

# Saying Yes to Japan

BY KEN BELSON

Like many foreigners living in a far-away land, I often scratched my head trying to figure out the local business practices during my years living and working in Japan. Brought up to believe in the preeminence of the bottom line, I was confounded by what often appeared to be the lack of a profit motive at many Japanese shops and companies.

While the many factories I visited appeared to be models of efficiency, everywhere else I looked — offices, construction sites, hospitals, hotels — seemed to be filled with a lot of people doing very little. Worse, the services were often expensive, inflexible and sometimes shockingly unfriendly.

I have my own pet theories about this state of affairs: a workforce unable or unwilling to think creatively, excessive government regulations that favor companies over consumers, and plain old inertia. A new book, “Saying Yes to Japan: How Outsiders Are Reviving a Trillion Dollar Services Market” written by long-time Japan hands Tim Clark and Carl Kay, also takes a crack and unlocks the puzzle.

In fact, it is one of the better and more systematic attempts to explain how service industries in Japan work — and don’t work. I knew Clark and Kay during my Tokyo days. Both are credible commentators on Japan’s arcane and underdeveloped service economy because both of them built, ran and sold successful companies, and profited handsomely in the process.

With a journalist’s eye for detail, they show how Japan’s service industries operate based on hidebound principles that have calcified over decades. They provide countless examples of baffling rules governing everything from loan collecting to real estate to health care. They pepper their text with real examples of consumers who hit regulatory walls, were ripped off by a rigged system or simply received sub-par service.

At the same time, they tell compelling stories of how foreigners, unshackled by social constraints, spotted inefficiencies in these industries and turned them into opportunities by building businesses

that filled real needs. In doing so, Clark and Kay have created a set of signposts for others to follow in search of opportunity in Japan.

This is not, however, a how-to book for would-be millionaires. There are no instructions, per se. People looking for quick hints on where to go and whom to speak to will be left wanting. There is no directory at the end with addresses, phone numbers and websites.

But there is enough material to allow an earnest entrepreneur to read between the lines. Take the real estate market. We learn that real estate agents represent both buyers and sellers. “That’s a clear conflict of interest: if an agent knows both the buyer’s maximum offer and the seller’s lowest acceptable price, how can he act in the best interests of both?” they write.

The answer, of course, is they can’t. But consumers, of course, are the last to know.

Yet some foreigners have taken advantage of this system. Ken Curtis, whom Clark and Kay call a successful

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broker of commercial property, imported the Western concept of valuing buildings based not on the land where they sit, but the amount of money they generate in rent and leases.

Sounds like basic stuff, right? In Japan, the idea was so novel that, in the ultimate form of flattery, the Japanese quickly tried to master the technique.

There are plenty of other examples: entrepreneurs who introduced software as a stand-alone and valuable product, others who found new ways to collect loans and still others who have made inroads into Japan’s archaic healthcare system.

The thread running through these stories, Clark and Kay write, is a predisposition in Japanese law and practice towards corporations, not consumers. More command economy than capital-



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ism, Japan is full of examples of heavy-handed government regulators meddling in the “free” market.

What’s more, Japanese companies, like Japanese families, tend to view the world in a set of “in” and “out” relationships that determine who gets served first and with the best care.

“Contrary to the popular image of outstanding Japanese service, many Japanese companies tend to focus more on the needs of uchi, or in-house groups: employees, affiliates and suppliers — than on customers,” they conclude. “They treat customers politely, of course, and deal attentively with complaints, but this surface treatment can mask a lack of strategies for delivering breakthrough levels of value and customer satisfaction.”

Not surprisingly, given their backgrounds, they suggest that Japan needs more entrepreneurs who can think “out of the box.” This, of course, is not new. The Japanese themselves made the same plea during the fleeting internet bubble five years ago. The drive, however, disappeared once the economy plunged into recession afterwards.

Still, if the examples in this book are any guide, Japan is changing. The cost and hassle of starting companies has fallen, a growing number of Japanese workers are willing to take a chance working at a start up and the government has unraveled some red tape. The opportunities to jump in have never been greater.