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From “Divide” to designing new “Connect”

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By the summer of 2012, we are seeing poor performances amongst the major Japanese companies such as Sony, Panasonic and Sharp in the face of an unfavorable business environment. Japanese companies face the double challenge of both the national and international context. On the domestic scene Japanese companies face multiple challenges including a strong yen, high corporate taxes, and high energy cost. Turning our eyes to the world we see many uncertainties almost everywhere. The global economy is far from stable with few decisive actions taken for the Euro, the pace of job creation slowing in the US and the once-stellar growth rate of Asian economies also in decline. In short, there are few bright spots of hope in the business environment surrounding Japanese companies.

External context around the Japanese companies is not all bad news. The internal assets of the Japanese companies have not been lost altogether. The Asian region remains the main growth engine for the world economic growth, and BOP(Base of the Pyramid) markets in Asia and Africa are surging to create a huge market in the near future. Japan’s “silver” market segment (those over 60 years of age) with its growing size and strong purchasing power may serve as the “lead” market for the rest of the world. This baby boomer generation – known for relatively high net worth, considerable IT literacy, and sophisticated preferences and needs – may pioneer the new lifestyle.

There is a good possibility that energy and environment-related technologies accumulated by Japanese companies will make a significant contribution to resolve the current global agenda. The brand power of Japanese products retains a strong appeal in the Asian market. Japanese retailing, such as convenience stores, Uniqlo & Muji, has penetrated and performed well in the Asian market, indicating that not only manufacturing but also service industries of Japan may prove competitive in the global arena

Then why have Japanese companies lost stellar positions now and almost fallen from the global stage?

I think the major reason for the insignificant presence and lack of

visibility is because Japanese companies have not become aware of the “connect” and “divide” prevalent in the world today.

ICT has hyper-connected the world at unprecedented pace. The fact that people can “see” what is happening in the rest of the world has made us feel the reality of the connectedness much more than before. On the other hand, there has emerged a “divide” of various kinds which did not exist before.

Despite the world characterized as “hyper-connected” AND “divided”, few Japanese have realized the significance, and taken action to reconnect, the divided world. Let me give some examples to show how the concept of “connect” is lacking in Japan.

Many Japanese companies have tried to penetrate the BOP market for some time. And yet, the headquarters in Japan have little sense of “connectedness” with the markets and their market expansion has been behind other global companies such as Koreans. The intergenerational divide has alienated the Japanese youth who have little knowledge or experience of the era when Japanese were known for innovative products and strong brand power. On the other hand, the older leader groups have tried to restore innovativeness and strong brand position—reminiscent of “good old days” they experienced as youth—without much success. There has been promotion of action for inclusiveness and diversity but this has suffered from little information of how to relate to people of different nationalities, gender, and background. Japanese companies still give priority to hiring new graduates and developing them within the companies: even though there is a yawning and dangerous gulf between skills now required by business and what is offered at educational institutions.

Human capital issues are not limited to Japan: the mismatch between people (unemployed) and jobs (to be filled), and the divide (between job & people, between employment & education) has become an urgent global issue. A survey done by the World Economic Forum with Mercer clearly indicates that human capital issues, including leader development, are of critical importance for the competitiveness of the company, country and of the world. (See the table at the end)

I propose that re-connecting and designing the new “connect” beyond various types of divides will unleash the Japanese assets to trigger the departure from the “lost two decades.” Specifically, I will discuss three actions to reconnect the divide.

-Connecting world markets to the headquarters

Global talent has been in vogue these last few years and many Japanese companies have designed the program to develop Japanese with global skills. This campaign, however, goes back to three decades and has been repeated every several years like some new craze. Unlike Japanese initiatives of this kind, global companies have trialed many different ideas to develop global knowhow, rather than sending people as expatriates. Their objective is to develop and implement strategies that provide unique value in the regional markets to meet their specific needs.

One good example is Samsung where advancement is premised on overseas assignment. Samsung, which has grown rapidly into the global powerhouse, has been known for the comprehensive program to send people to distant country markets for an extended time so that they settle in the community to know first-hand the lifestyle there. In addition, they have adopted initiatives such as short-term overseas assignment (less than one year) and two year headquarter assignment of managers. As the result of these initiatives, “global” managers at Samsung increased from 800 in 2001 to 3000 in 2012, with half Korean and half non-Korean.

Wal-Mart began skill development program in new emerging markets, such as India and Brazil, with the cooperation of the state governments. As the youth accounts for the majority of the population, Wal-Mart has not only developed enough people for them to hire, but also has tried to design the product and service, specifically for the market. Issues of BOP markets are underpinned by action learning so that the global knowhow spreads throughout the organization. Short internships (12 months or less) have been set up so that the young Wal-Mart employees have a chance to be exposed to world operations early in their career.

There are some Japanese companies which have made efforts to reconnect their headquarters with the world. Komatsu has continued its effort to develop global talents for a long time and the president clearly states that “the future success of Komatsu depends on the talent who can view Japan from the world.” Fast Retailing is another company dedicated to recruit and develop the best talent from around the world, regardless of their nationalities.

-Reconnecting the generations

Many Japanese companies are faced with the dual dilemma of baby

boomers retiring at the same time as youth having limited opportunities to be employed and be promoted. This issue is critical for Japanese companies who face losing the experience, wisdom and knowhow of the baby boomers. It was the baby boomers who successfully upgraded the perception of the Japanese products in the West with their continuous efforts to enter and penetrate the market in the 60s and 70s. On the other hand, companies will find it difficult to survive in the global competition unless we make the best of the IT skill and sensitivity of the youth. After all, they live constantly online, and with SNS (Social Networking Service) and with completely different lifestyles and assumptions, are well versed on the speed and the sense of sharing now prevalent in the world. Reverse-mentoring, originally proposed and implemented by Jack Welch of General Electric over a decade ago, has been adopted by several companies such as Cisco Systems. Unlike the regular mentoring system, where juniors learn from the seniors, reverse mentoring goes the other way and may effectively resolve the intergenerational divide. By making the mentoring both ways, the Japanese companies share the knowledge and wisdom of two generations, as well as develop new products and services to fit each generation in unique way. I propose more Japanese companies recruit youth with keen interest in the global agenda and with extensive experience in developing countries.

This type of initiative has even more potential to connect BOP market and Japan, and to resolve the divide between generations. It can also be extended to resolve the divide between genders. For example, GE has a women's network where female executives throughout the world are connected to share their experience.

-Connecting employment and education

I will introduce some examples of company initiatives in connecting with a variety of organizations (industry-wide, public institutions, universities and entrepreneurs) for the purpose of addressing the divide between people and jobs, and of education and employment.

NASSCOM (National Association of Software & Service Companies) in India provides online educational programs and certificates for the Indian IT industry. The objective is to maintain and enhance the competitiveness of the Indian IT industry and to increase talent mobility across sectors. Individual companies, such as Infosys and Wipro, offer their own skill development programs in addition to

NASSCOM. TFSA (Toronto Financial Service Alliance) is another industry-wide initiative with a similar purpose in Canada.

Cisco Systems offer a tailor-made boot camp for specific skills development for their customer in the Philippines when they are faced with severe shortages of specific skills. This initiative has been facilitated by their experience of Networking Academy; an on-line education program offered throughout the world for some time. Cisco's boot camp program, designed specifically for the customer, succeeded in connecting employment and education, and people and jobs in the Philippines. In addition, the company was able to offer a new value in the emerging market through social programs which are often perceived as separate from business profitability.

What I propose to the Japanese management is:

-Clear and visible commitment by the top management who are equipped with knowledge of the *current* state of the world and not an outdated version of the world they recall.

-Develop and implement their own plan to identify the required level of skill, knowledge and talent in order to implement their strategy, beyond the traditional system and process and/or what is in vogue.

Global competition and a global agenda is the new reality whether you like it or not. Many companies are in the process of trial and error. If you act to connect the divides beyond your own organization, or beyond the country and supported by the clear vision of your own company, the new era will dawn.

Table Talent Mobility Practices-What types? (%)

Leadership development	73
Moving people within an organization	69
Moving people across countries	61
Workforce development & training	55
Moving people across occupations	49
Workforce planning	41
Extending & diversifying talent pools	41

Source: "Survey of Talent Mobility Practices" World Economic Forum • Mercer