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## **FOSTERING GLOBAL TALENT IS KEY TO BOLSTERING COMPETITIVENESS**

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Along with Japan's declining competitiveness, its lack of global talent has become a major topic of conversation in the Japanese business community in the recent years. During the "lost decade" (now 18 years long) since the collapse of the Japanese economic bubble in the early 1990s, Japan's labor market has undergone a drastic change, and so has its human resources market, reflecting the trends in the former.

*The views expressed in this piece are the author's own and should not be attributed to The Association of Japanese Institutes of Strategic Studies.*

The first major change concerns the demand side (employers). Japanese companies, and not just foreign affiliates in Japan, have started to bring into their boards talented people from the outside. Behind this trend, there was firstly the sluggish performance of Japanese companies, which convinced managers of the limits of *jimaeshugi* (self-sufficiency), once the strength of Japanese corporate management, where all board members are picked from within the company. Instead, Japanese companies have begun to seek out “change agents” with refreshing outside views. This has very much to do with the type of leadership needed at each developmental stage of corporations.

The start-up stage requires a creative leader with ample entrepreneur spirit in order to get the business rolling. Once the company has grown to have more than 100 employees, however, it will need a “manager” able to build a basic corporate framework by setting up systems for managing human and financial resources. Once such a framework has been established and its business put on track, however, the company tends to develop bureaucratic rigidity. Called in Japan *daikigyobyō* (large corporation malaise), this state requires a “change agent,” someone with both entrepreneurial and managerial skills. Many Japanese companies had reached this stage by the time Japan’s economic bubble burst, and were considered to be in need of “change agents.”

Another factor behind an increasing number of Japanese companies hiring outside executives is the growth of foreign direct investment in the Japanese financial, distribution, medical/pharmaceutical and automobile industries. In the decade since 1998, the number of foreign direct investment projects in Japan has rocketed by a factor of 42 from 51 cases to 2,142 cases. Examples of successful turnarounds by foreigners such as Nissan’s Carlos Ghosn, who come to the top of Japanese companies as a result of such investment, have helped raised understanding of the efficacy of bringing in outside executives.


The second major change in Japanese labor and HR markets is the change in the mindset of the supply side (candidates and individuals). The poor performance of Japanese companies forced them to carry out large-scale corporate restructuring. Unable to maintain lifetime employment, seniority-based

wages and in-house labor unions – the three pillars of Japanese corporate management – Japanese companies began to introduce meritocracy, resulting in a drastic overhaul of Japanese employment practices. The relationship between a worker and his/her employer, previously likened to the dependent “parent-child” relationship, has come to be perceived as a more business-like labor contract. As a result, workers today are less loyal to their companies and more willing to switch jobs. The Japanese HR market is belatedly becoming more flexible. Japanese people are more willing to join foreign firms, previously considered a high-risk choice, with an increasing number of new graduates intending to start their careers at foreign firms.

What has remained unchanged since 20 years ago is the mismatch between labor supply and demand. While “global change agents” are increasingly in demand, the Japanese HR market still has a greater supply of domestic manager-type personnel. Although the situation has been improving in the past decade, true global talent who can count as corporate assets as well remain very few in number.

Qualifications for global talents can be divided into two types: professional attributes (experiences and job competencies) and personal attributes (basic capabilities and personality). The required professional attribute is experience in managing “diversity” overseas, showing that the person is capable of producing results in an environment where he or she does not share a common cultural background with his or her colleagues. Competencies acquired through such experience are the ability to cope with unknown situations (e.g., crisis management) and creative problem-solving abilities. The required personal qualifications are strategic ways of thinking, a high level of foreign language ability, communication skills plus a logical mindset able to persuade people from any country, and the ability to accommodate diverse values. A desirable personality is one with charismatic leadership who is willing to take risks, positively and flexibly, in the face of new situations.

Such qualifications are fundamentally different from the attributes nurtured by Corporate Japan that bolstered Japan’s remarkable growth in the 1980s. These attributes are more “tactical” in nature and reflected a Japanese

corporate culture that prided itself on teamwork, is company-oriented rather than individual-based, and puts harmony above logic. Japan ranks the lowest among major Asian countries in average TOEFL (Test of English as a Foreign Language) scores. Fostering global talent is an urgent task for Japan if it does not want to be left behind by the rest of the world. 

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