo 2000: 31-32).

4.4 Gender roles

Gender roles are an important factor to consider, as gender equality is seen differently in many cultures. The business environment in Japan is mostly male dominated and the position of women is worse on multiple fronts. While women accounted for almost 52% of the total population of over 15 years in 2019, they only account for 44,5% of the total employed labour force. The jobs the women have are also worse than men. 56% of the women work in non-regular jobs, such as part-time jobs or as dispatch-agency workers. This number is only 22,8% for men (Statistics Bureau, Japan 2021: 130). This is in line with the notion that Japanese women are traditionally expected to be stay-at-home wives who are expected to leave the workforce after getting married and having children (Kazuo 2000: 41). Women are also much less commonly seen in higher positions or in the world of business in general, except for clerical or assistant jobs. For example, only 11,2% of women in private corporations are directors, and 18,3% section chiefs (Gender Equality Bureau Cabinet Office 2020). Nevertheless, the establishment of the Equal Employment Opportunities Act has recently improved and increased the number of women in higher positions (Kazuo 2000: 60).



The gender equality is one of the highest in Finland. 49% of all employed people are women, and it is not uncommon to see them in higher positions. There has even been a female president already (Business Finland 2021a).

While there might not be a problem having women in normal meetings, the issues might surface in the later parts of relationship building such as late outings in bars, clubs, where the "real" feelings about the business are discussed. Women might not feel comfortable in these situations, especially if hostesses are included in these establishments. It is possible to have a male advisor accompany the businesswoman, so he can join these events instead (Kazuo 2000: 60).

4.5 Business Etiquette

All cultures have their own mannerisms and important things that might not seem significant to outsiders, but actually play a big part in both life and business. People learn this code of behaviour when growing up. They learn these things and do them without thinking. However these factors should not be taken for granted with all cultures. "Manners maketh man" is an old saying on the importance of etiquette, but as said by Richard Lewis, they can also unmaketh him in intercultural situations. If kissing on cheeks is an acceptable greeting, it might highly offend somebody in another culture, or turning up late like Spanish people when punctuality is expected (Lewis 2006: 81). This section introduces and explains some factors to pay attention to when dealing with Japanese.

4.5.1 Gift giving

As is also typical for many other Asian cultures, gift giving is an important part for building and keeping up healthy business relations. The price and type of the gift depends on the status of the relationship. The gift giver is expected to downplay the value of the gift, and the receiver in turn is supposed to exaggerate the value (Kazuo 2000: 61). Thus, one should determine the nature of the wanted relationship and plan the gifts accordingly.



4.5.2 Dress code

Dress code in Japan is formal and conservative. Most people wear a basic dark suit and a white shirt. Women wear dress suits in similar style, and limited makeup. Even whitecollar office workers are expected to wear suits in everyday work. Generally, the dress code is same in almost all companies (Kazuo 2000: 24).

Finland has a more free and casual style. Suits are worn by higher ups and in business meetings, but for general office work where customers are not seen, the dress code is very casual. While adding accessories to compliment the suits in Japan is a show of status, in Finland, that is shown by just the act of wearing a nice suit. When dealing with the Japanese, one should try to look the same by focusing on dressing in similar fashion (Lewis 2006: 518).

4.5.3 Business cards

Business card exchange is one of the first things to do when meeting with Japanese. While it is done in other countries too, in Japan it plays a very important part. Not only does it show the basic information such as name, job title and contact information, but it also dictates the manner of speech and behaviour towards each other. This is based on factors such as age and rank in the company. The correct way to hand and receive the business cards is to do it with both hands. The receiver bows when taking the card. The card is expected to be read instead of just placing it into the pocket or wallet straight away (Kazuo 2000: 50-51).

5 Language and communication

In intercultural communication, language is the greatest barrier next to cultural differences. When the two cultures share a language, the problems are usually minimal. However, it is often the case that at least one of the parties will have to use a foreign language. While English is the most used language in international situations, both parties may not possess a comfortable level of skill to express themselves (Chaney & Martin 2011: 91).



5.1 Language

The language difficulties when dealing with Japan are especially noticeable, as Japanese is one of the most difficult languages in the world. The language includes two sets of alphabets, hiragana (for basic needs) and katakana (mostly for loan words) and kanji, which are a set of over 3000 Chinese characters that a normal person is expected to learn. Thus, learning the language is not usually a viable option, apart from basic everyday vocabulary such as greetings (Kazuo 2000: 9-10). Even the spoken language technically has two different styles, casual every day speak and Keigo. This is due to the hierarchical nature of the society. These different ways of speaking are used depending on the situation or who the target is. Keigo, or "honorific speech" is used when there is need to emphasize respect. For example, it is used when speaking to a person older than the speaker, a person in a higher position, or customers in stores/restaurants, and usually in most workplaces generally. Due to the already difficult nature of the language, foreigners are not expected to immediately master the usage of Keigo (Coto Academy 2016). The level of English in Japan is quite low; however, they might not show this, and keep nodding even when they do not understand (Lewis 2006: 519).

Finland has two official languages, Finnish being the main language, and Swedish the second, though Swedish is only spoken by less than 300 000 people (Kotus n.d.). Finnish, similarly to Japanese, is a difficult language, but mostly for grammatical reasons, and for the fact that written and spoken Finnish is very different. The level of English however is very good in Finland. There has been a common decision in Finland that English should be taught and known, as it is the official international language, and Finns want to be good on the "world-class" level (Lewis 2005: 112).

5.2 Methods of communication

While language skills are extremely helpful in business situations, they are not equal to cultural knowledge. Thus, it is important to also study the deeper cultural factors, the communication style, and other ways of communication outside of spoken words (Gannon & Pillai 2015: 41-42).



Communication can be loosely broken into two styles, verbal and non-verbal. They are both equally important and each with their own impact and difficulties. The two following sections will first focus on the style of verbal communication, then move onto comparing the non-verbal communication in both countries.

5.3 Verbal communication

This section explains the style of communication for both countries. More specifically, when, and how the verbal communication is used. For example, are people more quiet or loud, whether they speak freely or not.

5.3.1 Japan

Japanese are very careful and intentionally vague in their communication. It is important not to offend anyone or put unintentional blame on them. If something is required, it is said in an undirect way that explains the reasoning before making the request. They also do not like to convey information, as there might be mistake, in case they might have to take the blame (Lewis 2006: 511). Their speech is also very apologetic, even when they have done nothing wrong. For example, their car being too noisy, or when they are sick (Lewis 2006: 518). Communication is formal and great attention is paid to the status of the other party as it affects the manner of speech. They are also a reactive culture based on the Lewis model.

5.3.2 Finland

Finnish people are naturally quiet and few worded. Silence is normal and it is not something to feel awkward about. Finnish people like to go straight to the point and avoid useless small talk. Finnish people are also reactive in conversations and like to listen first and then base their answer on that. They like to directly say what they want, but also do not want to argue, and would rather like to keep the harmony (Isotalus & Wilkins 2009: 13). The communication is usually relatively informal even in work life, where everyone is on a first name basis (InfoFinland 2021c).



Richard Lewis mentions that Finland has Western European values but the communication style of Asians; two seemingly incompatible styles. Europeans are logical, rational, and direct, while Asians are vaguer, and their communication is restrained and more hesitant (Lewis 2005: 67). His Figure **3** below however summarises and shows how similar the communication styles are, even though he generalizes the comparison to all Asians. The only notable difference is the order of "truth" and "diplomacy". This has to do with how important relationship building is in Japan.

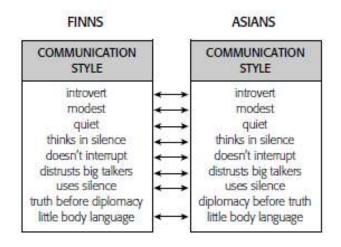


Figure 3: Communication styles (Lewis 2005: 68)

5.4 Non-verbal communication

As mentioned previously, while useful, mastering the spoken and written language alone is not enough for intercultural communication. Non-verbal communication is a critical part of communication in face-to-face situations. It is often underestimated during language studies. Thus, it is important to possess both the verbal and non-verbal skills to truly be able to get everything out of intercultural situations (McDaniel 1993: 2).

The common theory originally proposed by Albert Mehrabian is that 93% of communication is non-verbal, more specifically divided into 38% vocal and 55% facial communication, leaving only 7% to actual words (Lapakko 2007: 7). While this theory is debated and is definitely not true in all cases, it still emphasizes the fact that non-verbal communication is something to take great care in. This is especially the case in both Japan and Finland, where both rely highly on non-verbal communication and select their



words carefully. This section will compare the various aspects of non-verbal communication of each country. From body language to paralanguage and even silence.

5.4.1 Body language and Gestures

The usage of body language varies greatly from country to country. Some cultures use body language liberally within their everyday communication, while others keep unnecessary movement to a minimum, both Japan and Finland being one of the latter. They are used to emphasize verbal communication when needed (Chaney & Martin 2011: 125-126).

The usage of body language and gestures in Japan depends heavily on situation, gender and whom the person is communicating with. Within familiar group the usage is much less restrained. However, when dealing with unfamiliar people they become much more controlled. The usage of gestures is reserved for situations where they serve a purpose. For example, bowing is a very stereotypical gesture when thinking about Japanese culture. It serves multiple purposes and is used as a show of respect. It can be used as a greeting or upon departing, to put weight on apologizing or congratulating someone. The way of bowing depends on factors such as hierarchy, age, or the situation it is used in. Half-hearted attempts can insult the partner greatly (McDaniel 1993: 9-10).

Finnish people similarly keep gestures to a minimum, even though it is not as limited. Handshake is used in place of bowing when greeting people. Some friends may use hugs as greetings (InfoFinland 2021b). Other arm gestures such as those in for example Italy or Spain are not used (Lewis 2005: 80).

5.4.2 Personal space and contact

The size of personal space and the amount of contact acceptable in communication situations highly varies within cultures, or even from person to person. The common cases where touch is used are greetings. A usual way is a handshake, but some cultures may even use hugs more often, and even kisses on cheeks. The typical method in one's own culture might come naturally, but it is important to consider that this might not be acceptable or could even offend the other person if they are not familiar with this way (Chaney & Martin 2011: 119, 122).



Japanese like to keep their personal space and generally touching and public displays of affection are frowned upon. The distance lowers and the amount of touch allowed increases within close groups or when they start feeling comfortable. For example, during the typical nights out after work or later parts of business relationship building. The amount of personal space given is also a great example of their respect to other people. In public situations where it is possible, plenty of space is given. However, in crowded situations such as trains, Japanese give room to others and pack closely without a second thought (McDaniel 1993: 12-13, 15).

Personal space is very important in Finland where people do not like physical contact or crowded situations. Their comfortable distance is at least 1.2 meters. Finnish people sometimes take it to the extremes, for example when waiting for a bus, they might leave multiple meters between others. After getting on the bus, sitting next to others is avoided unless absolutely necessary (Lewis 2005: 151-153).

5.4.3 Facial expressions

The human face can create numerous different expressions. The expressions can add impact to the words, or even show the true emotions which can be completely different than the spoken words accompanying it (Chaney & Martin 2011: 124).

In Japan showing true emotions through facial expressions is also limited similarly to body language. The most presented expression is calm, neutral, or inappreciable smile. What the smile means is often hard to understand. It can be a sign of happiness as is usually understood, but behind it might be hidden emotions such as anger, discomfort, or sadness. In Japan it is used as a tool to hide these feelings and maintain harmonious environment (McDaniel 1993: 10-11).

The number of facial expressions used by Finnish people correlate to their low verbosity and they use facial expressions minimally. In both countries showing exaggerated facial expressions is discouraged when growing up (Lewis 2005: 77).



5.4.4 Eye contact

Eye contact similarly to facial expressions can change the message depending on the culture. Averting eye contact might be associated with things like lying or embarrassment. Making eye contact instead might be a way to show interest in what the other party is saying. In other cultures, it might however just be rude to make eye contact or just uncomfortable in general, so the meaning can be easily misunderstood (Chaney & Martin 2011: 120).

In Japan extended eye contact is generally avoided as it can be interpreted as rude, disrespectful, or even threatening. From a young age this is taught to Japanese people. People used to eye contact should be prepared in order to not be confused, for example when giving presentations as the Japanese may look absent or seem to be not following the presentation. Rather than being rude, this is a sign of attention and respect towards the presenter (McDaniel 1993: 11-12).

Even with the shy Finnish nature, eye contact is polite when greeting or having discussions. It is a sign of interest and honesty. However, eye contact is avoided, when possible, for example when giving his own answer after listening (Lewis 2005: 78).

5.4.5 Paralanguage

Paralanguage is a type of communication that is used to supplement normal speech. It can include factors such as tone of voice or voice cues that do not count as words. The tone of voice can change the meaning of words in multiple ways. Anger, sadness, sarcasm for example (Chaney & Martin 2011: 116).

This is regularly used by Japanese in many forms. Some examples are constantly showing their participation in conversation by making sounds and gestures that would translate into "yes" or "is that so?". Whenever asked a question that they do not quite agree to, instead of answering with a no, the party may be met with a hissing sound made by pulling in air through teeth (McDaniel 1993: 18). In line with the other non-verbal tendencies, Finnish people also rely on paralanguage while being on the receiving end of conversations (Lewis 2006: 37).



5.4.6 Silence

While communication is usually viewed as vocal, in Japan silence plays a significant part. In conversations it is used in a form of short pauses. Similar to paralanguage they are used to supplement the vocal communication. These pauses can be a sign of respect or just to have more time to think. Instead of the previously mentioned hissing, a complete silence can also be used when disagreeing with someone (McDaniel 1993: 19-20). Silence is similarly important and a completely normal part of social interaction in Finland. The time spent in silence can mean a person is listening and thinking, and not just ignoring the other party (Lewis 2006: 7).

5.5 High and low context

Another differentiating element in communication is the amount of context. Edward Hall has created one of the most famous theories of high and low context. In high context societies, people already have a lot of information, and expect the partner to also possess similar amounts and want them to read between the lines. This means a lot can be left unsaid in conversations as it is expected to be understood by the other party. Silence is also used liberally to communicate. The other side is low context cultures where people need to have factual background information in order to reach a conclusion. They are also specific in their speech and effort is made so everyone understands the message correctly (Chaney & Martin 2011: 93).

Outside of the language problem, Japanese people have their own way of communication, which can be frustrating for foreigners and people unfamiliar with their style. It is a high context country, meaning they leave a lot of information out intentionally, and expect it to be understood by the partner. In some scenarios, they might keep nodding and seemingly agreeing to what is said, only to later find out they were disagreeing, but were too polite to tell it directly. Sometimes they can also resort to excessive apologizing when there is no need, or even use complete silence in order to avoid answering directly (Kazuo 2000: 9). "Yes" can also mean "no" depending on the timing it is said in, or the body language used (Chaney & Martin 2011: 93). Finland as a low context country is quite opposite on the vagueness side. It is usually ensured that the partner understand exactly what is said and meant (Chaney & Martin 2011: 93).



6 Practicalities of establishing and maintaining business relations

One particularly difficult problem to deal with beforehand is how to initiate business with the Japanese. Japanese are very cautious when doing business with foreigners. The process of choosing a partner is long and tedious from a western point of view. A great deal of importance is paid to assessing the reputation and credibility of the partner. Although in some cases while Japanese businessmen might speak good English, they follow the strict Japanese way of business (Kazuo 2000:-44).

6.1 Initiating business

First challenge is making the first contact. The typical western ways of sending a letter, directly calling them, or making a personal visit are not recommended. This way can halt the relationship before it even starts. The best way is to get a recommendation from a second party that the company is already familiar with. The role of the introducer is important. Not only does he make the first contact, but he is also expected to later act as a mediator if conflict were to arise in the future. This might not be free, however. Especially if the recommendation is from a person of a high status. It is courteous to offer a compensation in form of either money or a gift, depending on the situation and the importance of the business relation. Refer to gift giving section explained earlier for more information. However, if the writing person is not absolutely sure about the matter, he might deliberately say negative things about the person he is introducing. The point of this is to not have any responsibility in case where the relationship goes badly (Kazuo 2000: 44-46).

There are other venues to connect through. Japanese businesses are promoted by trade organizations, through seminars or trade shows. For example, if one was interested in electronics, the place to visit would be Electronics Manufacturers Association. One could even get an introduction letter from a similar equivalent of in their own country (Kazuo 2000: 48). A good place in Finland would be the Finland-Japan Chamber of Commerce which was established in 1981 for the purpose of increasing relationships between Japan and Finland and assisting companies in doing this. It offers memberships and arranges meetings between parties interested in business with Japan (Keskuskauppakamari 2021). Another similar organisation is Business Finland. They have a programme for





connecting Japanese and Finnish companies based on their needs (Business Finland 2021b).

6.2 First contact

After successfully initiating contact and setting up an appointment, it is time for the first meeting. Traditionally this is held at a restaurant or at the Japanese company's office. If needed, the introducer will initially join the meeting to formally introduce the partner, even though this has already been done behind the scenes. In addition to the people in charge, the Japanese will be accompanied by junior and more high-level executives. As explained earlier, the meeting starts with the exchange of business cards in order to familiarize with each other. This is very important, as it shows preparedness towards the hopeful business relationship (Kazuo 2000: 50). During the first meeting it is also normal to exchange gifts as a show of good will (Kazuo 2000: 61).

6.3 Conducting meetings

Meetings in Japan are conducted in specific ways. The seating order is based on the ever-prevalent hierarchy. The people are placed around the table based on their rank. One should not just sit wherever he wants. The foreign visitors will be treated as honorary guests and placed in one of the best spots (Kazuo 2000: 53).

Choosing the right people to attend meetings is also essential. The people need the right type of skills to establish good relations and trust. The amount of people also matters. Sending one person as is often done in western countries is not enough. Usually at least three people of varying ranks are needed; one executive level, one middle and one junior level person. The role of the highest rank person is to show credibility and commitment. The middle level is the one conducting most of the business, while the junior can be an interpreter for example. The ranks of the highest representatives in the meetings should be on the same level. Sending a lower rank is highly offensive and can completely ruin the relationship. The bigger the rank of the highest person is, the better. Personality wise the people should be humble and customer service minded, not focusing on numbers and profits, but instead relationship building. As explained in the gender section, sending only men instead of women is a safer choice (Kazuo 2000: 58-59).



During meetings whenever there is small talk, there might be some seemingly privacy invading feeling questions, but this is completely normal and a necessary part of finding out information about the potential partner. The questions range from one's birthplace, their age, the school they graduated from, their golf handicap or even blood type. Some of these questions are important to find out the status of the person while others such as blood type are just a cultural thing, they use to try to judge personalities with. (Kazuo 2000: 54).

6.4 Sales presentations

Selling business ideas to Japan is very difficult. They are not very open to foreign ideas yet and succeeding there needs a lot of patience and different type of skills. Basically, the salesperson should forget all self-worth, and only work towards serving the customer. He should remain polite even in cases when facing verbal abuse (Kazuo 2000: 73). The sales meetings start with potential gift giving, then move to small talk. After small talk, one is expected to provide documentation such as annual reports or other important information about how the company is doing recently. If possible, the documents should be translated into Japanese. Next, before going to the business proposal, one must inquire about the needs of the other party, to show interest in what they want, as they are the customer. Only after this is the proposal done, and answers to follow-up questions like price, quality and so on given. Preparedness is essential. Closing up the deal is also an obstacle, as the decision is not just made by one person in Japan. He should hint at closing the deal by offering options for payments for example and ensure he will get a date when he could get a follow-up whether the deal can be made. If the deal is successful, one should do everything can to ensure they made the right decision (Kazuo 2000: 78-81).

6.5 Contracts

The attitude of Japanese towards contracts can be problematic and confusing for a Finnish person. The goal of a contract in Japan is not to make strict rules and list all the small details or prepare for future problems. The details of the partnership are discussed over a long period of time, and a contract is just a summary or formality document based on that. The contracts are only made when mutual trust is achieved, thus there is no



need to have fail safes in the contract, as that would show distrust in the partner (JETRO 1999: 12).

6.6 Supplier relationship management

There are differences in the relationship between business partners and how they are managed. Japanese companies' value long-term relationships in order to increase efficiency and further perfect processes to lower the costs (Kojima 1998: 5). Thus, a Finnish businessman should be prepared to work on building mutual trust over long time.

In Japan, relationship building is vital, and this is usually done during after work activities. This usually starts with going to a dinner that includes drinking. Later additional activities such as karaoke can be done (Kazuo 2000: 60). Although Finnish people are no strangers to karaoke, this is much more common in Japan. The Karaoke in Japan is also different. It is done in private rooms or booths with only invited people, whereas in Finland this is done in public bars and is not suited for meetings. Finland however has Sauna as their own special means of relationship building. While people from many other nations might feel uncomfortable, the Japanese are used to being naked with strangers due to their prevalent hot spring culture.

Golf is a very good activity for establishing and improving business relationships. It is popular in business circles. The length of a round allows for plenty of time for both informal discussion and the important business matters. Playing golf also shows a lot about one's personality. One should act cheerfully and mind his temper even under pressure of making a potential business partner. Golf is also a good topic of small talk during other meetings (Kazuo 2000: 57-58).

7 Conclusions

From a first glance, Japan and Finland might seem very different. They are far from each other; the people look different and speak completely different languages. However, they share a surprising amount of similarities that could help them connect in business situations.



The two most major barriers in conducting business are based on culture and communication, both highly connected. If one only studied culture, the language might become an obstacle at some point. However just knowing the language is also not enough, as it does not equal cultural knowledge. From a personality side, they get along well. Both cultures are naturally quiet, polite, cautious, and very respectful against people from other cultures.

Language is a hard barrier to overcome. The Japanese language is very difficult to learn and takes a long time. However due to the long-term nature of business relationships in Japan, it could be a worthwhile investment. Learning even just a few phrases or sentences could go a long way. Hiring a translator might work, but it might slow down the communication even more and get in the way of relationship building.

From a non-verbal perspective, Finnish people are very compatible with Japanese. They are both neutral with their body language and gestures, need their own personal space and are not comfortable with physical contact. While it is a connecting factor, limited facial expressions and hiding emotions can also be a barrier. Both countries understand the other might be hiding something, but it might be a different thing. Silences are another similar factor. While it is comfortable for both, the reasons are different. Japanese might be silent because they are disagreeing, while Finns could use that time to think, even though they were to agree. There however are no major differences to watch out for, unlike for people from Latin or other emotional cultures.

The ways of conducting business are especially different. A Finnish businessperson has to give his all right from the beginning, as the difficulties start right from the initiation phase of the business. One wrong move can end the relationship even though everything seems to be going well from one's own perspective. Hierarchy is one major factor influencing these differences. Finland is an equality valuing nation, but in Japan hierarchy affects almost everything in business; thus, some extra care has to be taken when interacting with Japanese. While in Finland, people treat each other equally and act very casually even with higher rank people, in Japan this is not the case. It is important to find out the rank of the other party and act accordingly. For example, sending a lower rank negotiator to meet their higher rank executives could be a huge mistake. Throughout the business there are many other differences one cannot know without learning them before, but these can be prepared for. For example, knowing that meetings have specific



seating order and waiting for instructions, or knowing that contracts will be vague on purpose and understanding that going into too much detail could be offensive for the partner.

The biggest and most important factor to pay attention to may be relationship building. A Finnish businessperson has to prove to be a good potential partner in the present, but also far to the future. Finnish people are much more direct when doing business and must take care not to get annoyed at the slow Japanese way. One should prepare to spend a lot of time establishing the relationships.

Gender is another thing to pay attention to, while not as major. Even though women can be successful in business situations, and it is completely normal in Finland. It is still unfortunately better to have a man take care of the meetings in order to fully be able to take part in all the necessary steps in relationship building and avoid any unnecessary setbacks.

Although not everything can be prepared for, it is important to expect to encounter differences. If one is unsure what to do, observing others and waiting for instructions is a good way to avoid making any unnecessary mistakes. All in all, even though there are always going to be obstacles when conducting business with people from another culture, Finnish people from a cultural perspective do possess many advantages and should not be afraid to pursue business relations with Japanese companies. There are initial difficulties, but after establishing the relationship, one can expect to have a loyal and long-time business partner.

7.1 Limitations and future studies

Since the thesis was based on secondary data, the results are limited. Nevertheless, it accomplished the goal it intended. Even though the writer already possessed good general knowledge about the Japanese culture, many pieces of new information surfaced, especially the practicalities of conducting business offered a lot of new useful information that contradicted the stereotypical view of Japan. In the future, case studies about the successes or failures on business between Japan and Finland could be conducted to analyse which of the factors mentioned in this thesis are the most crucial.



Another limitation of the secondary data is that not all of it was recent. Another future research could study how the current pandemic has affected conducting business, as face to face meetings have been more difficult or even impossible and many of the factors such as business etiquette or non-verbal communication are taken out of the equation.

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