A Swedish Presence
A Case Study of Swedish Companies in Japan
SARA RAHIMINEJAD & NICOLE ZABOROWSKA

Japan is the third largest economy in the world and obtains incentives for investment with its high technological reputation, large retail market and proximity to other markets in Asia. However, the Japanese market has also been known to be difficult to penetrate and a very small percentage of Sweden’s net foreign direct investment is placed in Japan.

Background
The Japanese market obtains great potential and according to a report by Business Sweden (2018), established relationships with Japanese companies are shown to be beneficial when entering other Asian markets. Additionally, foreign companies present in Japan can take advantage of extensive production know-how and R&D capabilities. The Japanese government has furthermore created incentives in order to stimulate foreign investments, such as lower corporate taxes and trade stimulating agreements with the European Union.

In 2018, Sweden and Japan celebrated 150 years of diplomatic relations, and today, approximately 150 Swedish companies are active on the Japanese market. The most common industries for Swedish companies in Japan are: Materials and Manufacturing, Life Science and Retail. 92% of Swedish companies have sales as their main activity and 6% have production as their main activity in Japan. However, Swedish companies are experiencing difficulties understanding the Japanese market demand and the business climate. Additionally, problems can be encountered when adapting to Japanese organisational structures and culture as well as recruiting appropriate skills.

The study
The purpose of the thesis this article is based on, was to identify patterns of and describe how Swedish companies in Japan have chosen to establish themselves, how they have managed to sustain a market presence and if the presence in return has contributed to
the Swedish company. With regard to the current situation in Japan, aspects of market presence needed to be managed were defined as: Organisation Characteristics, Leadership & Organisational Culture, The Acquirement of Skills, The Adjustment to Foreign Markets and Networks & Partnerships.

As there exist little theoretical contributions to the academia about Swedish companies in Japan, an explorative research approach was chosen for the study. Six case studies were conducted and interviews were held in order to collect data for the research. With the intention of constituting a sample representing the 150 Swedish companies in Japan today, the chosen case-companies varied in size, length of market presence and main activities on the Japanese market. The industries for which the case-companies were active in, represented a sample of the most common industries for Swedish companies in Japan. The chosen case-companies in the study were; Modelon, Axis Communications, Vitrolife, BabyBjörn, IKEA and Höganäs.

How Swedish companies were found to manage the Japanese market

The initial motives for Swedish companies to enter the Japanese market was mainly market seeking, i.e. exploiting the foreign market. However, during the Japanese market presence, these motives have evolved to include non-marketable asset motives, i.e. being able to acquire assets which can only be obtained by being present on a market. The principles of market entry varied among the companies. However, today, the majority posses wholly owned subsidiaries. Risk mitigating actions were performed in order to decrease the associated risk with this entry principle, either by initially entering the market with a distributor or by having extensive networks prior to establishment. Furthermore, a Japanese workforce was acquired by all the companies and emphasis was put on choosing a suitable representative director who was either Japanese or possessed extensive knowledge of Japanese business.

One organisational design common for the local offices was a high degree of formalisation, i.e. how rules and regulations govern the organisation. Furthermore, a vertical structure was common even if the aim often was to work horizontally. The degree of centralisation appeared to be correlated with the size of the office; the smaller offices had more centralised structures compared to the larger ones. Many of the companies were furthermore autonomous on an operational level.

Participative leadership was the most common approach amongst managers at the companies. Leaders and subordinates communicated freely and subordinates were encouraged to take an active role in their work. The organisational culture at the offices seemed to be mainly influenced by the corporate culture of the multinational organisation. For the autonomous offices, influences from the national
culture of Japan, as well as the leader's preferences, coloured the office to a larger extent.

The Japanese employment market was perceived as highly scarce. The companies were managing this situation by offering differentiated working conditions, marketing the company towards the Japanese market and leveraging the Swedish national brand.

The local responsiveness at the Japanese offices was found to be high, as they were responding to Japanese market demand. Companies adapted to customer demands regarding high quality and precision in delivery and to the strict Japanese safety standards.

Networks and Partnerships were managed by the companies according to industry standards rather than local factors in Japan. Furthermore, perfect competitiveness was apparent in the companies’ respective industry. Additionally, political, economic and legal factors were not significantly affecting the presence of Swedish companies in Japan.

The presence on the Japanese market has contributed to the multinational organisation by offering product input, knowledge and experience that can be leveraged internationally. These contributions have been made possible thanks to the local offices' high ability to learn and understand the market and the headquarters ability to utilise this knowledge properly.

Details Managers should take into consideration when entering the Japanese market

The findings of the study provide valuable insights for managers who are considering entering, or are currently present on, the Japanese market. In addition to the main findings, a number of valuable details were also noted during the data collection.

- English skills in combination with other skills needed when recruiting is found to be scarce.

- Even when organisations offer vacation days, employees can still find it hard to actually leave their work tasks to take vacation.

- The preference of Japanese customers wanting instructions explained in pictures have been brought up to attention in this study. This matter can be, if relevant, further attended by Swedish actors in Japan.

- The packaging of the product is considered needing a flawless appearance in order for the product to be perceived of having high quality.

- The tradition of "Fika" seems to have been warmly welcomed and appreciated by Japanese employees.

In conclusion, the Japanese market withholds great potential for Swedish companies. However, several aspects of a Swedish market presence in Japan needs to be understood and managed actively.

*Lund, January 2019*
References


