

Interview with Naohiko Tamiya, General Manager of Human Capital Division (Japan), Human Capital Group / Senior Manager, Diversity & Inclusion Development Center, Hitachi, Ltd.

Electric Appliance Giant Hitachi Inspiring Next Generation Through “Diversity”

By Japan SPOTLIGHT

One of Japan’s major companies, Hitachi, Ltd., is today engaged for the first time in its more than 100-year history in significant reform of its recruitment and assignment of human resources. Mr. Naohiko Tamiya, responsible for personnel policy at Hitachi, Ltd., discusses these issues in this interview.

Hitachi’s Promotion of “Diversity” in Corporate Management

JS: “Diversity” is now a key word that has emerged from “Abenomics”. In short, it means we should have more women and foreigners in our workforce and management. This is probably to complement our declining workforce, but at the same time it aims to revitalize our business and economy. How has Hitachi, one of the giant companies in Japan, been engaged in promoting diversity so far?

Tamiya: We have been promoting equal working opportunities for men and women in our company since the Equal Job Opportunity Law was adopted in 1986. In particular, since the 1990s we have been trying to maintain continuity of employment for women after marriage or childbirth. This is important for preserving the technological skills acquired by our female engineers as well as securing equal opportunities between men and women.

We are promoting diversity now in a different context from the past, however. Simply speaking, we cannot achieve a good performance now in responding to the needs of a globalized economy simply with Japanese men who have graduated from Japanese colleges. Our market is now diversified. We have to think about other countries’ markets as well as the Japanese one, since our business is globalized.

In order to meet the various demands of various markets, we need people who can think about our business from a global perspective. Such people could be not only men but also women, and not only Japanese but also foreigners. In this regard, we need diversity among



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our employees.

More concretely, after we had a big deficit at the end of fiscal 2008, our top management decided to change the structure of the board members to restore our business by globalization of our operations and by promoting innovation. The majority of the board members were to be independent directors and among them we had some from a variety of backgrounds, including foreigners. At this moment, we have eight independent directors and four internal directors, and four of the eight independent directors are non-Japanese including two women. We would like them to oversee and supervise our management from a variety of perspectives and values.

As for our executive directors, we have a British CEO in charge of the rail systems business and we transferred the headquarters of that business to London from Tokyo in the spring of 2014. In addition, we promoted a German and an American CEO for regional business in

Europe and the United States respectively in April 2015. This is the global business system we are currently working on. Thus, we now have some key posts occupied by non-Japanese whose views and opinions are well reflected in the decision-making process.

JS: How about diversification of the workforce?

Tamiya: Among our domestic employees in Japan, around 31,000 people in Hitachi, Ltd., we have around 300 non-Japanese workers. We recruit about 600 people every year and we have a target of 10% non-Japanese among those newly employed people. So 50-60 foreigners are joining us every year. The number of foreign employees is thus increasing steadily.

On the question of women in the workforce, our new female employees each year account for around 20% of all new recruits. Although more than 10% of the 500 employees with engineering backgrounds that we recruit every year are women, we have 100 new employees with non-engineering backgrounds of whom half are women. Thus the percentage of our female workforce is steadily increasing and has now reached 16% of the total, from 12% in 2000.

JS: Do you have any numerical target for women or foreigners working in your company?

Tamiya: Yes. We publish our goal for the female manager number. These past several years we have been trying to encourage women to develop their management skills to eventually lead a company, while trying to raise the number of female employees. We finally appointed a female corporate officer for the first time in our history in 2015, thus fulfilling our goal of having a female executive by 2015. Another goal is to have 1,000 female managers by 2020, which is 2.5 times the 2015 figure, and we are now endeavoring to achieve this.

We do not have any numerical target for foreign employees, but in practical terms foreigners account for around 10% of the new employees.

Assessment of Impact of Diversity

JS: What do you think is the value of diversity?

Tamiya: Japanese firms are now frontrunners in business and we will need to create our goals by ourselves, which is different from our process of catching up with Western companies in our high growth era from the 1960s to the 1980s. When a business goal is clear as in this period, namely catching up with the frontrunners, it is more efficient for a homogeneous team to pursue this single goal. But when the goal is not self-evident and our customers are spread all over the world, we need a more diversified team to establish particular goals for each company in responding to the needs of the clients.

JS: Do you see any positive impact now from the diversity of your workforce or management team?

Tamiya: Yes. We developed a reputation among our colleagues and business partners as having truly started significant reform by appointing our first female executive in 2015. We gave them a good surprise with this nomination, since we had been regarded as a male-dominant heavy industry company for a long time and it was unexpected that such a company would have a female executive. However, whether or not we will see a positive impact on our business performance from diversity remains to be seen, though it is common sense that a competent person, regardless of gender or nationality, can achieve good results.

JS: How about the impact on innovation? Do you think diversity will easily lead to this?

Tamiya: Yes. Diversity clearly has a positive impact upon innovation. Our R&D section has more ambitious numerical goals for the diversity

of researchers than any other section. Innovation will not be achieved without research staff from a wide range of backgrounds.

JS: If competent young women leave your company to take care of their children, it would be a significant loss. What are you doing to discourage them from leaving at an early stage in their careers?

Tamiya: We are providing them with various partially paid maternity leave systems and offering them work at home or a satellite office or through mobile tools to make it possible for them to work in places other than the office. Because of this, I believe the number of our female employees leaving the company when they have children has significantly declined.

Another issue that we have in mind for the interest of our female colleagues is how to keep them motivated to work hard to get higher positions in the company or encourage them to fully utilize their potential and gain promotion to managerial level even after having kids. But I worry that many of them may be satisfied with their current status and with shorter working hours in taking care of their kids and be reluctant to pursue their career path.

JS: Do you see any negative impact from diversity management, such as frictions between men and women due to any discrimination in favor of women, or between Japanese and foreigners due to a lack of communication between them?

Tamiya: As for foreign colleagues, I do not think we have such frictions, since we are facing the reality of globalization and without collaborating with our foreign colleagues or business partners we cannot achieve the expected outcomes. Whether they speak Japanese or not does not matter.

As for nominating more women among managerial posts, at the beginning of our trial there were some concerns from women as well as men about such possible frictions. However, as time has gone by, men have come to understand that promotion is decided on performance regardless of gender and now their complaints about inverse discrimination have decreased. Female managers have also come to understand that their female colleagues were doing their jobs very well and contribute greatly to the company through the networks of female managers that we built up three years ago. They are now convinced of each woman's great contribution to the company and believe they should not be reluctant to take a managerial post that requires more responsibility.

Globalized World Marks Distinction from the Past

JS: Whether you like it or not, you have to work with foreigners to earn money. That is a reality you have to face today, isn't it? Would this be much different from when you joined the company?

Tamiya: Yes. It is a significant difference. When I joined Hitachi 30 years ago, there was a clear distinction between domestic business and overseas business. Certain persons had been specializing in working on

overseas business and the others had not. However, since 2011 all of us, whichever section in the company we work in, have to be involved somehow in the overseas business operations.

In my Human Capital Group, we now have a global common standard for our human resources database, personnel policies, salaries and fringe benefits etc. In achieving such a common standard, we collaborated with all the human resources sections of the Hitachi Group all over the world in English, and of course we had to change our outlook in such collaboration from a seniority-based personnel system to a job-based or post-based one. This is a significant reform.

JS: Japanese firms will now need to develop an earnings capacity overseas. Your global common human resources strategy should aim at enhancing this capacity in various markets, including the BRIC nations.

Tamiya: Yes, that is true. We were just selling our products in other countries' markets 20 or 30 years ago, but today we are engaged in social innovation business in overseas markets. We have to think about what kind of social infrastructure they need in each country where we are working and we have to think about how our IT could be used to realize such infrastructure. In order to create a global business strategy in these circumstances, we need to collaborate with not only people in the country in question but also people from other nations working closely with them. This is how we could earn money from our overseas business.

Hitachi Recruiting Foreign Students

JS: Are you very keen on recruiting foreign students, in particular students with an English-speaking background, in order to meet this increasing need to adjust to globalization?

Tamiya: Yes. We are recruiting our foreign employees from among the foreign students studying in Japan. For the purpose of recruitment we have an English website and recently we made an English application form. Until two years ago we only had a Japanese application form, but now a foreign student can apply to Hitachi in English by using this format. However, this does not necessarily mean that you can do your work in English in any section, or any kind of work in Hitachi. For example, you would need to speak Japanese, at least to some extent, in the quality control section for a product, since you have to talk with people in a domestic factory where most of the workers are Japanese. On the other hand, in the R&D section, you would have to write research papers in English and present your ideas in English and communicate with foreign customers. In such sections, you would not need to speak Japanese but great expertise would be necessary.

JS: Foreign students studying in Japan interested in your company might expect that they could be employed without speaking Japanese fluently. Do you have any plan to make English a common language among all sections in your company?

Tamiya: No, we have no such plan. After all, our Japanese market still accounts for 50% of our total sales and we have to talk with our Japanese customers in Japanese. In order to promote a good understanding of our business among foreign applicants, we will probably need to specify the expected language skills for each segment of work. Not only language skills but also some other expected proficiencies will be clearly shown to foreign applicants. We will have to introduce clear job descriptions for foreign applicants from now on.

JS: Another story that we often hear from foreign employees working for a Japanese company is that promotion is so slow compared to global standards. Even Koreans and Chinese, who share the same Confucian culture as us, seem to have complaints about the Japanese seniority system in which promotion is not based on performance but on working years. Will this have to be changed in consistency with global standards?

Tamiya: Yes, certainly it must be changed. In our new global human resources strategy we have changed the salary system, at least for managers, from a seniority system to a position-oriented one. We hope the effects on our corporate culture will be clear to all of our employees. We will continue to do our best to improve our promotion system and we should clearly explain our new system to our foreign applicants in particular. In our new promotion system, they will not have to stay in the same post for 20 years to gain promotion. We will try to improve our system further if necessary after looking at the results of our investigation into the reasons why some of our foreign colleagues quit the company at an early stage.

Increasing Global Risks — Challenges for a Global Company

JS: Finally, I would like to ask you how you are going to cope with the increasing variety of global risks today, such as geopolitical risks, economic risks, natural disaster risks, etc. Would your foreign employees who are knowledgeable about such risks, particularly a country risk, be helpful to the management in decision making?

Tamiya: We have a number of good consultants working closely with our offices overseas. They are very knowledgeable about the social and economic situations in each of our host countries where our business is making good progress and their help is invaluable. We can avoid such risks thanks to their advice, whether we have our own employees with such expertise within our company or not. For example, in China we became engaged in the withdrawal of some business operations and the integration of some of our subsidiaries. There were some risks at the time of litigation, strikes or boycotts because of these decisions. But we were able to overcome these risks thanks to our consultants' advice. Wherever we are in the world, we highly appreciate the role of such consultants for risk mitigation.

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