

# Japanese Sales Management? No, It's "Eigyo"

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## Abstract

In this working paper, we conducted a survey in the field of Japanese industrial companies, using the strategic marketing framework that IMP provided, trying to find out a distribution in it. As our finding, Japanese industrial companies incline to use mutual project as their marketing strategy. This finding is related in the cell of "customer development" in the strategic framework of IMP.

However, most of Japanese industrial companies neither fit their organization to the strategy they took, nor adopt the sales management system. Therefore, this condition makes the mutual project difficult to keep and drop them from "customer development" cell into "customer adjustment" cell soon.

We will discuss the reason why Japanese sales management does so with Luhmann's trust framework. According to the discussion, Japanese business style depends deeply on the salesperson's individual competences. This style is called as "Eigyo." It's the characteristic of sales activities that Japanese companies used to take. And, Eigyo sometimes is used in irrational way by salespersons. We show the reason it by introducing several works some Japanese researchers did.

**Keywords:** Japanese sales management, Eigyo, IMP framework, empirical survey, salesperson autonomy

## Introduction

The purpose of this working paper is to introduce the result of our empirical study about Sales Management in Japan. We have conducted a survey that adopted the strategic framework of IMP and found a distribution of the strategies that Japanese industrial company did. By reporting and examining the results critically, to build a new theoretical framework is our final goal. Especially, we try to point out the problems in the daily practices and the generally accepted ideas of Japanese industrial companies, by checking their sales management practices.

As the organization of this working paper, we will introduce a general view of the business activities that Japanese industrial companies took. Then, we will show the results of our survey and make a discussion about the difference between the theoretical prediction and our findings. At the last section, we will discuss the reason why this result has happened. Our hypothesis to this result is over-adaptation of Japanese salespersons.

## Framework of Industrial Marketing Strategy

In this section, we will briefly review two previous studies. First, it is related with industrial marketing strategy. Second, it is related with sales strategy. Through this work, we may show our research framework on Japanese sales management.

First, we will brief discuss about the framework of industrial marketing strategy. The characteristic of industrial marketing strategies that IMP stressed is to understand the needs of the customers. In general, the customers' needs can be divided into two types. They are "general needs" and "specific needs", showed Fig.1. (Hakansson (ed.) [1982], p.386)

In this strategy dimension, it's similar to Darwin's evolutionary environment adjustment model. As you all know, in Darwin's evolutionism the creatures are adjust to the environment around them to keep alive. And the adjustment method depends either on the improvement of general ability or passive adjustment ability.

For example, giraffes extended their necks to eat leaves on the higher place of trees to keep them alive. This is the case of improving adjustment ability. On the other hand, human beings raise crops to keep alive is the case of improving general ability. Raising crops to keep alive can apply to any condition, so called "general ability".

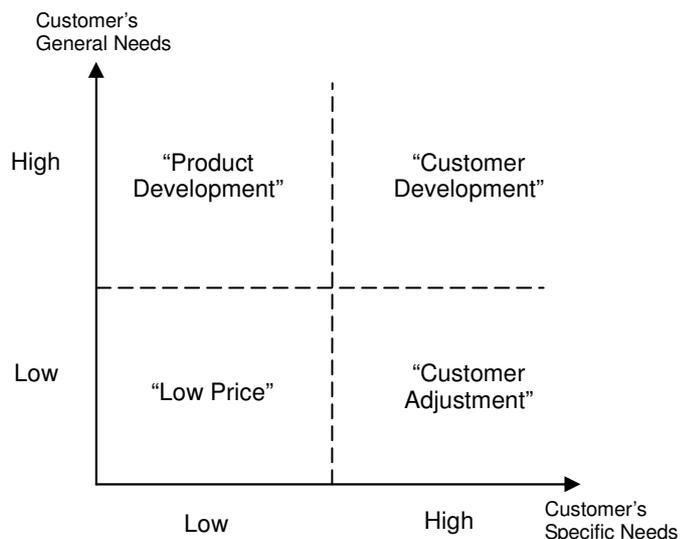


Fig.1 Framework of IMP's Marketing Strategy

These two kinds of ability correspond to the strategy dimensions, respectively. The customers' needs are the environment that industrial companies have to adjust. In other words, customers' needs are their aims. So adjusting to customers' needs and use which method to adjust are the important themes that industrial companies have to care about.

Second, we will briefly discuss about sales strategy, especially, the relationship between sales management and marketing strategy. Sales management and practice both may provide important roles for implementation of the marketing strategy. Our recognition of the sales management is to array under the company strategy. Sometimes, we call it functional strategy. Ansoff (1988) described this relation well. He identified three levels of strategy. These are corporate level strategy, divisional level strategy, and functional level strategy. We simply relied on this framework. That is, a sales management follows sales strategy, and sales strategy follows corporate strategy as well. So, our concerns direct to the relations between industrial marketing strategy and sales strategy.

## **Methodology and Survey**

### ***Methodology***

We had conducted a questionnaire survey. The purpose of this survey is to grasp the actual condition of industrial companies in Japan. Not only because there is no any empirical research is based on the strategic frameworks of IMP provided in Japan, but also we are eager to know the actual conditions.

This survey across the boundary of industries and covered a wide range of samples. Through this survey, we expected to know the actual distribution of marketing strategies that Japanese industrial companies took. This may contribute to the development of the theory. If we can get any result that is out of the theory can offer, then maybe there are two considerable reasons. One is, the theory is right but the observed facts are wrong. In this case, data collecting maybe is the fatal problem, so that the observed facts cannot help theory improvement. On the other hand, if the data collecting is appropriate, then the possibility to improve the theory is higher.

### ***Survey***

Our survey conducted during 14<sup>th</sup> Feb. to 13<sup>th</sup> Mar. 2005. The profiles of respondent are the general managers who are active leading the sales section or department in industrial companies. The database that we used is a staff list published by Diamond Ltd. which covered 14,000 companies, in Japan. In addition to this, we also used the name list of industrial companies that open to the public on the internet. From these two databases, the list has 14,000 records in total. Then we sample the appropriate respondents from this list. The targets include not only the manager in sales department, but also in publicity and planning division. But the manager who belongs to publicity and planning division are not our real targets. Therefore, we sent questionnaire with a message to ask them to pass the questionnaire to the proper staff. Using these methodology 1,040 targets had been chosen. And the number of effective answers that collected from this sampling is 109. The rate of collection is 10.48%.

### ***Items in Questionnaire***

The items that we used to describe the marketing strategies that Japanese industrial companies took are as follows.

Supplier perceives customers' specific needs as special requests on transaction condition. On the other hand, supplier perceives customer needs as special requests on products. Changes on products are changes on bases of relationships. However, changes of transaction conditions are not changes on bases of relationships. It means small adjustments to adapt same environment. Items from A01 to A08 are items to measure a perception of customer needs. A01, A02, A03, and A04 are items on specific needs perception. A06, A07, and A08 are an item on general needs perception.

A01. About the date of delivery, your customers usually make some special requests.

A02. About the lots, your customers usually make some special requests.

A03. About the price, your customers usually make some special requests.

A04. About the other transaction conditions, your customers usually make some special requests.

A05. Your customers usually expect you to introduce some new products that are not existed in your product list before.

A06. Your customers usually expect you to introduce some new products that are order made and with new design.

A07. Your customers usually expect you to introduce some products that are with customized details.

A08. Your customers usually expect you to introduce new usages of existed product.

Addition to above items, we added some items to measure the practice degree of strategies. It is because there is no guarantee that the higher perception to customers' needs will correspond to the higher practice degree. By comparing these two parts of items, we are expecting to find out the practice degree of strategies that Japanese industrial companies took. Those items are as follows.

B01. About the date of delivery, you usually offer some special condition to some special customer.

- B02. About the lots, you usually offer some special condition to some special customer.
- B03. About the price, you usually offer some special condition to some special customer.
- B04. About the other transaction conditions, you usually offer some special condition to some special customer.
- B05. You usually introduce some new products to your customers that not exist in your product list before.
- B06. You usually introduce some new products to your customers that are order made with new design.
- B07. You usually introduce some products that are with customized details.
- B08. You usually introduce the new usages of existed products to your customers.

### **Analysis**

The analysis is conducted by the next procedures. The first, in order to find out the constitution dimensions, we ran factor analysis to those items describe marketing strategies. By doing this procedure, we try to test if the marketing strategies space that Japanese industrial companies took, can be divided into two dimensions or not. The second, we try to pick up the items that consist in these two dimensions and to examine relationships of the item. Then, according to the mean of each picked items, we classified the answers into high and low groups and found out their distributions. The meaning of doing these procedures is to distinguish the space of industrial marketing strategies exactly, and then plotting the perceptions of actual needs to this space empirically.

### **Statistical Results**

#### (i) Factor Analysis

Table 1 shows the result of factor analysis about the perception of customers' needs.

Just like the theory predicted, two factors had been identified. Because of using varimax rotation, that these two factors will be rectangular coordinated.

This result means we found a strategic space that is the same as IMP framework had described. Each factor consists of 4 items. A02, A01, A03, A04, the items consist of factor1, are items about the perception of customers' specific needs. On the other hand, A06, A05, A08, A07, the items consist of factor2, are items about the perception of customers' general needs.

Table 1 Rotated factor pattern of perception of customers' needs

	Factor 1	Factor 2	Communality
A02.About the lots, your customers usually make some special requests.	0.867	0.037	0.752
A01.About the date of delivery, your customers usually make some special requests.	0.810	-0.035	0.656
A03.About the price, your customers usually make some special requests	0.801	0.125	0.657
A04.About the other transaction conditions, your customers usually make some special requests.	0.653	0.059	0.430
A06.Your customers usually expect you to introduce some new products that are order made and with new design.	0.114	0.825	0.694
A05.Your customers usually expect you to introduce some new products that are not existed in your product list before	-0.007	0.757	0.573
A08. Your customers usually expect you to introduce new usages of existed product.	0.023	0.557	0.311
A07.Your customers usually expect you to introduce some products that are with customized details	0.034	0.471	0.223
Eigenvalue	2.488	1.808	
Proportion of Variance Explained by Each Factor(%)	31.11	22.60	
Cumulative Proportion of Variance Explained(%)	31.11	53.71	

Also we do the same factor analysis to the items about the practice degree of strategies. Table2 shows

the result.

Table 2 Rotated factor pattern of practice degree of strategies

	Factor 1	Factor 2	Communality
B02.About the lots, you usually offer some special condition to some special customer.	0.849	0.112	0.734
B03.About the price, you usually offer some special condition to some special customer.	0.828	-0.113	0.698
B04.About the other transaction conditions, you usually offer some special condition to some special customer.	0.823	-0.040	0.679
B01.About the date of delivery, you usually offer some special condition to some special customer.	0.813	0.117	0.675
B06.You usually introduce some new products to your customers which are order made with new design.	0.147	0.788	0.642
B05.You usually introduce some new products to your customers that not exist in your product list before.	0.078	0.698	0.492
B07.You usually introduce some products which are with customized details	-0.029	0.583	0.341
B08.You usually introduce the new usages of existed products to your customers.	-0.090	0.574	0.337
Eigenvalue	2.782	1.817	
Proportion of Variance Explained by Each Factor(%)	34.78	22.71	
Cumulative Proportion of Variance Explained(%)	34.78	57.49	

This factor analysis is just like the analysis shown in Table 1. Two factors had been identified. This result is as the IMP framework predicted. Factor1 consists of B02, B03, B04 and B01. The important points are these items are the items to measure the degree of practicing adjustment strategies to customers' specific needs. And factor2 consists of B06, B05, B07, and B08. These items are the items to check the practice degree of adjustment strategies to customers' general needs.

(ii) The distribution of Needs Perception

The question items that we used are re-composed from the two-dimension strategy framework of IMP. The next step is to plot the perception of needs on this strategy space and identify the distribution. Before making cross table, we classified the answers of each item according to its mean to high and low groups. Then we use this combination to plot the answer of each company. The main results are as follows.

Table 3 the distribution of needs perception (A03\*A06)

		A 06		Total
		Low	High	
A03	Low	N 26	23	49
		% of Total 23.85	21.10	44.95
	High	N 16	44	60
		% of Total 14.68	40.37	55.05
Total	N	42	67	109
	% of Total	38.53	61.47	100.00

chi-square=7.934 (p=.004)

For example, in this cross table it shows, 40.37% of 109 samples perceive highly both to specific (A03) and general needs (A06). Adapting this result to the framework of IMP, it corresponds to the cell of "customer development". Because of the expectation of each cell is 25%, in this case, except the high-high cell, the percentage of other cells are under the average. From this result, we may say Japanese industrial companies perceive that their customers are expecting to have collaborating work with them.

(iii) The distribution of Marketing Strategies

Table 4 the distribution of marketing strategies (B01\*B05)

			B05		Total
			Low	High	
B01	Low	N	21	14	35
		% of Total	19.44	12.96	32.41
	High	N	30	43	73
		% of Total	27.78	39.81	67.59
Total		N	51	57	108
		% of Total	47.22	52.78	100.00

chi-square=3.392 (p=.051)

We also got an interesting result at the distribution of marketing strategies. That is, the distribution of strategy and the distribution of perception to customers' needs are not consistent. According to this cross table (Table 4), there are many companies highly adjust to customer's specific needs (67.59%). However, the companies highly and lowly adjust to their customers' general needs are almost the same (47.22%, 52.78%). "Customer development" cell on table 4 is 39.81%. This result is consistent to the case of needs perception (the right-down cell with 40.37% on table 3). However, if taking the "customer adjustment" cell (the left-down cell), in the case of perception, the percentage is just only 14.68%, but in the case of practice, the percentage rises to 27.78%.

In order to confirm the inconsistency between the perception and the practice cases, we conducted a further analysis as follows.

Table 5 the inconsistency between perception and practice on specific needs (A01\*B01)

			B01		Total
			Low	High	
A01	Low	N	25	31	56
		% of Total	22.94	28.44	51.38
	High	N	10	43	53
		% of Total	9.17	39.45	48.62
Total		N	35	74	109
		% of Total	32.11	67.89	100.00

chi-square=8.298(p=.003)

First, according to this result, even though there are many companies keep consistent between the perception and the practice to their customers' specific needs, but the companies without the consistency between perception and practice are not so few. For example, there are 28.44% of 109 companies (the right-up cell on table 5), who perceive lowly to their customers' specific needs but react to them with highly adjustment.

Table 6 the inconsistency between perception and practice on general needs (A05\*B05)

			B05		Total
			Low	High	
A05	Low	N	23	10	33
		% of Total	21.50	9.35	30.84
	High	N	27	47	74
		% of Total	25.23	43.93	69.16
Total		N	50	57	107
		% of Total	46.73	53.27	100.00

chi-square=10.112(p=.001)

The next, according to the result shows on table 6, we can find that there are many companies with inconsistency between perception and practice on their customers' general needs. The companies with highly perception but lowly practice are 25.23% of all samples (the left-down cell on table 6). And the gap between perception and practice changes following to what kind of needs it faces. In the case of special needs, the practices are higher than the perceptions. On the other hand, in the case of general needs, the practices are lower than the perceptions. This is a very interesting finding.

## **Industrial Marketing Strategies in Japan**

### ***Findings***

According to our empirical results, the industrial marketing strategies that Japanese companies took have two characteristics. The first characteristic is that Japanese industrial companies perceive mutual project (customer development cell of the IMP framework) as their customers' needs. This business style, according to the Information Processing Theory, is a "customer-integrated" business, and to the Transaction Cost Theory, it is an "OEM" business. In other words, the Japanese industrial companies recognize that their customers want to be supported by high level of technology.

The second characteristic is that the practice of strategy does not necessarily consistent with the perception of needs. Sometimes they incline to over adjust to their customers' specific needs, and on the contrary, less adjust to customers' general needs. And this characteristic brings a result; in which there are many industrial companies esteem "customer development" and "customer adjustment" strategies together in the practice aspect. The gap between perception and practice is the factor that brings a current management subject to Japanese industrial companies. We all believe that we can find out the problem in sales management of Japanese industrial companies in this gap.

### ***Theoretical Reasons***

Why Japanese industrial companies always regard "customer development" as important strategy? The logical explanation will be as follows. The first reason is that they want to reduce the transaction cost by constructing trust with their customers. However, customer development strategy requires an inclination toward a long-term stable transaction. And this condition makes them to try to share information, and make some investment for adjustment each other. That is the reasons why there are so many suppliers try to response to the needs of "customer development" strategy, in order to get the cost reduction effect.

The second reason may be related with the dysfunction of trust. Trust is one of the functions to reduce several uncertainties. (Luhmann 1979) We think it may be rational behavior to reduce some cost by making trust in sales practice. Trust becomes a method, or means, to do so. We sometimes, however, witnessed that the means and ends change places.(Hayashi et al. 1999; Yamagishi et al. 1999) In this case, trust works dysfunctionally.

And because of this dysfunction of trust makes the sales management of Japanese industrial companies characteristic. We will make a further discussion at the following section.

## **Sales Management in Japan**

To Japanese industrial companies, the problem comes from the practice degree of strategy. Even though they perceive the needs of customer development, but the practice does not necessarily correspond to that. We may say, even a company succeeded in customer development, but still probably fall down to do customer adjustment. One of its theoretical reasons is a dysfunction of trust mentioned above.

This is the very characteristic of Japanese sales management so called Eigyo. This Japanese sales management style is a style that makes dysfunction of trust occurs easily. Therefore, we are going to make a further discussion by using the works in the sales management research done in Japan.

### ***Trust, as a goal of Eigyo***

It has heard that Japanese business style sometimes characterized to build personal relationships between buyers and sellers. For example, Tamura(1986) pointed out that personal relationship between buyer and seller is more important than goods and/or transaction conditions in Japan.

What makes this characteristic occurred? We supposed the reason for the functions of trust. We had already discussed the theoretical problem about trust. In the case of business, trust brings some practical advantages not only for buyers but also for sellers. Trust reduces the uncertainty of business.

And this makes the decisions easier to make for the buyers. Furthermore for the sellers, trust enhances the bases of relationship by repeated buying and reputation. Tamura (1993, 1996); Minami and Hosoi (1996); Tamura (1993, 1996) called these economic advantages as “economy of trust”.

Needless to say, trust is a very important concept in the field of sales management studies. But it is treated merely with a tool to improve business transactions. For example, trust may play as a factor for differentiation and sometimes it plays as a kind of power base for the sellers. In the case of Japanese business, trust is a base of transactions, so that it becomes to be a goal for Eigyo, the Japanese style of sales interactions.

### ***Sales management in Japan: the autonomy of decision-making***

The second reason lays on the business customs in Japan. The point of sales management is to let the salespersons to implement their own sales strategy. Namely, it is the autonomy of decision-making. But indeed that Japanese sales management runs not like that. The characteristic of Japanese sales management is giving the autonomy to salespersons (Hosoi and Matsuo 2004). But the autonomy is, the manager of sales department shows the monthly goal of selling at the beginning of the month, after that he just let his/her subordinate to report the progress condition. If the condition getting late, the manager just encourage and stimulate his/her subordinate by words, but never give them the exact instruction about how to improve the condition. That is the autonomy of sales in Japanese companies.

In other words, the autonomy of sales in Japan does not mean independence but integration. That is, the sales department is a “holon” (Tamura 1996). And this holonic characteristic forms the characteristic of Japanese sales management. That is the reason why we call it as Eigyo but not Sales. Eigyo is defined as a multidimensional management of workflows, which concerned on transactions (Hosoi and Matsuo 2004). Eigyo means running business, but not just selling. Therefore, the autonomy of sales allows salesperson to catch up business chances speedy (Takashima 2002).

However, the means that salespersons use to keep a trust relationship with their customers are limited. Even though Eigyo department has its autonomy for decision-making, but adapting to their customers' general needs is a more complex work than adaptation to specific needs. When the salespersons try to build up their own trustiness, they usually use the conditions of transaction. By this meaning, to make a big concession in the conditions of transaction is the way to get the trust from their customers. And this is also the reason that makes Japanese business style tend to care about how to adjust to their customers' requests.

## **Conclusion**

Finally, let sum up our finding as the conclusion. According to our survey, we found that Japanese industrial companies always perceive the needs of customer development. And this perception is extremely high. However, in the practices of strategy aspect, customer adjustment is as much as customer development. That is because the autonomy of salespersons has a highly priority so that they are not management to fit to the strategy implementation. In Japan the business is called as Eigyo, this makes salespersons just care of the proceeds (the norm) as its goal of management, rather than to develop some management skill to control their operations.

It is easy to image that when proceed becomes to be the goal of business, the salespersons won't care about the strategy but just putting their own task as the first priority to achieve. Instead of setting strategy as the goal to achieve, almost all of the salespersons in Japan set their own task as the goal. And the over adjust to the transaction condition occurs, not because of customers' request but because of taking this way will make the salesperson easier to sell products. Furthermore, because of this over adjust to the transaction condition, salesperson sell the price-down product to other customer too.

We suggest that if Japanese industrial companies want to keep their strategic competence; the first thing they have to improve is to change their business style from Eigyo to sales management. To deconstruct Eigyo to fit to their strategy, and link the strategy implement to salesperson's individual goal are the most important subjects have to check.

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