

A Job for the Headhunters

By Takashi Uchimura

Japanese personnel management, most students of the country know, is based squarely on the immutable principles of lifetime employment and seniority. Or is it? If recent trends in Japan's turbulent business world are any indication, it could soon be time to rewrite the textbooks. Reform, if not revolution, is sweeping the Japanese management scene as companies strive to survive in an increasingly demanding environment.

Take Tatsuo Totani, president of Inter-face Consultants. Totani is a headhunter, an occupation that only a few years ago was considered little short of sacrilegious in Japan. Now Totani and his colleagues are an accepted part of the business scene, and are helping break down even more taboos.

"Headhunting by designation, naming names, is picking up steam," Totani declares. "One in three clients who wouldn't mention the names of people they want in other companies do so now, and their number is growing." In fact, most contracts now state the names, job titles and companies of the persons a client wants to hire. Before, coy Japanese managers only offered job titles.

Even as companies rush to hire away talent from their competitors, they are also shooing faithful old workers out the door. Early retirement programs are becoming commonplace, and now there is a new fad: the outplacement business, agencies contracted by corporations to help find new jobs for men and women they no longer want themselves.

Clearly, lifetime employment and seniority systems are under review. Corporate Japan is being overhauled, and the key word is efficiency. Meritocracy and eliminating redundancy are the new concerns of the personnel manager.

The change has not come about entirely by choice; it has largely been forced by new factors in the labor environment.

One of these is a critical shortage of managerial posts for the so-called "mass generation" of baby-boom employees who entered their companies at the same time, and are now coming up for promotion. The problem is that there are simply not enough middle- and upper-management positions to go around.

Shift to services

The other big factor is a shift from manufacturing to services in the nation's industrial structure that is revolutionizing Japanese management, and rewriting the list of skills that personnel departments look for when they promote and hire.

Born between 1947 and 1949, the "baby boomers" number about 10 million, some 2 million more than the preceding and following generations. Dubbed by the media as everything from the "TV generation" to the "Beatles generation," the "Zenkyoto (student radicals) generation" and, most recently, the "sneakers middle agers," these people now form the core of the Japanese corporation.

According to a December 1986 Labor Ministry poll of companies on unemployment problems, 77% of respondents complained of a critical shortage of posts for baby-boom employees. The survey found that 90% of the companies polled were planning more rigorous standards for managerial appointments. Naturally, the survey became required reading for middle-aged employees.

Things are even tougher for senior employees. In April 1986, Mitsubishi Corp. introduced a "voluntary retirement" system to reduce the number of workers aged 50 and over. Mitsui & Co. adopted a similar system for employees aged 53 and older. In April this year Marubeni Corp. launched a modified retirement system which would designate prospective "retirees" starting at age 48. Marubeni's

"retirement recommendation" plan is a temporary measure designed to cut 200-250 jobs in three years.

The shortage of posts, and the surplus of middle-aged and older employees, is not just a problem for general trading companies. Companies in industries like steel and shipbuilding are plagued by redundancy. To solve this problem and ensure their survival in the rough and tumble world of Japanese business, they are trying to expand into new fields where now unnecessary staff can be put back to work. Like the trading firms, these companies hired large numbers of university graduates from 1961 to 1965. It was a time of rapid economic expansion, and these industries seemed full of promise to eager graduates. Now these people are 43-48 years old, and waiting in the wings is a second "mass generation"—those in the 38-40 age bracket.

Demographics are not the only challenge. The nation's changing industrial structure is increasingly leaning toward "software," or services, and corporations are having to update their employment policies accordingly.

New approach needed

In the period of high economic growth, the traditional seniority system contributed to business efficiency. Now, however, the old maxim that experience equals expertise is losing credibility. On one hand, technological innovations in microelectronics and communications are spurring the growth of "knowledge-intensive" industries. On the other, primary and secondary industries are losing ground in the total economy thanks to the rapid expansion of the tertiary service industry.

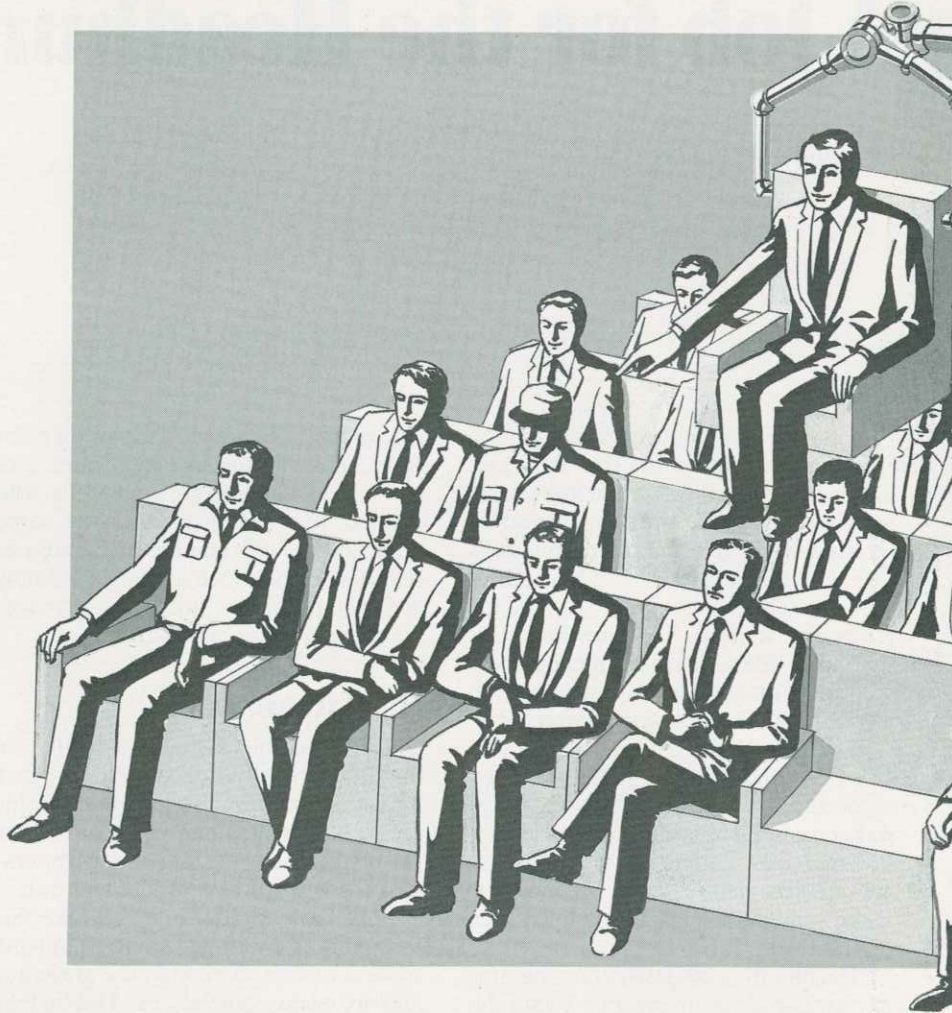
Under the circumstances, many corporations are trying to restructure—starting new businesses, creating subsidiaries, di-

vesting themselves of unprofitable operations and introducing flexible manufacturing systems. Inevitably, these moves prod "restructuring" in employment and personnel management as well. Intensified efforts to hire talented people away from other companies, farm out surplus labor to affiliates and other organizations and promote internal reassignments are only some of the changes under way.

The fact is, Japan's traditional personnel system now blocks corporate efforts to improve efficiency. The situation is forcing companies to try new approaches to the redundancy problem.

There are still fewer than 10 outplacement agencies doing business in Japan, but major companies are showing interest in this business as a way of trimming their bloated work forces of middle-aged and older employees.

Outplacement usually begins with an interview with an employee who has been "advised" to quit. The interview is followed by outplacement counseling, which can vary widely from company to company. In the case of one outplacement firm, counseling includes an evaluation of the job-seeker's background, skills and personality, job interview training and instruction in effective resumé writing. The applicant even receives guidance on how to avoid family strife while out of work. At other firms, however, counseling can sometimes end with a pep talk on looking for a new job.



Finding new jobs

One of the most surprising things about outplacement in Japan is that most of the people interviewed do find new jobs through these agencies. In the United States and other Western countries, new jobs tend to be found through personal contacts.

Two leading Japanese outplacement firms are Bright Career and Drake Beam Morin-Japan (DBM-J), founded in 1984 and 1982 respectively. Bright Career is a joint venture between Temporary Center, Japan's largest temporary service agency, and Univance, a major outplacement firm on the U.S. west coast. The company, 80% owned by Temporary, services 45 major Japanese companies, from steelmakers to textile firms, machinery companies, shipbuilders, nonferrous metal producers, banks and trading houses. This broad spectrum of clients indicates how sweeping are the changes now shaking the nation's industrial structure.

Bright Career has found new jobs for some 300 people in the three years since its founding, 90% of them aged 40 to 60,

or an average age of about 51. These are people who could have expected to stay with their companies for at least another 10 years if the Japanese economy was enjoying the high growth of the past.

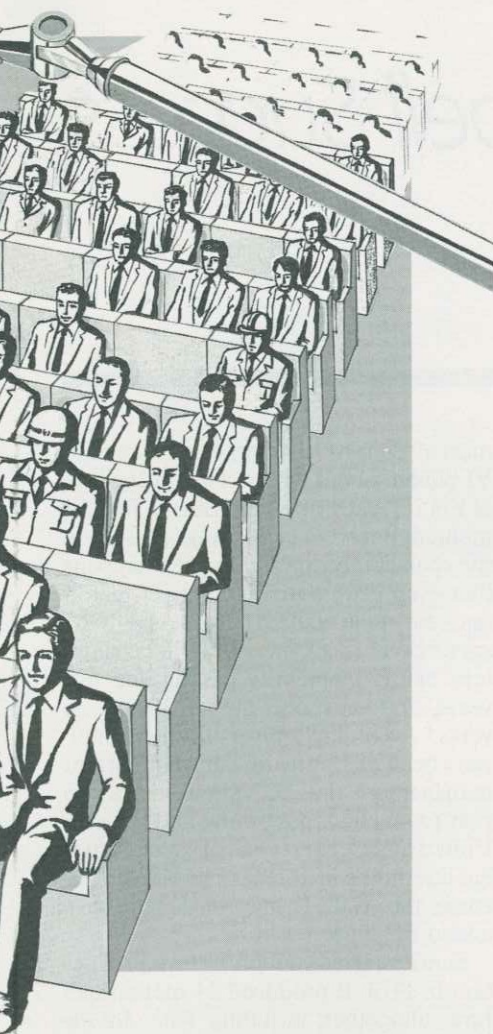
Outplacement has a poor reputation in Japan because so many see it as a way of nudging out unwanted employees. The agency is cast in the role of a proxy for companies trying to eliminate staff. Some agencies, however, believe reemployment of redundant workers is unavoidable, and are promoting a new concept they dub "skill redevelopment."

One such firm is DBM-J, Japan's oldest outplacement agency. The firm's New York-based parent has 28 business locations in the United States and 16 in foreign countries.

Atsuhiko Tateuchi, president of the Japanese subsidiary, stresses the growing need for outplacement services. "Japanese companies, particularly large ones, are finding themselves plagued by labor redundancy as the population ages," he explains. "Many are forced to farm out

older employees to affiliates and subsidiaries, or persuade them to take early retirement. Of course, many companies are trying to use surplus workers in new operations of their own. But it's extremely hard to make these undertakings profitable. That's why it's so important to find other places to utilize people who cannot be employed effectively by their own company. In Japan, the treatment accorded underemployed persons often only increases their frustration, like giving them window-side seats away from the action. Our business is to think about their future."

DBM-J has some 130 corporate clients, more than half of them manufacturers, and 80% of them affiliated with foreign enterprises. Their requests for outplacement have been increasing by the year. So far more than 500 people have been placed in new companies, and the firm interviews about 15 to 20 businessmen every month. Requests from Japanese corporations have increased since spring, Tateuchi says.



The reason, he says, lies in the early retirement system. "Companies normally want (surplus workers) to leave under their early retirement systems," the president explains. "In fact, however, not enough people apply for early retirement, so some companies try to get rid of them by finding them new jobs. True, the image of outplacement has improved, and more firms now regard it positively. But my impression is that they are still more concerned with their own needs than the futures of their workers."

One Japanese company has introduced five ranking managers to DBM-J since this summer. The papers given each person detailing the early retirement system also urged that they seek DBM-J's assistance in looking for work. At least eight major companies, most of them in trading, petroleum, chemicals and shipbuilding, are using the firm in this way. Currently DBM-J limits its outplacement services to people aged 40-52. Most are section and division chiefs with annual incomes of ¥7-12 million.

Tateuchi expects the focus to shift to section managers, as people in these middle-management positions have fewer chances of promotion. Clearly DBM-J is doing something right. By August this year the firm had already surpassed its ¥160 million sales figure for the whole of last year.

Totani, of Interface Consultants, expects Japanese corporations to become stricter on promotions. "In most major companies," he says, "an employee is tested for leadership qualities around the age of 35. His or her chances of making executive class are already determined some 12-13 years after entering the company. The age is likely to be moved up further. In fact, at some companies employees are screened in their 10th year of employment, or even their fifth."

Half of Totani's clients are Japanese companies, and the rest foreign affiliates. They range from a major corporation capitalized at ¥10 billion to medium-sized businesses, with 70% in computer software-related firms and the remainder a mix of semiconductor makers, industrial machinery firms and financial institutions. Section chiefs and people of equivalent rank account for half the talent supplied by his firm. "If they have the talent, people in these posts are the most acceptable to would-be employers," says Totani. "They fit into the organizational needs of companies that want to groom promising middle managers for greater responsibilities. In this case, changing jobs in midstream is good because it gives middle managers opportunities to improve themselves."

Totani interviews more than 20 businessmen every month, peaking in July when summer bonuses are paid. This last July he saw 26 people, most making about ¥6 million a year. Seven accepted job offers promising 20-30% higher pay. On average, four to five people find new jobs through his agency every month.

Totani researched headhunting in Silicon Valley in California, the heart of the U.S. semiconductor industry, and is planning a European trip to look into the "silver business" of caring for old people. For him, any potential growth market offers a source of information for his headhunting activities, as well as an opportunity to find new clients. Companies planning to enter new fields of business need talented people, and the fastest way to find them is through corporate headhunters.

Another headhunter, Kiyomasa Tsuchida, president of Casters Japan, believes the traditional seniority system is seriously flawed. Noting that companies are expanding into new lines of business

to survive in a changing business world, he says, "They don't have enough people in their own organizations to meet the challenge quickly. There is an acute shortage of talent in Japan, exacerbated by lagging internal systems for educating and training personnel. Companies looking for talented recruits have to hire them away from their competitors. In a sense, the old purity of Japanese corporations is being lost."

In many large corporations, employee education systems are being overhauled to better reflect changing business structures and technological innovations. Given the time and cost involved, however, there is still a growing need to scout for outside talent. Many companies have concluded it will be too long to wait for their internal education and training systems to come on stream.

Growing job mobility

Casters Japan has about 100 clients, all major corporations. Until this spring, 40% of its clientele was in computers, semiconductors and electronics. By September, however, they were outnumbered by banks, brokerage houses and investment and trust banks. Now 50% of its clients are financial institutions, and more than 90% of these financial clients are affiliated with foreign enterprises.

Foreign institutions have hired away many staffers from leading Japanese securities companies as they have moved into the expanding Tokyo financial market. Now, however, headhunting is likely to shift to domestic brokerage houses, despite the old taboo against Japanese companies stealing talent from one another. "The lifetime employment practice will collapse after the present 40-year-olds leave the scene," predicts Tsuchida. "It has only 15 years left at most."

Headhunting and outplacement in Japan are indications of growing mobility in a wide spectrum of Japanese industries—a mobility stemming from an enduring need to cut redundancy and maximize talent. From a broader perspective, however, this mobility in the job market reflects a sign of the revitalization of Japanese corporations. Most Japanese employees still depend heavily, psychologically and otherwise, on their organizations, and the new trend toward developing and applying individual skills and abilities will not take hold until such dependency weakens. Further changes will undoubtedly take place in the employment field, but the extent of those changes is still unclear. ●