

A JAPANESE LONG-TERM CONTRACT.

By James Collins.

My brother Don told me this story back in 1975. An associate of his, Peter Johnson, was a sales representative working for a Japanese manufacturing company and representing them in America. Peter initiated a contract with the Japanese that stated that if he got enough business for the Japanese and they obtained a presence in this country, Peter would get a long-term contract with the Japanese. For a number of years he worked diligently developing customers for the Japanese, and each year, he increased the sales to the point where they planned to set up a factory in America.

Mr. Kenta Watanabe, a Japanese American, was Peter's contact with Japan and his liaison with the company. After the latest sales figures arrived, Mr. Watanabe took Peter and his wife out for a lavish dinner to celebrate the event and to announce to Peter that the company was planning to set up a manufacturing facility on the East Coast. Peter used this opportunity to ask Mr. Watanabe if he remembered the wording of their original contract. Kenta said he certainly did and he would contact the home office to see if they could set up a meeting to negotiate terms and conditions of the new long-term contract. Mr. W. was true to his word and two weeks later told Peter to sit down and start listing the conditions that Peter would like to see in the contract. They set a date about six weeks in the future and Peter learned senior corporate executives would come over to New York City to negotiate the new contract.

Peter was ecstatic, went home, and told his wife, Peggy, and they promptly had a private celebration. Then Peter asked his wife, "What should I asked for? I worked for them for a number of years and am the most successful salesperson they have in America. The company is growing like crazy and the money will flow like water. However, I feel like I am walking on a tightrope. If I lean too hard to either side, I will fall off. But if I'm successful, I'll be a key member of the team."

Peggy responded, "You always say the Japanese are very honorable people. They treated you fairly and you have gone out of your way to make them successful. They recognize that and are bringing executives over to America to negotiate with you. This is your one chance to go for the gold. Be forceful and aggressive, ask for the moon, but be willing to negotiate down to a more reasonable settlement."

"Well, we have pencil and paper right here, why don't we start to list our demands. First, I am going to ask them to promote me to vice president and to put me in charge of all sales and marketing in America. Tied to that I will ask them to double my salary, double my pension and double the matching amount from the company for the 401k. I will ask for a one-month all-expense paid vacation in Japan each year for the two of us, and use of the company condominium in Marcus Island for two weeks each year. Of course, I am going to ask for a new Mercedes each year. Every VP gets one. All my travel will now be first class all over the world and I will stay in five-star hotels and eat in five-star restaurants. All these are to be included in the contract. I will ask for top-of-the-line medical plans after we retire and use of all their top class facilities, when we travel in any country on our retirement."

Peggy's eyes widened and her breathing accelerated slightly. "Don't you think you may be going over the edge a little bit with these demands?"

"I'm just taking you at your word. I am being dramatic and going a little bit overboard but I am willing to back down on each one of these if they become deal breakers. They asked us to come up with a list and they do expect us to have some outlandish requirements. Normally in these deals, the negotiator expects to come back to his boss and show how he was able to cut back on the demands. A few of these are sacrificial lambs. I do not expect to get them and the negotiators expect to be able to win some sides of the argument. Therefore, these are very negotiable.

A few weeks later, the Company scheduled the promised meeting in the main office in New York City. Peter was early for the appointment wearing a brand-new suit and shoes, and a power tie. He met Mr. W. in the lobby, exchanged pleasantries and rode up in the elevator to the executive suite. Kenta indicated that the executives from Japan were in conference and that they would ask for Peter when they finished their immediate business discussions. Peter was nervous and tried not to show it while Kenta stiffened up due to the presence of the executives from Japan. He appeared to be more reserved and reflected the attitude of the native Japanese who visited on a regular basis. They were very subservient to their bosses unlike Americans.

About twenty minutes later, the big door opened and, three senior Japanese executives, as they left the conference room bowed deeply. This surprised Peter because he knew this was in deference to an exalted leader in Japan but he had not witnessed this before in the States. Peter looked to Kenta for a sign or a comment but all Kenta said was, "We are now expected to go inside for our meeting," and he held the door for Peter to enter. Peter followed Kenta's lead and bowed deeply.

The sight that met Peter's eyes was not what he expected. The familiar conference table was gone and in its place was a beautifully decorated upscale Japanese style room. Marvelous futons surrounded a circular Japanese table that rose six inches off the floor. Japanese artwork replaced all the formal portraits and pictures from yesterday and expensive Japanese Shoji screens closed off the windows. Bonsai trees and Japanese brush stroke paintings discretely enhanced the motif. Japan replaced New York City at no little expense. Two Japanese men stood at the far side of the room. One, Peter immediately recognized as the owner and managing director of the billion-dollar company, Mr. Oratachi. Now Peter understood why the Japanese executives backed out of the room. It was a sign of great respect. Peter could not understand why the head of the company would participate in such a low-level negotiation, but he was not in a position to ask. The second man dressed in formal robes was closer to the doorway and was quite distinguished with long white hair, white beard and mustache. Obviously quite ancient, this man was not introduced nor referred to neither by Mr. Oratachi nor by Kenta. Peter from his years of experience with the company understood that they never discussed business immediately. The Japanese have several rituals and the formal tea ritual preceded a meeting. Kenta was to be the interpreter for Mr. Oratachi and for the ancient Japanese guest. Kenta introduced Peter to Mr. Oratachi and by a wave of his hand. Mr. Oratachi authorized the beginning of the ritual. The four of them sat down on futons in a circle and Kenta interpreted the questions, comments and answers. For 45 min, they discussed the weather, the ambience of the room, the tea, the rice cakes, the paintings the

bonsai trees and anything else within of the participants view. Mr. Oratachi indicated that it was time to start the negotiations and he asked Kenta if he had a copy of Peter's demands. Kenta said he did and handed them over to Mr. Oratachi, who glanced at them and indicated that they would view the demands and get back to Peter. Then Kenta escorted Peter outside to the waiting room and rejoined the men in the conference room.

Peter anticipated up to a two-hour wait as the team considered the demands, discussed them, came up with counter demands and then set up the strategy for negotiation. In less than a half an hour, to Peter surprise, he was asked to come back into the room by Kenta. Peter was afraid they might have dismissed all of his demands out of hand and wanted him to generate a more reasonable set of conditions. He definitely did not want to offend them and his head was racing as he thought overall the various scenarios before him. Kenta indicated that Peter should resume his previous place on the futon assigned to him in the room. Tea was again poured and passed around to the four members at the table. Mr. Oratachi made a brief speech in Japanese, and Kenta translated. The Japanese were very thankful for all the work that Peter had done (now his heart was in his throat as he feared the worst- being fired), and they were more than happy to meet all of his conditions. Peter nearly fainted dead away. He collected himself, bowed to the Japanese smiled intensely and thanked them profusely. With that, Kenta walked Peter out of the room and congratulated him. Then Kenta had to go back in with the visiting executives. The meeting was over and Peter was ecstatic.

Peter and his wife celebrated for a full week. They felt they had just won the major lottery. However, Peter had no idea why everything had gone so well and his curiosity was intense.

For several months, the pace was frantic. The company generated new plans for purchasing property, contracting an architect, setting up the plans for the factory and still new business was flowing in. Yet no discussion as to the meeting, held in New York ever came up. Finally, they signed a \$200 million contract. It was a new customer in a new emerging product line and it meant that the New York office was a major contributor of sales to the company. Peter and Kenta went out to celebrate and after a large meal and many drinks, Peter felt it was time to ask Kenta what happened at the meeting.

"Kenta, I always wondered why the front office accepted all of my terms and conditions with no counteroffer."

"That's because your demands were so small."

"What do you mean so small? I asked for double everything including salary and retirement."

"Well, you were exercising a long-term contract and that's why the historian was in attendance."

"You mean the elderly gentleman from Japan who was in the corner writing all the time was the historian?"

"Yes."

"Why did they need a historian?"

"In Japan, when we discuss a long-term contract. It infers that we are talking for five generations. They expected that you would be setting down terms and conditions for your children, your grandchildren, and your great-grandchildren etc. out for five generations. They expected you would be requesting that they be managers in the company for all these generations and that the company pay for their education in the most exclusive colleges and universities in the world. They expected you would be requesting a permanent domicile in Japan for these generations and pensions, investments, stock and ownership percentage were also on the table. That was why the CEO personally came to attend the discussion. He had to make the final decisions and their historian had to record all of the terms and conditions for the next five generations of the company. Since your demands were so small they had no trouble in closing out the deal immediately."

Peter was simultaneously stunned and awed by this declaration. He went home and explained it to his wife. At the next party, Peter told all his neighbors. My brother was one of the attendees who told me and he and I together immediately put together a five-generation plan for our family as a guide. We figured we could learn from the Japanese and our future generations could benefit from the plan.

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