

## **ADDITIONAL CASE CANANDA TIMBER**

Tim Wilder, CEO of Canada Timber was excited as he hung up the telephone in his office in Vancouver, British Colombia. Tim had just received a call from Akiko Morita, who represented the Japanese furniture manufacturer, Bonsai. Morita informed Tim that Canada Timber was being considered as a major supplier to Bonsai. He told Tim that Canada Timber's reputation as a supplier of quality hardwoods was of interest to Bonsai their Japanese customers. Canada Timber exported its products to the United States, Mexico, and several European countries, however, the company did not have any customers anywhere in Asia. Tim was excited about the prospect of exporting to Asia.

After several long distance telephone calls and several more faxes, it was decided that Tim and two of his associates would travel to Japan in order to close an initial sales contract. In addition, Tim asked his attorney brother-in-law, Johnny Sharkey to accompany them, and to act as their legal representative. Tim selected a production supervisor from Canada Timber, and another member of management to accompany him on the long journey. Bill Hudak, production supervisor was a long-term employee of Canada Timber. His knowledge of hardwoods and the production procedures of Canada Timber made him an obvious choice, Tim reasoned, for inclusion on the negotiating team. Tim also asked Kevin Peterson to go along, since Kevin was married to a woman of Japanese decent, and Tim felt he would make a good impression on the Japanese. None of the Canada Timber employees, or Johnny spoke Japanese. Kevin knew a few words in Japanese and was somewhat familiar with Japanese culture.

The Japanese had faxed a number of documents to Tim concerning the meetings. Tim was very impressed with the degree of detail provided by the Japanese, including the names and qualifications of the people they would meet during their visit to Japan. A detailed agenda was provided, and the Japanese made all arrangements for transportation and lodging for the Canadians.

After an exhausting flight, the Canadians arrived in Japan and were greeted by Akiko Morita and other representatives of Bonsai. The Japanese bowed and handed Tim their business cards. Tim, exhausted from the flight, took the business cards from each Bonsai representative and quickly stuffed them into his shirt pocket. After a brief conversation, the Bonsai employees took the Canadians to their hotel to rest. They would be back in the morning to escort them to Bonsai headquarters. The Canadians were very tired but excited to be in Japan. They rested a bit, and then spent the rest of the afternoon and early evening walking the streets of Tokyo.

When Tim and his associates arrived at Bonsai headquarters they were presented with a gift from the company president Mr. Kenichi Kusushi. John was unsure if he should open the gift or not, so he decided to thank Mr. Kusushi for the gift and to stuff it into his briefcase. Once again a number of business cards were presented to John and the others, and at this point, Tim remembered that he had forgotten to bring his business cards along. He apologized for the oversight and once again quickly collected the cards from the Japanese.

The meeting began with Mr. Kusushi asking, through an interpreter, how the Canadians liked Japan so far. Tim and the others expressed an appreciation for being in the country and pointed out that Kevin had been to Japanese previously while visiting the family of his Japanese wife. The Japanese remained silent as the Canadians told of how they had explored the city the

night before and commented on how crowded the city was compared to Vancouver. Tim, who is a very tall man, stated that he felt like a “giant among men in Japan.”

It appeared to Tim that the Japanese were very interested in the Canadian’s perceptions of the country, and that they would begin to discuss business if he would offer some complements. Tim thought about the situation and offered some positive comments on the food and drink they had enjoyed in their hotel. Tim then quickly began to discuss business, pointing out how Canada Timber was a quality leader in supplying hardwood products to several countries. He went on at great length about the positive attributes of his company and how it would be a good business decision to select Canada Timber as a supplier.

Bonsai had faxed some preliminary estimates of their wood needs and Tim had prepared a detailed report that he presented at the meeting. At the end of the report Tim provided details on costs, and then asked Mr. Kusushi if the number were acceptable. A long period of silence began. Tim and the other Canadians began to feel a bit nervous after a few moments had passed and he again asked, through the translator, if the price was acceptable. Mr. Kusushi smiled and laughed a bit without saying a word. He then looked to one of the members of the Japanese negotiating team and the two spoke in Japanese without the conversation being translated. At this point Tim interrupted by saying that perhaps the price could be a bit lower if needed. More silence followed and Tim became increasingly nervous. He began to speak, this time addressing the translator and asking if anything could be done to “seal the deal today.” He pulled a contract out of his briefcase, lowered the price by 10% and asked Johnny to explain the important points of the sales contract. Mr. Kusushi sat quietly as Johnny explained the details of the contract to the Japanese. Tim and Johnny were concerned that Mr. Kusushi did not say much and that he never made good eye contact with them. After the details of the contract were explained, one of the more senior Japanese representatives suggested that the group take a short break. Tim thought this was a good sign and agreed. He stood up to shake the hand of each Japanese employee as they left the room. When he approached Mr. Kusushi, he gave an especially firm handshake and a pat on the shoulder. He told Mr. Kusushi, referring to him as Kenichi, that he was certain the two could work out a favorable arrangement, and that Canada Timber was prepared to do whatever was necessary in order to become a Bonsai supplier.

When the meeting resumed, Tim was informed that he and his associates were invited to tour one of Bonsai’s manufacturing plants, which was located a few hours from Tokyo. Tim happily accepted the invitation, and the Canadians were off to the plant. After much formality once arriving at the plant, the Canadians were given an extensive tour. Tim and Bill Hudak asked many questions about the operation and they felt that they now had a better understanding of the material requirements needed by Bonsai. After the plant tour, the Canadians were taken back to their hotel and told that a Bonsai representative would pick them up in the morning and bring them back to company headquarters.

That evening the four men discussed what had happened during the day and how they should proceed. Kevin felt that everything was on schedule for the Japanese and that it would simply take more time in order to close the deal. He explained that silence was a negotiating tactic of the Japanese, and that Tim should not make any more concession on price. Tim agreed that the price was already low and that not much profit would be made. However, he felt that if he could get the Japanese to sign a contract, and that if they liked the product, they would be able to do further business under better financial conditions. The four men generally agreed that they should seek a commitment from the Japanese in the morning.

The following day, however, would be no more successful for Tim and his team. After many hours of explaining once again how Canada Timber was the right choice, and that the price was very low, Tim was beginning to get frustrated. He felt that the Japanese were holding out for a lower price, and so he decided to offer a 15% reduction in order to end the negotiations. After the offer Tim slouched down in his chair and decided that he would use silence to his advantage. Tim sat silently and stared at Mr. Kusushi. It seemed like an eternity to the Canadians when someone from the Japanese side finally spoke. One of the senior Japanese employees suggested that the negotiations end for the day and that they resume the following morning. He further suggested that all members of the two teams go out in the evening to experience Japanese culture. At first Tim thought that he could take no further delays, but he then reasoned that he might be able to reach an agreement with the Japanese in a more informal setting.

During dinner Tim continued to press Mr. Kusushi for a decision. Mr. Kusushi politely said that he thought Canada Timber would be a good partner for Bonsai, yet made no commitment. After dinner the Japanese took the Canadians to a very popular bar in Tokyo and all participants drank heavily. After a few hours Tim moved close to Mr. Kusushi, put his arm around his neck and told him that he was his new friend. Tim told Kusushi that he was going to give his new friend the best price he possibly could and that meant that he was going to make a final offer of a price reduction of 20%, if he would agree to the deal right now. Mr. Kusushi laughed and responded in English “yes.” Tim was finally convinced that the team had closed the deal and that a contract would be signed in the morning.

On the following morning Tim had Johnny prepare a revised sales agreement with the discounted price. Although the price was much lower than Tim had hoped for, and near his breakeven point, Tim, nevertheless, felt that a long-term association with Bonsai and the potential for additional sales in Asia would be beneficial to the company. He was also happy to be able to return to Canada soon. Once again the Canadian team was met at the hotel and driven to Bonsai’s headquarters. Tim entered the meeting room surprised not to find Mr. Kusushi present. When he asked the whereabouts of Mr. Kusushi he was told that he was called out of town unexpectedly and offered his apologies. Tim was told that Mr. Kusushi would return tomorrow. Tim immediately approached Akiko and told him that Mr. Kusushi had agreed to the terms listed in the sales contract he was holding in his hand. He asked if someone could sign the agreement so that he and his associates could return home. Tim was told that Mr. Kusushi would need to approve any supplier agreements and that it was impossible to do so today. Tim was very upset and it showed. His face was red and he believed that the Japanese were stalling in order to gain additional concessions. Tim moved very close to Akiko and told him that an agreement had been reached and that he should immediately telephone Mr. Kusushi to confirm. After raising his voice, Akiko telephoned Mr. Kusushi and told him of the situation. Upon his return, Akiko said, “Please excuse, Mr. Wilder-san, but we will probably need to wait just one more day.” Tim, feeling that he was being manipulated stormed out of the office, and along with his negotiation team, headed for the airport.

#### *Sources*

*D. Engel and K. Murakami, Passport Japan Novato, CA: World Trade Press, 2000.*

*J. Scarborough, The Origins of Cultural Differences and Their Impact on Management, Westport, CT: Quorum, 2000.*

*R. Sanyal, International Management, Upper Saddle River, NJ: Prentice Hall, 2001.*

## **PARTICIPANTS STIMULATION**

### **Group or Class Learning Activities**

1. Let the team divide into small groups. Suppose you are all from a different area of Bangladesh. They are reasonably well educated but have had little exposure to foreign culture of any kind. Due to their superior education, they have been selected to become specialists on cross-cultural negotiation with the Japan. They will be visiting the Japan in the next few weeks for the very first time. Prior to their first visit, they have been asked to prepare an overview of Japanese Cultural practices.