

# Can Human Resource Management Systems in Japan Shift to Talent Management?

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The purpose of this article is to identify what the characteristics of talent management are today, and also analyze whether Japanese companies are able to introduce the ideology of talent management to their businesses.

## Birth of Talent Management

A publication titled *The War for Talent* in 2001 by McKinsey, the consulting firm, was probably the first to describe human resources within companies as “talent”, and noted the importance of attracting such talent and maximizing their capacities to the fullest.

In this book, talent is defined as efficient leaders and managers across all levels who work to achieve corporate objectives and to promote performance enhancement. The term “talent *management*” is not used in this book, but the purpose of the publication is said to have been to showcase “what all business leaders need to do to attract highly trained managers, nurture them, review their performance, empower them, and to retain them”, and this can be viewed as the definition of talent management suggested by this book.

The Chartered Institute of Personnel and Development (CIPD), a professional association for human resource management professionals based in the United Kingdom, defines talent management as being “the systematic attraction, identification, development, engagement, retention and deployment of those individuals who are of particular value to an organization, either in view of their ‘high potential’ for the future or because they are fulfilling.” (<http://www.cipd.co.uk/hr-resources/factsheets/talent-management-overview.aspx>)

According to the definitions by McKinsey or the CIPD, the target group for talent management is human resources with high potential, who are already leaders or are candidates for leadership positions. But in recent years, the target group of human resources has been interpreted expansively. The CIPD has also added that the scope for talent has widened in recent years, and that the most expansive definition targets all employees.

The Society for Human Resource Management (SHRM), a professional human resources membership association in the United States, has defined talent management as “the implementation of integrated strategies or systems designed to increase workplace productivity by developing improved processes for attracting, developing, retaining and utilizing people with the required skills and aptitude to meet current and future business needs.” (<https://www.shrm.org/Research/Articles/Documents/0606RQuartpdf.pdf>).

One can see that this definition covers human resources more extensively than the two aforementioned definitions.

## Early Interest in Talent Management by Japanese Companies

It seems the concept of talent management was not perceived to be an important thematic issue amongst human resources professionals in Japan until very recently. As a testament, there had not been any publication of general books on talent management until 2015. (Two books on talent management were published in early 2015.) I believe that one of the reasons for this lag can be found by examining the words “attract” and “retain”, as used in defining talent management.

During interviews in 2012, conducted to survey global European companies about talent management policies, some of the companies talked about the purpose of talent management as being retaining brilliant human resources, and that the turnover ratio was used as a performance index for talent management. Japanese companies will find it rather difficult to understand this European corporate mindset.

The human resources management system of Japanese businesses is built on traditional Japanese employment customs. The very basic premise of this traditional custom is the collective hiring of new graduates and their long-term employment. Of course, there were cases of mid-career job changes, but these were rare. In recent years, however, there has been an increasing trend of mid-career job changes, especially among the younger generation, and hence companies are no longer able to guarantee “lifetime employment”. Nevertheless, the reality is still very much that the traditional big Japanese companies are still interested in attracting new graduates, and the turnover ratio of talented workers that a company is interested in retaining continues to remain very low every year. The fear that brilliant human resources will leave the workforce unless they are given both the opportunity to develop and demonstrate their skill sets has not prevailed in Japanese companies thus far.

Therefore, until very recently, talent management was not an important issue among the human resources professionals of

Japanese companies. In fact, if the sole purpose of talent management is to retain a talented workforce, then the Japanese companies who do not face this challenge, at least domestically, do not see any incentive for introducing talent management.

## Surge in Interest in Talent Management

The 2010s has seen a rise in interest in talent management by Japanese companies, especially those that are expanding globally. But at the same time, the understanding of talent management at Japanese companies is very limited. When searching for case studies of talent management being introduced at Japanese companies, the contents of their efforts were basically as follows: “built a global database of human resources above manager levels”, or “introduced a global qualification and classification system common to all regions, which enabled a comparison of skills or competencies of the workforce across various locations, structure and responsibilities.”

In other words, most companies did just this, but not more. I believe that because the promoter of talent management in Japan in its very early start-up phase was an IT vendor who developed and implemented a database package software for processing human resources information, the focus was placed only on “constructing a database and by doing so, enabling the visualization of excellent talent around the world.”

Of course, most European and US companies that promote talent management have built a global human resources database and have achieved visualization of human resources through a common qualification and classification system around the world. While these are the foundation of talent management, the real talent management work uses these as a foundation from which strategies and plans are formed, and a company absolutely cannot claim that “the company is doing talent management” just because it has implemented a database system.

As we have seen so far, introduction of talent management in Japanese companies has been lagging behind European and US companies. What exactly, then, is the philosophy behind talent management in European and US companies, and what are its characteristics?

## Characteristics of Modern Talent Management

First, let us examine the characteristics of modern talent management which targets all employees, something very close to the SHRM definition. In 2012, I conducted a survey of top US companies that promote talent management. From the results, the following seven points were identified as the essence of modern

talent management.

### 1. Trusting individual skills and strengths

When companies are implementing talent management, the ideological basis that needs to be firmly put in place should be “to trust individual excellence”. This will require the company to trust excellent individuals and their capacities, to extend their abilities to the fullest, and enable them to contribute to business growth. This will allow individualization and differentiation to materialize, and this will be quite different from the traditional seniority-based promotions and assignments, or a “balance” based human resources management system which merits balance between colleagues within a workforce.

### 2. Emphasis on total degree of leadership

As stated previously, the main characteristic of talent management in the 2010s was that the management target had expanded from being just “individuals with high potential” to “all” in the organization. This links to the most recent philosophy of inclusion, which implies that an organization is not just managed by a few excellent people, but that the organization should respect all, and that every individual should exhibit their abilities to the fullest. The goal of talent management has evolved from just selecting and nurturing future leaders to including everyone in the organization to win and exhibit leadership. With such an expanding total leadership, the organizational capacity reaches a higher level.

### 3. Philosophy of performance first

In providing growth opportunities to the workforce under the talent management philosophy, an individual’s performance and achievements are valued first and foremost. Meeting agreed targets and commitments are pre-conditions for obtaining new opportunities. Those that miss the targets will never be promoted. This is how employees are held accountable, and there needs to be a clear relationship between one’s performance and one’s evaluation and new opportunities.

### 4. Overwhelming sense of speed

Looking at companies that are promoting talent management, there is a strong sense that the speed at which human resources grow is intentionally set high. A big conglomerate company spoke of its desire to train individuals as fast as possible so that the fastest promotion case would be someone in their 30s making it to the global standard executive level, and be promoted to CEO by their 40s. At a particular company that was surveyed, a training system which allowed for early promotion of two to three years, at the longest, was recommended. In another company, if an employee had

CHART

## Comparisons of the characteristics of modern talent management & Japanese companies

Characteristics of Modern Talent Management	Characteristics of Traditional Japanese Human Resource Management System
Trusting individual skills & strengths	Emphasis on teams & organization, seldom “entrust to the power of individuals”
Emphasis on total degree of leadership	Leadership can belong to only a handful
Performance first	Value not just performance, but also process & attitude In some cases process & attitude are prioritized over performance
Overwhelming sense of speed	Long-term nurturing as presented by “one needs to work for at least 10 years to become a full-fledged professional”
Accepting differentiation	Equal management system based on the year one joins the company
Supervisor’s commitment	Nurturing is outside the supervisor’s mission
Ownership of individuals	A sense of security that “the company will not do me ill”

Characteristics of modern talent management differ greatly from the fundamental philosophy of human resource management at traditional Japanese companies.

Source: Author

been in the same role for 18 months, that then required his or her supervisor to plan this employee’s next assignment. The vital concern for managers and human resource divisions at companies that are promoting talent management is how quickly they can train and foster the growth of their team members.

### 5. Accepting differentiation

Differentiation is acknowledged to be a basic premise. More resources are used for individuals that excel, and it is important to expedite this individual’s growth. On the other hand, for those individuals who do not match the corporate ambitions and goals or who do not meet the skill requirements, the companies need to ask them to leave. Evading these differentiations will prohibit the growth of apparent leader-material human resources.

Accepting differentiation and focusing on those that need to be invested in, however, do not necessarily imply the same thing. As stated under point 3, all staff are reviewed for their talent based on whether they are able to achieve the required commitments within a set timeframe, but there will be cases where someone who had been viewed as superior makes no progress, or where someone who progresses extremely quickly may suddenly be given an enormous growth opportunity.

### 6. Supervisors’ commitment

Many of the companies that promote talent management have stated that “leaders nurture leaders”. It may seem like the human resources department is promoting talent management, but in reality

the person who can support everyone’s growth is their supervisor. The human resources department is only running alongside the supervisors, maintaining the infrastructure where the supervisors can nurture their subordinates, and merely providing off-the-job ability enhancement opportunities. One can even say that whether the skills and strengths of each individual employee bloom or not depends solely on that employee’s direct supervisor. The success of talent management will depend on whether all in the leadership roles above manager levels agree to the concept of “my mission is to nurture my subordinates”, and actually practice it.

### 7. Ownership of individuals

Lastly, when operating the talent management process, it is absolutely

critical that the individuals who are nurtured through the process feel they have ownership of their career. Individuals will be required to clearly have a vision of their own career goals, their hopes and aspirations for their roles within the organization, work locations and work responsibilities. They will also be required to judge and assess whether the various opportunities that are offered to them are acceptable, and also be able to communicate that to their boss or the human resources department.

These are all characteristics of today’s talent management. Based on these characteristics, I would define modern talent management as follows: talent management aims to maximize the total degree of leadership within an organization and achieve high business goals by aiming to have individual abilities and leadership bloom as fast as possible; it is also a growth-promoting process undertaken by the individual, by his or her supervisor, and by the human resource department.

## Human Resource Management Methods at Traditional Japanese Companies

Will Japanese companies, which are in need of globalization more than ever, be able to introduce the philosophy of talent management as the fundamental guiding policy for them to develop capacities and to utilize human resources, so that they can attract more talented people?

The *Chart* shows comparisons of the characteristics of modern

talent management and Japanese companies. In Japan, individuals who stand out are generally not welcome. Teamwork is valued and favoritism of individuals who stand out often seems to jeopardize teamwork.

The understanding of the concept of leadership in Japan is also different from that in Europe and in the US. Leadership in Japan tends to be considered as a skill set that is only required by those who manage people or lead people. For example, in the popular class “Total Leadership” at the Wharton School at Pennsylvania University, Professor Stewart Friedman claims that leadership is “the power to charge ahead by involving others to reach a set goal based on one’s own convictions” and is a skill that everyone should learn and exhibit. But this is not a feeling shared in Japan.

Emphasis on performance is also not thoroughly practiced at Japanese companies. The hasty introduction of a “performance-based evaluation system” and its failure have left Japanese companies with the feeling that “while performance is important, the processes that lead to it or the business attitudes are equally important (or in some cases, more important).”

On speed, as stated previously, long-term employment customs in Japanese companies will require new graduates (the majority being 22-year-olds) to be employed for nearly 40 years, or until they are 60 years old or older. The emphasis here, then, becomes preventing a decline in motivation, and that, in turn, tends to slow down the nurturing process. Many Japanese will not contest the proposition that “one needs to work for at least 10 years to become a full-fledged professional”, and in fact, the average age to be promoted to manager at Japanese companies is 40 (from “Human Resource Management Survey 2013” by Recruit Works Research Institute), which proves this point.

Long-term employment customs also tend to avoid differentiation. Those who joined the company in the same year will be treated equally in terms of advancements and promotions. There still remain tendencies to value the number of years employed with the company over performance, to prioritize seniority in terms of age for advancements and promotions, and to have the junior employees “endure” the wait.

Authority over hiring and placements is entrusted to the human resources department, not the divisional managers (this is especially notable upon hiring of new graduates). In conjunction with this structure, the managers tend to feel that it is not their mission to nurture their subordinates. Of course they do feel that it is the managers’ responsibility, as the person in charge of a particular team, division or project, that people under their wings should produce results for a given mission. But only a few managers feel that they need to maximize the growth of the staff or to develop their leadership skills.

Lastly, many individuals working in a traditional Japanese company have the characteristic of not possessing a sense of “career ownership”. Since long-term employment, which is equivalent to lifetime employment, is still a pre-condition for labor management in Japan, individuals seldom feel they need to cultivate their careers on their own, and feel that “things will not turn out bad as long as you follow the company’s lead”.

## Can Japanese Companies Introduce Talent Management?

As discussed thus far, there seems to be a huge divide between the most advanced ideology of talent management and the traditional human resource management ideology that Japanese companies have valued. I have, in fact, been trying to find a case study of a Japanese company promoting talent management, but have not yet witnessed a good case.

But globally, the better human resource the individual is, the more likely this person is looking to choose a company that will provide the opportunity for him or her to grow fast, but also respect his or her autonomy. This is a fact that Japanese companies are slowly starting to acknowledge. Japanese companies are also starting to place importance on attracting talented human resources from around the world, and not just hire people from within Japan, where the population continues to decrease. This, in fact, has been recently highlighted as one of the keys to the competitive strategies of Japanese companies.

These surrounding events may have pushed Japanese companies to also start exploring ways to shift to a human resource management system that is based on a talent management-like philosophy. The traditional Japanese employment system, which has been effectively applied over the years, will not suddenly go away, but companies that cannot respond to the change in eras cannot survive.

It will be interesting to see from now on how Japanese companies can absorb the philosophy of talent management into their own system, and harmonize and elevate it into an attractive human resource management philosophy. **JS**

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