

Drake Beam Morin-Japan

By Kishi Nagami

"Ten years ago, when I was ready to introduce this company in Japan, most businessmen believed that such a venture would never succeed in the business world here. Back then, the lifetime employment system was prevalent, and it was thought that few would seek our services in such a society," said a smiling Tateuchi Atsuhiko, president of Drake Beam Morin-Japan (DBMJ).

DBM is America's largest outplacement firm, a business which provides instruction, guidance and consultation to employees whose jobs are no longer necessary as a result of company restructuring, closure or cutbacks. In the United States, where restructuring occurs frequently, there are about 100 firms in this business, but the sentiment was that such a company would never be profitable enough to survive in Japan. Contrary to the forecasts of 10 years ago, DBMJ has grown and now has 28 staff members, including 19 consultants, in offices in Tokyo, Osaka and Fukuoka. Its business continues to grow, doubling from year to year.

Sophia University Professor Abeglen, in his book *Kaisha*, lays out three basics for Japanese companies to succeed: the lifetime employment system, the seniority system and in-house labor unions. This was true in the recent past. Now, however, the first two systems have lost their effectiveness and are rapidly declining; in fact, few Japanese businessmen still have faith in such systems. In addition, in-house union membership has declined to an average of only 20% of the work force, leading one to believe that labor unions are no longer necessary.

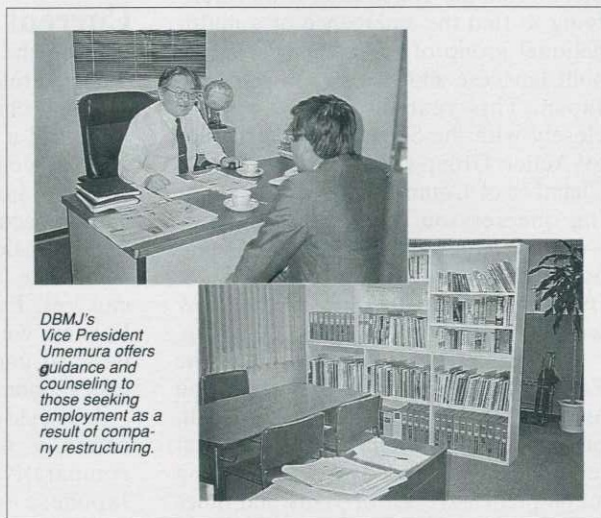
"The lifetime employment and seniority systems are not inherent to Japan, but were introduced by General MacArthur of GHQ, which occupied and ruled Japan after it was defeated in World War II. When I mentioned this in an interview which was printed in an American magazine, I suddenly became very busy answering a flood of questions. I strongly

felt then that the belief that these Japanese systems stemmed from ancient times was deeply ingrained in Western countries," added President Tateuchi.

The seniority system was convenient for Japanese companies which had to rebuild themselves from the ruins of the war. Since the younger generation represented a large part of the population at that time, the seniority system, under which younger people worked for lower wages, meant lower company expenses. And the lifetime employment system worked effectively in instilling workers with the patience to endure poor working conditions; that is, long working hours for low wages. Under this system, they were promised increases in pay and rank as their service years increased and they would be able to stay employed with the company until retirement age.

The lifetime employment and seniority wage systems, the planned economy under the initiative of bureaucrats, advanced technology and quality control, and other management techniques introduced from the United States—these were key factors that enabled Japanese companies to achieve an amazing growth rate. These systems, however, had a major ingrown problem. Since most employees would not leave a company until retirement age, the organization, which originally was a pyramid structure, later became a beer-barrel structure, gradually boosting labor costs.

Under a merit-based system, a company can maintain a pyramid structure since only a few among many senior employees can become managers. Under the seniority system, however, employees are promoted automatically on the basis of years of service. This system-



DBMJ's Vice President Umemura offers guidance and counseling to those seeking employment as a result of company restructuring.

inherent problem didn't surface while Japanese companies were prospering and expanding. But, now, with Japan entering times of zero- or negative-growth following the collapse of the bubble economy, this problem suddenly surfaced.

Growth amidst economic downturn

In January 1993, Pioneer Electric Corp., a major audio-equipment manufacturer, received nationwide media coverage when it requested that 35 managers over the age of 50 leave the company, virtually a dismissal by designation. Newspapers, TV and magazines criticized this as a reckless attempt which might destroy the lifetime employment system, a long-standing and important Japanese tradition.

Pioneer's move, however, broke the spell and many companies followed suit and announced, one after another, their plans to reduce the number of middle-aged employees. Like Pioneer, they had already reached the point where they could no longer endure the built-in problems of this system.

Those relieved by Pioneer's action were not limited to Japanese companies.

Subsidiaries of foreign companies, which had long believed that layoffs were taboo in Japan, also used this occasion to announce similar plans. One extreme example is IBM Japan's plan to target a 40% reduction in its over-50-year-old employees.

The term "middle-age purge" began to be heard more frequently. Thus, outplacement, which was initially an unrealistic business in Japan, over the past 10 years finally became a needed service. The situation had been created for DBMJ, the pioneer firm in this business, to be successful.

"I started the business with minimum resources, capital of ¥1.5 million, one secretary, and part of an office which I rented from a friend so that the damage would be minimum if I failed. I had neither consulting staff nor a place to interview clients. I myself served as the consultant, using hotel coffee shops. The firm had no revenue at first, so my salary was low. In fact, my secretary's annual income was higher than mine," said Tateuchi.

As soon as the firm was established, in October 1982, he prepared a mailing explaining DBMJ's outplacement service and sent it to 20 potential clients daily. He then made follow-up phone calls after two weeks. He repeated this process over and over. He also wrote a series of five articles, explaining the purpose of outplacement, which appeared in a magazine issued by the American Chamber of Commerce in Japan.

The first inquiry came one month after the company's start-up. One foreign company subsidiary contacted DBMJ and asked it to outplace its president and chairman, both of whom were being dismissed. Towards the end of December the same year, Mobil Sekiyu K.K. called the firm for service.

"Partly helped by the fact that we could rent a space from my friend, we made a good start. Our finances were in the black the first year."

The business grew steadily and in 1992, when the recession began to affect more arenas, its sales performance rose sharply to \$5 million. DBMJ projects that sales will continue to increase to \$15 million in a couple of years. In its

early years, most clients were foreign companies, but now the number of Japan-based clients, including listed companies, represents a considerable portion of DBMJ's business.

Support business

An outplacement firm does not find new jobs for clients. Instead, it encourages clients who have been forced to leave their companies, have lost confidence in themselves, and in general are at a loss. It also offers advice in finding new jobs, including how to comport one's self during interviews and how to prepare personal and career histories.

"Japanese people are generally not confident when it comes to self-promotion. Every few years they often change departments within a company, which means that they have no specialty. If such people must change jobs in their middle years, they simply do not know how to sell themselves. Through our guidance, clients review their experience bestriding various fields and find a certain direction. Thus, they can use their experiences as a strength," DBMJ's Vice President Umemura explained.

When DBMJ enters into a contract with a company, the first step is to conduct a meeting with the employees who are facing retirement and explain the outplacement service. Because of the nature of the meeting, the participants are divided into small groups to enable them to talk and ask questions freely. The client company pays DBMJ a predetermined fee for the meeting on a per-hour basis, but it is not too expensive. If a participant decides to use DBMJ's services, the client company pays DBMJ 18% of the participant's annual income plus ¥150,000. It is totally up to individual employees whether or not they will accept DBMJ's services. Thus, the success of DBMJ depends on how well it can present itself at the initial meeting.

President Tateuchi still takes charge of these meetings and attends most sessions himself. "I still do the explanation because I have the strongest persuasive power in our company. Recently, we entered into a contract with Furuno Electric Co., Ltd., a listed manufacturer

of fish-finders (high-frequency sonar devices for locating schools of fish) in Kobe. Out of 200 soon-to-be retirees, I was able to convince 60 to 70 into coming to us. We expect that about 20 more prospects will follow." If one client receives DBMJ's counseling and succeeds in finding a new job, the information soon spreads among his peers. It is such a reputation that brings more clients to DBMJ.

More than 80% of the retirees who have undergone DBMJ's guidance found new jobs within four months of retirement. Even these days, when the purge of middle-aged employees has intensified, more than 70% of DBMJ's clients have succeeded in being employed in the same time frame, and over 90% in six months. As the reduction of the labor force increases, a number of enterprises have entered the outplacement business. President Tateuchi states confidently, however, that DBMJ will have an advantage in the competition with newcomers since it has the know-how and offers its service with a completely different philosophy.

"Newcomers regard outplacement to be a business, a mere means of making money. We are unique in that our greatest concern lies in humans. Our first priority in counseling is to have sympathy with our clients, to understand their sorrow and anger at the situation in which they are placed. I myself engaged in various businesses, all of which were money making enterprises. Outplacement, on the other hand, is something different. I can get satisfaction with what I have done. I feel very glad that I am in this business."

President Tateuchi concluded this interview by stating proudly, "At first, outplacement was viewed by the Japanese as the business of dismissing employees for a company, a completely wrong impression. But now, it is regarded highly as a business which helps people in distress. I am convinced that we will grow rapidly since our services will meet with a much greater demand hereafter."

Kishi Nagami is a free-lance writer specializing in foreign businesses in Japan.