The Challenge of Globalization for Japanese HR Management

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What is the challenge?

The success of the traditional HR scheme in the past
What is “the traditional HR scheme”?

1. Long-term employment contract
   38 – 43 years

2. Ability based grade system
   (Shokunou Shikaku Seido)
Why has this been successful?

Because it was well designed for employees.

1. Cash Flow

- Long term employment
- Stable employment
- Stable cash flow

2. Career Development

- Ability based grade system
- Less emphasis on short term performance
- Long term career development
Why has the success become a challenge?

1. Vitality of employees/organizations is lost.

2. Difficult to build “one team culture” across a global organization.
Flip side of the success (1)

The scheme does not encourage employees to take “risks”/“actions for change”.

1. Employees can enjoy stable cash flow for many years.

2. Employees are promoted based on ability, not on performance.

3. As an employee, why bother to take big risks?
Flip side of the success (2)

The scheme is too unique in the world.

- Long term employment
- Pay for Ability
- Employment at will
- Pay for Performance
It is difficult to deliver a single HR platform globally.
Three disadvantages of HQ under Japan centric HR Model

1. Information gathering

2. Decision makings

3. Global team work
What do we need instead?

1. A group of energetic employees focusing on client services/organizational effectiveness across the board.

2. HR platform which enables above globally.
Global HR model

- Europe
- Asia
- Japan
- US

HQ

Geocentric

Copernican Revolution

Heliocentric
Global round table
Active and fair discussions regardless of nationality.
What should be changed?

Japan HQ
What lies at the center of HR issues?

The long term employment
How can we change it? (1)

Long-term employment
No dismissals

Employment at risk
Mutual agreements on resignation

Employment at will
Dismissals
1. In financial theory, higher risk needs to be rewarded with higher return.

2. Employees’ compensation should be raised.

3. Employment at risk and salary hike should be introduced together.
Revision of Cash Flow

A perspective to revise cash flow

We can compare two areas.

Annual Compensation

High

Employment at Risk

Low

Years of Service

Short

Traditional Long-term employment

Long
What should be incorporated into law?

Financial compensation for dismissal

1. The point of litigation is limited to whether employment contract is valid or not.

2. That means “Take it or leave it” only. This makes both parties unhappy.

3. A legal framework allowing reasonable monetary settlement is required.
Three concluding remarks

Create a single global HR platform including Japan HQ.

Incorporate culture of global round table.

Think cash flow thoroughly.