

Takumi Shibata, Deputy President & Chief Operating Officer of Nomura Holdings, Inc. & Nomura Securities Co.

NOMURA:

Globalizing Corporate Culture From Within

Interviewer: Jillian YORKE

Takumi Shibata, Deputy President and COO of Nomura Holdings, Inc. and Nomura Securities Co., the leading securities firm in Japan and a globally active investment bank, believes we can develop more creative thinkers in Japan by encouraging an inquisitive mindset, providing more real-life experience, and making the study of geopolitics compulsory for Japanese students. In a recent interview with *Japan SPOTLIGHT*, Shibata also shared his views on global governance, Japan's stance in regard to TPP, and how to develop a healthy work-life balance and enhance the role of women in business.

Globalization is entering its second stage, namely being led by BRICs and the other emerging economic powers, after its first stage led by G7 countries. There is not yet any effective global governance scheme created to rule over this new stage of globalization, since G20, the WTO, the UN, etc. do not seem to be working well. Do you agree with this assessment of globalization? If so, how do you think we can establish effective global governance?

Shibata: The word 'global' means a lot to us at Nomura, and we want to be in a position to give independent advice. For the top 400 organizations in Japan, revenues from outside Japan are getting close to 50%. It is impossible now to find in Japan any institutional investor whose basis and behavior are not global. If your clients are global, it's very difficult not to be global. We aspire to be global as far as governance is concerned. After acquiring the Lehman Brothers' businesses in EMEA and Asia-Pacific in 2008, we now have 27,000 employees worldwide, 12,000 of whom are holders of passports other than Japanese. On our board, we have two British nationals including one woman, and over 30% of our senior managing directors are non-Japanese. Corporate culture has to be globalized from within. If you are to run a global business, it would be foolish not to have a global orientation at the top. We aspire to create a global corporate culture here in Tokyo. That's what we call globalization from within. As for any Japanese company, there can be a stumbling block in HR, so we have established a new organization within the personnel department to coordinate this corporate globalization process at every level.



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In regard to global governance organizations, many think G3 and G7 work behind the scenes to ensure success, while some say that actually it is G-Zero, where no one takes charge. Probably the truth lies somewhere in between. G20 is a very difficult set-up in terms of the needs of the developing vs the developed economies. On complex questions such as the environment, for example, developing economies want to talk about limiting carbon dioxide emissions only after they've achieved the same level as the developed economies. But the reward for success on the G20 level is huge. We anticipate that the process will be slow but the rewards great.

Meanwhile, regional communities like the EU can be an important building block to achieve effective global governance. What do you think about the potential of APEC to do this?

Shibata: The EU is still a work in process, with the typical questions of separation between the EU and the national governments, and not everyone sees the EU as having the final word. To get something like the EU in Asia, there are a few things that need to happen first. For example, standards of living and political systems would have to be harmonized. Then something would happen. We are observing a period in which the Asian economy is growing at a very rapid pace. There is still a gap in the standard of living between Japan and other countries in the region, but we're getting closer to a place where we can start contemplating the establishment of a regional governance system. It's not 100 years away and not just a few years away, but in 3-15 years we may be in a position to talk about this. Any regional system is a step towards globalization.

It will be a few hundred years before there is global government,

because of the nature of sovereignty. We need to have a mechanism for coordination among sovereign states. It is up to each national jurisdiction to produce a set of laws after a basic plan has been agreed on. This is the price and also the duty of having national states.

We believe that Japan should play a pivotal role in achieving a global governance scheme. How do you see Japan's role?

Shibata: Japan has been in a unique position in that its successful post-WW2 transition from an emerging economy status into a developed one occurred in a short time, without any dependence on military means. Japan does not really have military influence, only moral influence. A country like Japan can act as a catalyst for producing packages that are acceptable to many, but it will not be an easy process, and has to come from a series of consultations.

Do you agree that there should be a greater Japanese presence in international organizations?

Shibata: Japan has every right to request greater employment of Japanese passport-holders in supranational organizations. That said, Japan also has a responsibility to do its own homework. We should streamline college and university education to develop more independent, creative thinkers and better debaters. We need a complete overhaul of the Japanese education system. At Japan's universities, now only about 5% of the faculty are non-Japanese, and many of these are language teachers. How can a university without a globally focused faculty produce global talent? But it's slowly opening up. After the Meiji Restoration, following two and a half centuries of a closed-door society, Japan opened its doors to the world. Many highly qualified people came to Japan and taught various subjects in their own language. We should do that again now. For example, physics or economics taught in English inside major Japanese universities would help produce better qualified graduates. If I were running a supranational organization, I wouldn't hire anyone whose scope is limited to one country.

With the Meiji Restoration, Japanese education got the best available from around the world. But now it has stopped making efforts. So I say open the door again to promote diversity and inclusiveness. At Nomura, over 50% of our Japanese senior managing directors have lived abroad. We are only halfway there, but we are making progress.

We are living in a much smaller world now than 10-20 years ago, as all countries' economies are closely interrelated through trade and investment and IT has today reduced drastically the distance between the countries. Under these circumstances, we should pay attention to not only our neighboring countries, but also every other region

in the world. The revolution in Tunisia and other countries could affect us gravely. In this light, we should educate young people to be keen to learn about all developments in every region of the world. How do you think we can achieve this?

Shibata: We can start by encouraging curiosity, developing inquisitive minds, and promoting questioning. This would be in total contrast to the way many subjects are currently taught in Japan, with no questions allowed. Copying the answers given by professors is not the best way to produce independent thinkers. Step No 1: allow curious minds to stay curious. No 2, many Japanese academics have never lived abroad or worked out of the very small, comfortable world of academia, so they're somewhat disconnected from the dynamics of the real world. We need to produce an academic population with a greater number of people who have real-life experience. The third point is the need for geopolitics to be a compulsory subject in university education, because that would form the basis of the minimum requirements of professionals living in the globalized world. These are three important points; there could be many more.

These days we often hear that young Japanese businesspeople have little interest in going overseas. What is the situation in your own company?

Shibata: With 12,000 non-Japanese employees in a 27,000-person organization, it's very difficult for Nomura employees *not* to be interested in careers outside of Japan.

Many youngsters studying at Japanese universities are preconditioned to a stagnant world, and there's no attempt by the teaching professionals to encourage them to open up their eyes to the great opportunities outside campus. Teaching professionals have to do a better job of showing the value of creative experience. Also, with an economy that's been stagnant for 20 years, naturally you become more conservative. In Asia, there is the experience of creating value. Many companies are now eager to employ students with open minds and a proactive attitude. Part of the faculty's responsibility is to implant vision in students' minds and to train students' minds to be more proactive and creative. Very often we recruit people from universities and start to train them again, while in manufacturing companies they may have to set aside the initial ten years of business life to re-train people. The university environment is not ideal to produce people with ambition. Also, it is important to be fluent in numbers and physics, which Japanese university graduates are usually not.

Corporations should also take the initiative and tell universities what they want. "Give us your specifications, and we'll be happy to produce these students," one university professor told me. That's a good idea. We look for people with a certain specialty, such as

knowledge on statistics, financial models or derivatives swaps, or experience producing models. We also need people with a creative mind and a particular attitude to life who can think for themselves to produce a hypothesis and devise a strategy accordingly.

Some say that Japanese students have to spend so much time looking for jobs while they are still at university that they are unable to concentrate properly on their studies. What do you think of this criticism?

Shibata: Let them go through the process by all means; it adds character. Not many job interviews happen at night so it doesn't take away the need to study at home. Having said that, we do need a better recruiting system – the current system requires students to make applications through the internet – but instead of applying for 50 or 60 companies at once, which is very time-consuming, smarter students can limit the scope and number of jobs that they apply for and save time.

What do you think of TPP?

Shibata: Asking Japan whether or not it should open its doors to the rest of the world in 2011 is not the question. Japan cannot exist without an open-door policy, but we need to make sure a proper balance is kept between the needs of globally competent organizations and farmers, while also taking away structural impediments. Having no effective agricultural policy is not an excuse for promoting TPP. Make sure there are more productivity and success for farmers, and take away structural impediments.

In your long and rich international working life, what was your most pleasant experience and what was the saddest?

Shibata: You gain some, you lose some. The answer to both is lifestyle. I lived in London for 12 years and enjoyed the very rich culture, encompassing classical music, ballet, opera, and so on, as well as the richness in museums with art by past masters. What comes on top is personal relationships, and developing a circle of friends. The saddest is the lack of convenience that comes with living in Tokyo. There are many things that can no longer automatically be taken for granted when you live abroad. For one thing, the medical and dental systems in the UK function completely differently from the way they work in Japan, and that's not easy.

Young people today are very interested in working for ventures or starting up a business by themselves, not only in Japan but also all over the world. We believe this is a very positive trend, since entrepreneurship can encourage innovation. Do you think ventures will play an important role

also in promoting international friendship among youth in the world?

Shibata: One definition of globalization is the existence of a set of opportunities for people even in small countries to become successful. Venture businesses should play an important role, but currently they do not to the extent that would suit us. With globalization, ambitious young people look at the world and devise strategies with a global reach in mind. In this age, everyone now has access to the internet and data. Also, in the era of social networking, it is much easier to find like-minded people around the world.

Women should play a more important role in business and politics. How can we increase the participation of women in business and the political decision-making process?

Shibata: We need to produce positive discrimination that goes beyond traditional beliefs that men work for life while women work when they are young and then retire. This society is not rich in role models that young women can look up to. Corporate management should produce as many role models as possible, by employing more women and treating them fairly. Having women members of boards sends a message that women can oversee executives, and they can also act as professional role models. That's part of the solution. We need to make sure we produce as many female managing directors as possible. Management can accelerate the process and promote diversity at a grassroots level and encourage mentoring through voluntary activities. I am one of the executive sponsors for Women In Nomura (WIN), through which we want to show the seriousness our management attaches to this issue. WIN aspires to produce as many role models as possible, so that women can find examples of success, and have the members themselves act as mentors for other women. Gender equality is very important, but it only comes by providing as many opportunities and role models as possible, at all levels.

After retirement, we, especially men, should have a more colorful life. How do you think we can do this?

Shibata: It is impossible for a man to have a colorful life all of a sudden after retirement. Make sure you give yourself the opportunity to enjoy life and explore various aspects before you retire. Finding color is a lifelong endeavor. Start your own pursuit of something that interests you, beyond your work life, when you are 22 or 23, the moment you enter a company. Rather than encouraging people to lead a colorful life after they retire, the important thing is to promote understanding in society of the need to have a better work-life balance from the start.

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