

japan times forum on globalizing personnel

Japan Inc. needs to change organization, mind-sets

With the rapid advance of globalization, Japanese business corporations are stepping up their overseas production or expanding their operations abroad. This trend is necessitated by the continued stagnation of the Japanese economy and, more structurally, Japan's rapidly aging population and the dim prospects for continued expansion in domestic demand. Since the collapse of Lehman Brothers in 2008 and the resulting global financial crisis, the primary source of sales and revenue for many Japanese businesses, both manufacturing and non-manufacturing, is shifting from the domestic market to overseas markets, especially in emerging economies such as China and India.

Against this backdrop, it is becoming imperative for Japanese corporations to hire employees with global mind-sets and global business skills. But what kinds of skills are needed for businesspeople in this era of globalization and what does "global mind-set" really mean?

In an attempt to analyze what is happening on the front lines of business today and to identify the challenges for Japanese businesspeople in the globalized world, The Japan Times brought together four prominent business figures.

They were Yukio Sadamori, a manager at the Global Human Resources Department of the Human Resources and General Affairs Division of Mitsui & Co.; Hideaki Kido, a senior managing executive officer in charge of corporate strategy at SKY Perfect JSAT Corp.; Yutaka Fujiwara, a managing officer at the IR and M&A Planning Headquarters of Omron Corp.; and Akiko Nakajo, an adjunct lecturer at the Waseda Graduate School of Finance, Accounting and Law. Keisuke Okada, a retired former managing editor at The Japan Times, served as moderator.

Their discussions follow.

Moderator: Will you tell us how globalization is impacting your company's overseas operations and top management's decision-making process in light of this?

Yutaka Fujiwara: According to a recent article in the Nikkei business daily, Japanese corporations in all industries, excluding banking and securities, racked up 48 percent of operating profit abroad and the remaining 52 percent in Japan, in the fiscal year that ended March 2010. The finding was based on a survey of 420 listed companies that disclosed the regional breakdown of operating profit in their financial reports.

Omron is no exception to many Japanese corporations, being relatively reliant on overseas markets. In the fiscal year 2009, Omron earned 49 percent of sales and 54 percent of its profits from overseas markets, in a major turnaround from performance 10 years prior in which shares of overseas sales and profits were 28 percent and 44 percent, respectively. Aside from sales and profits, the share of aggregate overseas production is now about 40 percent. Given the fact that we depend on overseas markets for half of our sales, the overseas production ratio is estimated to leap by 10 points to 50 percent in a matter of years. When it comes to the fixed-cost structure however, the majority of our spending, over 70 percent, occurs in Japan for research and development (R&D), personnel and other selling, general and administration (SG&A) expenses. It is only natural that the biggest agenda for top management in the next 10 years will be the rectification of such an imbalance between earnings and spending.

In order to mitigate exchange rate risks and to address inequality in the distribution of wealth among countries, it is unavoidable for Japanese

corporations to "globalize" or "fluidize" personnel, including those for R&D and SG&A. At Omron, for instance, we are now stationing some 180 Japanese employees at our overseas bases. In the initial stage of operation, it may be necessary for Japanese managers to supervise the operation of local hires. After we've laid the necessary groundwork, we will shift toward the employment of "globally competitive" personnel, including Japanese, to find the most qualified people for the most appropriate positions on a global basis. Eventually, Japanese people will have to globalize themselves. Otherwise, we Japanese will gradually lose our workplaces. If Japanese limit their workplaces only to those in Japan, available jobs will be scarce. Japanese will have to look abroad.

Hideaki Kido: In that regard, I wholly share Mr. Fujiwara's observation. The main subject for discussion at this forum is, in my understanding, how individual employees can make themselves globally competitive and how human resources managers can foster globally-minded employees. However, these discussions assume the globalization of the structure of corporate organizations. Regrettably, the mind-set of top management at Japanese corporations is lagging far behind international standards. I must say this problem is more serious than the challenges individual employees face.

For instance, many Japanese corporations are setting up overseas branches in such emerging countries as China and India for the globalization of their operations. More often than not, however, most important decisions are made not by the Japanese managers of an overseas branch but by the top management or managing directors



Developing resources: Four Japanese business figures attend a recent Japan Times round-table discussion, moderated by retired former Japan Times managing editor Keisuke Okada (center), on how to develop globally competitive personnel. They are (from left) Yutaka Fujiwara of Omron Corp., Hideaki Kido of SKY Perfect JSAT Corp., Yukio Sadamori of Mitsui & Co. and Akiko Nakajo of the Waseda Graduate School of Finance, Accounting and Law. YOSHIKUNI MIURA

during meetings at the Tokyo head office. Consequently, the speed of the decision-making process at Japanese corporations' overseas branches is much slower than that for Chinese and Indian competitors, placing Japanese businesses in a disadvantaged position to compete squarely with foreign rivals. Japanese corporations must reform their structures so that local branches abroad are allowed to make their decisions locally.

As Mr. Fujiwara pointed out, the cost of maintaining personnel at Tokyo

What's wrong with Japanese corporations? My observation is that with the advent of globalization the business environment and corporate battlefields have changed in a large way. Without agility and speed, corporations simply cannot compete in the global market. Large bureaucratic management structures served companies well during the period of Japan's strong economic growth, but in today's competitive global economy it impedes speedy decision-making processes. This affects both the quality of strategic planning as

supervise the company's American operations. Arguing that Japanese managers were costly, that they did not mingle with local American people and that they had poor English proficiency, Mr. Chai demanded that the company's U.S. operations be entirely entrusted to locally hired American managers and employees. Indeed, it was a formidable challenge for Japanese expatriates to use locally hired employees effectively.

Sadamori: Compared with Japanese trading houses' principal subsidiaries incorporated in the U.S. that are under

educate employees.

Fujiwara: My prediction is that in a matter of several years, English will be more widely used in our day-to-day business in this country. Astute people are already focusing on what's to come and everyone will realize in a few years that unprepared people will be left behind. I sincerely hope that the younger generation closely monitors the direction in which the world is moving and anticipates and prepares for these changes.

Sadamori: Let me briefly explain Mitsui's long-lived overseas training program, initiated in 1891, to send promising young employees to posts abroad. In this two-year program, young employees are encouraged to master the language, and eventually the culture, of the host country in an environment as isolated from the local Japanese community as possible. In the second year, they are assigned to work at the company's local office to learn practical business skills. Some 20 to 30 young employees are dispatched to overseas posts each year. These days, most of their host countries are in non-English-speaking countries, except for those chosen as participants in a separate program to earn an MBA degree.

However, we began to doubt whether this long-established training program alone is enough to address the new needs of corporate human resources development under the rapidly changing, complex world business conditions. In the past 10 years, some less time-consuming, more high-impact global training programs have been carefully designed and implemented. They take the form of workshops that last typically for one week and are attended by 20 to 30 employees, both Japanese and non-Japanese. Participants are divided into five to six groups and asked to discuss and complete tasks that are highly relevant to global business projects that have been actually implemented by the company. Each group makes its presentation in a spirit of competition at the end of the workshop.

Of course, there is no right answer to the given task. Rather, this new training program is effectively achieving dual purposes. One benefit is to familiarize non-Japanese employees with the general attitude and way of thinking of Japanese and our corporation's corporate culture and institutions, including the process of decision-making and the importance of risk management, among others.

Another benefit is to have young Japanese employees realize the importance of communicating in English with non-Japanese people, especially non-native speakers of English. At a workshop, the non-Japanese participants are not only North Americans, Britons or Australians. Rather, they are Chinese, Indians, South Koreans and people from Latin American countries. They speak English, but heavily accented, and make grammatical errors, producing English that is quite different from what we were taught at school. Nonetheless, the non-Japanese participants at the workshop fully understand each other. Meanwhile, the Japanese attendees are able to

'Sometimes, we Japanese are tempted to believe that Japanese are the world's most diligent and committed people, while others are less motivated, and that Japan's technology is at the top international level. But this is not quite true. We must not be too complacent and arrogant.'

YUKIO SADAMORI, MITSUI & CO.

headquarters is so heavy. When it comes to R&D, it may be much cheaper and more effective for Japanese corporations to locally hire Indian experts at their operation bases in India. Many Japanese companies tend to be overly risk-averse by narrowly caring about negative factors without looking into positive sides. Such mind-sets among top management are more serious than the training of individual employees for global business.

Akiko Nakajo: I totally agree with Mr. Kido's observation. Take the world's finest blue-chip corporations as ranked in the Best Global Brands report. In the past, more than a few Japanese corporations were in the top 10. Today, there are none. The names of Toyota and Honda now barely make the top 30.

well as the execution of it. **Yukio Sadamori:** Regarding the speed of decision-making, there is no big difference among Japan's general trading houses, be it Mitsui or Itochu. This is because risk aversion is of primary importance in their decision-making. In the case of Japan's trading houses, profit margin has traditionally been extremely thin, usually a tenth or so of a percent, although the rate is in the single digits of late. This means that if we fail to recover one instance of debt, we must start a new business deal worth a hundred times in value and collect profit without fail just to make up for that loss. Indeed, risk aversion is the destiny of our field of business.

Viewed from a different angle, many listed Japanese corporations are known for their longevity. Mitsui is 134 years old and there are numerous companies with a history of more than 100 years. Compared with Japanese corporations, the average life expectancy of American companies is much shorter, and they die young. This is not a matter of which is correct, but a matter of philosophy. Many top business executives in Japan attach importance to the longevity of their corporations by honoring financial prudence and refraining from bucking the odds. They prefer management stability to big profits. This is not a matter of Japanese or American; rather, it is a matter of business executives' mind-sets and philosophies.

Moderator: Would you explain the challenges Japanese personnel face in Japan and abroad?

Kido: If my memory is correct, Itochu Corp. was the first listed Japanese corporation that appointed a foreigner as its board member. The man was Jay. W. Chai, an American of South Korean origin, who was appointed an executive vice president of the company in 1993. Mr. Chai is known for maneuvering such epoch-making deals as the alliance between Toyota Motor Corp. and General Motors Corp. in 1971, and Ito-Yokado Co.'s purchase of the U.S. operator of the 7-Eleven convenience store chain in 1991. He was quite an outspoken person. For instance, he had a low opinion of Japanese managers dispatched to the United States to

the supervision of Japanese expatriate managers, the subsidiaries and affiliates of those entities that fully use locally hired human resources under the leadership of locally hired CEOs tend to generate much bigger earnings. Indeed, there are many cases in which Americans out-perform Japanese in racking up earnings efficiently and quickly. Sometimes, we Japanese are tempted to believe that Japanese are the world's most diligent and committed people, while others are less motivated, and that Japan's technology is at the top international level. But this is not quite true. We must not be too complacent and arrogant.

Kido: I was told that at a leading computer maker in Japan, the upper 30 percent of the applicants for the annual regular recruitment exam turn out to be foreigners. Therefore, this company had to set a quota on the hiring of Japanese applicants in order to avoid a situation in which all the new hires were non-Japanese.

Fujiwara: In all due fairness, Japanese people's industriousness, skillfulness and their ability to produce high-quality goods have combined to make Japan one of the leading economies in the world. If Japan were to lose these edges, its current place in the world would be lost. When we open a new production facility overseas, it is imperative for Japanese managers or engineers to train locally hired employees at the initial stages. After five to 10 years, it will become possible to leave almost the entire operation to local hires.

Given the barriers of language and cultural differences, it is better to let locally hired managers supervise local hires. More important, the salary of a locally hired manager is much lower than that of a Japanese expatriate manager. Thus, in order to ensure a workplace abroad as well as at home for Japanese, we must continue consistently developing and supplying innovative technologies, knowhow and skills for world markets. But I don't think this will be easy.

Moderator: Let us discuss about how personnel, especially young businesspeople, should adapt to the new business environment and how Japanese corporations should



Expansion: Local hires assemble a Nissan automobile at the automaker's plant in a suburb of Bangkok. Japanese manufacturing industries are stepping up overseas production but are short of globally competitive managers. KYODO

CONTINUED ON PAGE 11

japan times forum on globalizing personnel

CONTINUED FROM PAGE 10

understand only what the native speakers of English say but hardly follow the English of non-native speakers. This is quite a shocking experience for Japanese employees. They learn the importance of striving for mutual understanding and speaking concretely in order to communicate with non-Japanese people.

As we discussed earlier, Japanese corporations' earnings accrued from English-speaking countries or areas are on the decline and the primary source of profit is shifting to non-English-speaking areas. From now on, we will lose business unless we can communicate with people in non-English-speaking areas.

Moderator: When it comes to English proficiency, it has been widely reported in the media that Mitsui is imposing on all its employees the strict target of achieving a score of 730 out of 990 on the Test of English for International Communication (TOEIC), a popular test used by many Japanese corporations to check the English level of employees. Is this true?

Sadamori: Yes, it is. While we do not use TOEIC scores as selection criteria for new recruits, all employees must achieve the target score within three years of joining the company. In recent years, over 80 percent of new recruits, or about 100 every year, achieve the target within one year, with many of them scoring 800 or higher. Within three years, most of the rest eventually manage to meet the goal, even those who initially scored around 500. Records show that almost all the new hires in the recent past have achieved the target.

Nakajo: Do those with high TOEIC scores really have communicative abilities?

Sadamori: Not necessarily. In fact, there are more than a few who score close to a perfect 990 on the TOEIC test but are unable to speak or write well enough to accomplish business tasks in English. That is why we decided a few years ago to use, in addition to the TOEIC test, the Business Language Testing Service (BULATS) speaking and writing tests developed by the University of Cambridge ESOL (English for Speakers of Other Languages) Examinations, a nonprofit assessment organization in Britain. These tests are useful in examining productive skills in business writing and oral presentation, both necessary

qualifications for professionals in our field of business. Some linguists argue that there exists a positive correlation between passive skills and productive skills, but we in the business world can hardly do business based on such linguistic conceptualism.

Moderator: It is said that Japanese managers or engineers whose TOEIC scores are from 470 to 500 are able to communicate in English with non-native-English speakers in China or Thailand.

Sadamori: In our field of business, what is most important for Japanese managers assigned to overseas posts is people management skills. This is especially so when Japanese expatriate managers are at the top of the management of overseas operations. Even if the top position of an overseas operation is occupied by a non-Japanese person, dispatched Japanese managers must communicate in English with the top manager and their locally hired subordinates as members of middle management. In either case, the ability to work effectively with local top management or to manage and motivate local staff is required of Japanese personnel assigned to overseas tasks as managers, in addition to a higher level of linguistic ability.

In this context, let me explain another focused workshop we introduced several years ago. This single-session workshop is given to managers just before their departure for an overseas post. The ultimate purpose of this workshop is to appropriately deal with "tough" non-Japanese employees of the company's overseas operations. At the session, an American instructor plays the part of a "tough" employee who is too demanding, lazy or passive in performing his job. He complains about his Japanese boss's poor evaluation of his performance in the past year and even implies he might sue the company. He is then told that he should have taken a hint from his boss's attitude and realized what his boss wanted him to do. But he insists that "taking a hint" is not listed in his job description. The instructor limits his advice on how the Japanese boss should deal with the man to one point: the Japanese manager should neither compromise nor negotiate with the employee regarding the outcome of the evaluation. Nevertheless, it is the Japanese manager's job to improve business results by motivating these "tough" employees. This short and high-



Yukio Sadamori



Hideaki Kido



Yutaka Fujiwara



Akiko Nakajo

impact session has been cited as the most popular pre-dispatch workshop by the managerial participants, including members of top management who are being posted overseas.

Fujiwara: Unlike at general trading companies, engineers or technical staff at manufacturing companies do not necessarily battle with counterparts in fluent English on detailed terms and conditions in agreements. In many cases, they are assigned to explain technical features to customers, serve at overseas production sites and take care of the transfer of technology to local hires. It is certainly an advantage for them to have English or local language skills, but in most cases, technical terms, drawings or specifications are the languages used in communicating with overseas counterparts.

Moreover, they must be highly motivated to communicate with counterparts in earnest. Local hires or customers are not always native English speakers, but our seriousness and enthusiasm always touch their hearts and minds and help overcome any language barriers. For Japanese managers at manufacturing businesses, it is as vital to have a deep sense of humanity as it is to have respectable technology or English proficiency.

Moderator: Aside from English speaking skills, persuasion and

communicative competence are deemed necessary for Japanese managers to motivate non-Japanese employees. How does one acquire these skills?

Nakajo: The notion of creating "consensus" is still considered to be an essential element of Japanese organizational behavior. However, when we manage a multinational business, organizational protocols, such as consensus-building, must be redesigned in order to optimize management's ability to lead the organization in a global context. Most importantly, the company's mission must be clearly and logically communicated to all employees. Individual employees should be empowered to engage proactively. For instance, everyone makes mistakes, but the important point is how to learn from those mistakes, overcome them and rise to the next level of one's career development.

Sadamori: Whenever I am asked to define "global business skills," I make it a rule to reply like this:

At issue is how to make the best use of management resources. Management resources are categorized into human resources, goods and services, capital resources and business information. At the very least, you must have professional knowledge or experience pertaining to at least one of the four categories, in addition to English language skills.

Moderator: Finally, do you have any advice for Japanese businesspeople on how to make their presence more conspicuous abroad?

Fujiwara: Japanese people must stand out more distinctly in group settings. Our presence is recognized by others only when we speak out. Not being assertive is synonymous to being nonexistent. "Silence is golden" does not, and should not, apply in global business.

Nakajo: We need to speak up and voice our thoughts and visions with clear logic. When national security matters are discussed, foreign experts often say that Japanese delegates always keep their mouths shut in the face of a looming crisis. Silence is often mistakenly interpreted as our inability to resort to action. Our education system has programmed us to believe that silence is a virtue, but we sometimes apply this in the wrong context. Specifically to non-Japanese people, we are sending the wrong signals by keeping silent.

Sadamori: My advice is simple.

Profiles of Japan Times forum participants

Yukio Sadamori: Sadamori is a manager of the global human resources department of the human resources and general affairs division at Mitsui & Co.'s head office in Tokyo. Born in Kobe in 1949, Sadamori graduated from the faculty of economics at Keio University and joined Mitsui in 1973. After two years of engaging in the trading business dealing with raw materials for chemical goods, he attended McGill University in Montreal to earn his MBA. Later, he was assigned to the human resources division of the New York headquarters of Mitsui & Co. (U.S.A.), Inc. for eight years. Back in Japan, from 1992 through 1993, he served as an expert member of the Education Ministry's study group to examine the government policy on foreign students. He teaches at Keio University's Graduate School of Business Administration as an adjunct lecturer.

Hideaki Kido: A graduate of Keio University, Kido joined Itochu Corp. in 1974. Kido primarily handled the corporation's new business related to satellite communications and broadcasting from 1986 through 1994. In 1994, he was assigned to New York and stayed there until 2001 as vice president and alliance management officer to promote the company's joint project in the area of media and entertainment with Time Warner Inc. Upon returning to Japan, he was appointed deputy president and COO of Star Channel, Inc., and later CEO of Japan Entertainment Network K.K. (Cartoon Network Japan). Since July 2010, he has been a senior managing executive officer in charge of corporate strategy at SKY Perfect JSAT Corp., an operator of satellite communications and DTH (direct-to-home) pay TV broadcasting services. He is also a visiting fellow/adjunct professor at Waseda University's Graduate School of Global Information and Telecommunication Studies.

Yutaka Fujiwara: Born in Hiroshima in 1951, Fujiwara graduated from the faculty of engineering at the University of Tokyo and joined Mitsui Ocean Development & Engineering Co. (MODEC) in 1974. After MODEC decided to shrink its operations because of a slump in business, he left the company and moved to Yasuda Trust & Banking Co. to start a new career as an expert of mergers and acquisitions and corporate finance. At Yasuda, he was appointed deputy chief of its New York branch and chief of its Chicago branch office. As the bank decided to terminate its overseas operations during the financial crisis of 1997-98, he left the bank in 1998 and moved to Omron Corp., a leading manufacturer of electronics and health care devices headquartered in Kyoto. Fujiwara led the corporate strategic planning team, establishing its midterm business plans. He has been a managing officer and chief of investor relations and M&A planning at Omron since December 2008.

Akiko Nakajo: After graduating from a junior college, Nakajo joined TV Tokyo Corp. as an announcer and later served as an anchorwoman for CNN and TV Asahi Corp. She returned to school and graduated from the School of Political Science and Economics of Waseda University. In 1996, she was recruited by Bloomberg Information Television Co. and was appointed its president in 1997. From 1998, she managed its Asia-Pacific broadcasting operations. While working as a deputy representative for Bloomberg Japan, she earned her MBA from The University of Chicago Booth School of Business. She also finished the Advanced Management Program for executives at Harvard Business School, becoming only the third Japanese woman to graduate from the program in 60 years. She is an adjunct lecturer at the Waseda Graduate School of Finance, Accounting and Law.

Don't bring to mind the face of your picky high school English teacher when you are speaking in English. Free yourself from the trauma of making an error in grammar. Even if what you say is 100 percent grammatically correct, it is useless unless you can get the full attention of your negotiating partner and make the deal.

Kido: I still remember my former superior who was touted as a "genius of the English language." He spoke perfect English and argued down his nego-

tiating partners whose native tongue was English. Angered, they demanded he not be invited to the next negotiating session. Indeed, his presence at negotiating sessions with foreigners was not leading to any business deal at all.

These pages have been produced with the support of the Ogasawara Foundation for the Promotion of Science and Engineering, which was founded by Toshiaki Ogasawara, the chairman and publisher of The Japan Times and the chairman of Nifco Inc.



Creating jobs: Locally hired staff work at a Toray Industries clothing factory in Dhaka. The plant employs about 1,400 Bangladeshi people. KYODO



Filling a need: Foreign students attend a recent job fair in Osaka to seek employment at Japanese companies. Japanese corporations are increasing their hiring of non-Japanese employees to sustain their growing overseas operations. KYODO