



# BCCJ

## THE BRITISH CHAMBER OF COMMERCE IN JAPAN

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### CONTENTS

— Chairman's Message . . . . .	Page 1
— Annual General Meeting — Sub Committee Reports . . . . .	Page 2
— Excellence — Project Excellence . . . . .	Page 9
— The Japanese Aircraft Industry: Friendly Skies . . . . .	Page 13
— Manpower Sourcing in Japan . . . . .	Page 15
— British Success . . . . .	Page 20
— 'Breakfast with Mr. Pestalozzi' . . . . .	Page 24
— 'On Holiday in Britain by Car' . . . . .	Page 26
— 3 For the Road . . . . .	Page 28
— Bond Street . . . . .	Page 35

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# MANPOWER SOURCING IN JAPAN

## *Some Aspects of Headhunting and Recruiting*

*By Thomas J Nevins*

*Mr Nevins has been in Japan some 14 years first as a researcher with Cornell University and the Ministry of Labour before moving on to found and to become the President of a leading Personnel Consultancy and Executive Search firm in Japan.*

If asked, virtually every expatriate businessman in Tokyo would probably bemoan the fact that the biggest barrier towards building his business is the difficulty in identifying and attracting a high enough calibre of employee and in the required numbers. One firm can get off to a brilliant success with a charismatic executive holding the reins who can attract other good people around him, going on to build a business through his management skills and vision. Yet another firm with an equally attractive product may never get off the ground. To some extent even luck is a factor here, and something as basic as the selection of the executive search firm will inevitably be an instrumental factor in launching a firm with its initial team of mid-career, seasoned managers. Indeed, the difference that one or two key men in the organization can make is awesome. How can a multinational firm in Japan go about building up its management and other human resources? What are the options available and the strategic advantages and disadvantages?

It is often said that if you are building a company in Japan you should recruit new school graduates from the university as Japanese companies do. But as far as the small, foreign firm is concerned, that is not the whole story. Even the small Japanese companies cannot attract the new graduates, nor will the university "gakuseika" or student out-placement office provide students (and certainly not good students) to small, unknown employers of low social stature. There will always be someone left at the bottom of the academic roster or a number of students who did not interview well at major Japanese employers, etc. And if you believe the saws about lifetime employment and fall into the all too easy

pattern of providing job security, good pay and annual promotions regardless of performance, you could be in a particularly difficult position if you've taken on one of these less talented graduates "for life." Just as no Japanese corporate start-up operation was able to get off the ground with new school graduates, neither is your firm. The necessary training systems, leadership, senior workers, and corporate policies and culture which are needed to motivate and mould young new graduates just won't exist. Energy and enthusiasm make young workers priceless, but a lack of corporate culture and leadership, particularly among Japanese youth can be debilitating.

One other tip on new school graduates — don't approach the university out-placement people and professors until your firm has established itself. Recently a large multinational in the top 20 of the Fortune 500 visited our office. They were keen to start a college recruitment programme, but considering they had been in Japan for some 30 years tied up with some limited joint venture connections, they had little to impress young students and their parents. There were still no appreciable assets in Japan in terms of land and buildings owned or direct manufacturing. I suggested that rather than go out and unimpress the universities with their lack of accomplishment, leaving an unfortunate first impression, they should wait until their investment in asset and head count here becomes commensurate with their new plans and with their standing as one of the world's great multinationals.

Nonetheless, it is not always true that "foreign firms" have a difficult time recruiting good Japanese. An equally small Japanese firm would have even more difficulty in recruiting good

Japanese (particularly if English was a requirement). It is a question of business scale, security and social prestige. Small Japanese firms also must compromise on the quality of their human resources, and certainly in order to get the same good employee, they will have to pay considerably more than will the large, prestigious Japanese firm.

#### NEWSPAPER ADVERTISING

Whenever a client has any doubt as to whether or not newspaper or specialized technical publication advertising will be of assistance in recruiting key staff, we encourage him to go ahead and give it a try. Generally, people who are busy, productive and content with their jobs are not looking at help wanted columns. On the other hand, you can occasionally strike lucky and find an extremely good person. For example, if one is willing to spend time screening and processing, secretaries can be recruited in this way. If a company has exclusively built up its human resources through advertising, it may not be aware of what it is missing, and its standards for judging Japanese managers, their productivity and effectiveness may be too low.

If a manager is unemployed or senses that shortly he will be on the job market, the danger is that he may be desperate enough to compromise himself or to take on a job which he knows deep

down inside, he is not capable of handling. Furthermore, when people leave a job for negative reasons, i.e., discontent, lack of promotion possibilities, inability to fit in, or failure in current position, it is unlikely that the candidate will be any more successful in the next position.

The good news about advertising is that candidates are not passive, and are thus likely to come in at a lesser salary. Furthermore, for marginal positions, including some clerical, unskilled factory workers, or older administrative employees who need only to maintain an operation or office environment rather than build and create, you should be able to increase head count faster than might be possible using headhunters or personal connections.

A word of caution, however! The Japanese are aggressive market researchers and carefully study the competition. Thus the content of a simple recruiting ad could give away a major strategic plan. There is the story of how Wacoal began advertising for metallurgy specialists which also gave the competition the signal to move to those metal ribs on women's brassieres.

#### EMPLOYEE LOANS AND OUT-PLACEMENT INDUCEMENTS

Some foreign firms see procurement and man-

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agement of Japanese human resources as one of their biggest difficulties and challenges. There has been a tendency to place too much importance on distributors or joint venture arrangements. Be careful of the rather common form of joint venture which for the Japanese is designed to gain market share, but more important to control the speed with which the new product or technology from abroad enters the Japanese market. After many years in Japan, a number of clients have come to us saying that their joint venture arrangements effectively limited their presence here and kept them out of the action until Japanese had equal or better technology and were ready to compete. Since foreign firms often cut off relations with their distributors and go it alone when the product reaches a certain saturation point, distributors have learned to protect themselves by not putting adequate resources into the product such that it becomes successful enough for a direct entry.

Whether you're a bank or a manufacturing joint venture, it is wise not to depend entirely on the human resources introduced from your partners or cooperating institutions. Hire some of your own key people to keep an eye on the joint venture, and certainly make sure you're not totally dependent on the seconded employees, who initially may be

helpful in getting you started, because no firm is likely to loan you its best employees.

## DIRECT NETWORKING AND HEADHUNTING

Being in the industry, you have excellent connections and know many of the players, but unfortunately company image and relations with competitors often do not allow direct approaches. Furthermore, to the given executive responsible for his organization, there is not enough direct incentive to effectively scout key executives. Contacts can be limited and you risk opportunity lost by not meeting a more qualified person, and the human relationships of introductions can get in the way and prevent an objective evaluation of the candidate. Thus, enter professional headhunters.

If you need to build up your human resources from the top levels on down, find a firm that will give you specific references, including the names and phone numbers of clients. There should be the right balance between up-front commitment fee and payment on contingency, or success basis. No commitment fee means no obligation to you or could mean a firm that is rather desperate for clients, and desperate men may do desperate and unethical things. On the other hand, a large portion of the fee being paid up-front in advance and regardless of performance allows such a search

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firm to stay in business without filling assignments. And although this is an enviable position for a search firm, it is clearly not good for the success of your search, in that the reward system is wrong — the necessity, excitement, and the carrot for doing a good job is coming too early and takes all the fun out of the hunt.

Look for a search firm that puts money back into the business. To fill your assignments, it takes tremendous manpower resources, office space for expansion, and computerized data banks. It's a good idea to visit the search firm. There should be a healthy internal, synergistic competition among several consultants at the search firm, with all of the recruiters knowledgeable of your assignment. This way you avoid having one or two consultants sitting on your assignment and taking no action. Filling your assignments requires days and days of unglamorous work, research and telephone calling, recruiting to interview passive candidates who have never thought about changing jobs or written a resume. It is rare that assignments are filled through the "industry connections" of the headhunters. Rather many man-hours of time are required to go in and get the best people in the companies which you have provided the headhunters as your list of targeted manpower sources. The fact is that special knowledge of an industry is not nearly as important as energy, techniques, quality and level of fresh scouting which is being carried out for you, and is a direct product of the number of recruiters in the headhunting firm, as balanced with the number of clients they are carrying.

It's a cruel world. If you are a smaller multinational, with no market position, and little in the way of Japanese operations, you will have to pay a higher salary to attract the kind of people that can quickly build up your position. The level of the salary you are willing to pay is certainly important, for given the other factors, such as "commitment to the marketplace," competitiveness of a product or attractiveness of the business plan, the salary level is one thing which assists a man in rationalizing the move to himself, and even more importantly to his wife, who at best can only remotely feel some of the excitement which the candidate feels toward the new job offer.

Certainly one of the most important aspects of the recruiting effort will be the firm's ability to enthrall the candidate with the firm's own sense of vision and enthusiasm. The charisma and salesmanship of the senior executives doing the interviewing is critical in drawing in good people to build up the organization. As with any Japanese company, when you have a name in the marketplace, or perhaps own your own building and land, you have a strategic advantage when it comes to recruiting. As expensive as land is in Tokyo it remains a good buy and will continue to increase in

cost, as it has by as much as 50% annually in recent years. There are also hidden savings accompanying land purchase, such as the lower salaries which become attractive enough to bring in candidates because the purchase of that very land serves as evidence of commitment to the marketplace.

## OTHER STRATEGIC RECRUITING TIPS

Try to make sure you have someone interviewing and screening who is on a different career path from the candidates. For example, an expatriate manager who will go back to the head office anyway has no reason not to enthusiastically welcome a man better than himself. This is not always the case of the top Japanese man in the organization who may be hesitant to bring in a heavyweight. Although you may say that the inability to get the right Japanese is holding back your chances for success, keep in mind that in the midst of the search, clients often forget what should be their greatest priority. Remember, every time you don't call your headhunter back right away or you waste another day in meeting a candidate, or cancel an appointment, or are unreasonable about who you are, and your ability to attract the right level of candidate, you are losing valuable time in bringing in the very support people that you need to make your job easier and to build up the organization. If you need people, your top priority must be to get those people on board as soon as possible rather than to handle even the most pressing matters cluttering your desk. Without those people, you simply cannot build your business, let alone delegate some of those pressing matters which now have you tied in knots.

Remember that when recruiting a president or general manager, the man suitable for heading your organization today may not be capable of doing it in three or four years when you've reached a head count of tens or even hundreds of people. Thus it's a good idea to avoid the title of president. But a man of the same calibre can be brought in by enrolling him and infecting him with your enthusiasm. Some creative compensation incentives also help, such as a signing bonus adding a few years of service automatically toward the lump sum retirement benefit or designing a deferred income or lump sum scheme to meet the candidates' commonly expressed concern that he is losing out on his former employer's retirement benefit when making the mid-career change. For example, a 40-year-old could be promised a 20 million yen payment should he still be on the payroll at age 60. Twenty million in twenty years will be peanuts, but sounds good today. Furthermore, the nice thing about such schemes is that your headhunter does not have to bill on them, which keeps down your recruiting costs.

If you're not completely sure about a candidate



and his compensation demands are much higher than you feel he may be worth, consider placing him on a one-year probationary period, backed up subtly with a one-year term contract. In certain situations this can be a strategically effective and efficient way to screen out less confident individuals who are not sure of their chances of succeeding after one year. If you are going to make a regular practice, however, of placing employees on one-year probationary periods or contract terms, you will face a trade-off. While you enjoy control over your human resources due to their limited job security, they will probably not agree to work with you unless their salary is higher, to compensate for the greater risk.

Be sure not to throw the baby out with the bath water. Don't send your organization spinning because of hiring a key executive from outside. Be sure that the mid-career hire is absorbed smoothly into the organization. Before he is hired it is helpful to have him meet key associates so that they have "ownership" on the hire. Then you can expect and insist on mature cooperation between all parties.

Be sure references are checked, and it is common practice in Japan to investigate candidates using a *koshinjo*, or investigative agency. Obviously, this is impossible if an individual has only worked in one place. And the current employer

should never be investigated, as this may compromise the candidate and his employer may find out he is looking for another job. The nice thing about headhunting in Japan is that if the candidate has worked his whole life for a major Japanese employer and has held down a key-line management position, by definition he has made the grade, and there is no need for such an investigation anyway. This also makes identification of solid performers surprisingly easy in Japan.

Probably one of the most strategic realizations which multinational firms in Japan should make is that in fact it is not impossible to shoot for the very best and brightest, even in the leading Japanese employers, and that it is not necessary for them to compromise their standards when it comes to recruiting. It is not impossible to hire executives who will make a difference in your organization and build up a considerable market presence here. If an executive search firm is doing its job, it should be able to put up candidates that client is excited about hiring within six to eight weeks (and often sooner). Employee loans, "out-placement gifts" or joint venturing are fine under limited circumstances, but they should be based on merit rather than the belief that it is otherwise impossible to hire directly highly-qualified human resources. There is no easy way out, and your business cannot be left in the hands of others. ■

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