

Targeting the Gaps

—A Pioneer Spirit Pays—

By Susumu Arakawa

There is a group of rapidly growing companies in the Japanese information industry that are widely known among university students making their first forays into the job market. The group, led by Recruit Co., supplies manpower as well as information on employment and housing.

Recruit Co., formerly Japan Recruit Center, changed its name last April. So, too, did all of its eight affiliates, including Recruit Information Publications (formerly Employment Information Center) and Recruit Manpower Center (formerly Manpower Information Center).

The new names, all of them including the word "Recruit," were chosen for a number of reasons. First, the group, which celebrates its 25th anniversary this year, now conducts a broad range of activities as well as recruitment. Second, Recruit Co., with annual sales topping ¥100 billion (\$417 million), is well positioned to invigorate the Recruit group as a whole and expand its business. And lastly, the use of a common word gives the member companies a sense of shared identity.

But these are only surface justification. The real reason, according to those who know the company well, is a strategic one: Recruit Co. President Hiromasa Ezoe has a program of his own to build the group into a leader in the information industry. The new names are a significant step in this direction.

Expanding networks

Recent developments within the Recruit group underscore its new orientation. For example, beginning this autumn it plans to list housing information on the informaton network system (INS) operated by Nippon Telegraph & Telephone Public Corporation (NTT). If the plan materializes, says Recruit, users will be able to find the home of their choice at the push of a button.

Recruit Co. has been experimenting with an on-line network for housing information since last September. The system is linked via telephone circuits to terminals at 100 locations throughout Tokyo under arrangements with department stores and such major real estate firms as Sumitomo Realty & Development Co., Mitsubishi Estate Co. and Seibu Urban Development Co. The information on the number and



President Hiromasa Ezoe of Recruit Co.

types of rooms, year of construction and price is drawn from data carried in the weekly housing magazine, *Shukan Jutaku Joho*. The journal, one of Recruit's top products, has a circulation of 260,000 in the capital region.

The experiment has not been a complete success, however. Information transmission is much too slow to meet the practical needs of customers. Explains Seishiro Ikushima, manager in charge of new media development: "It takes 4-5 minutes to transmit a room layout or a map. That's not very practical. We're now planning to develop a new housing information system in cooperation with NTT's Corporate Communications System Services Headquarters."

For the near future, says Ikushima, Recruit is studying a plan to send image information through high-speed digital circuits soon to be offered by NTT. This should make it possible to transmit each image to a terminal in a matter of seconds. In addition, Recruit is reportedly studying a system that would provide customers with a verbal explanation of the information displayed on the screen.

Recruit Co. is well known for its aggressive business plans, and for the enormous vitality that helps it translate them into reality. Its advance into new media is a case in point, but there are even more ventures in the works.

The group is targeting 1984 sales of ¥200 billion, up ¥37 billion over the year before. The long-term goal, says a Recruit official, is to build the largest information

enterprise in Japan. This will require surpassing the sales not only of *Asahi Shimbun*, one of the world's biggest and best-known newspapers, but also Dentsu, the biggest advertising agency.

The expansion into new media is clearly a step toward this goal, with the plan to transmit housing information over NTT's INS system only a beginning. But at the moment, housing seems to be about the only item of information under consideration. Says Ikushima: "We can use INS for other things, like recruiting books, travel information and door-to-door commodity delivery systems. But we're still in the process of developing the technology to make them possible. At present, everything is undecided except in housing information."

Frontier motto

The Recruit group's biggest business, however, is supplying extensive information on employment opportunities. This information is published in magazines aimed at high school and university graduates and older persons seeking new jobs. In addition, besides supplying housing information the group runs a video system for in-house employee training, undertakes printing, deals in real estate, leases and manages buildings, and operates hotels, golf courses and ski resorts. It even has stakes in livestock farming and grain cultivation.

This diversity, says chief executive Ezoe, has left the public with only a vague notion of what the company and its affiliates are all about. The question of corporate identity has become a major issue within the firm. "When I am asked what kind of company it is, I just say it's the company with a seagull for its emblem," laughs Ezoe. "But this much I can say: Recruit is a company whose motto is to open up new business frontiers."

In fact, Recruit got its beginning by targeting a new area of demand, an area where strong needs existed yet no other firm had dared try meeting them commercially. Like the narrow gaps between buildings, demand in inconspicuous fields often remains untapped. But the irony is that these "*sukima*" (narrow gap) industries now occupy a place in the sun in Japan. The secret behind Recruit's rapid

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growth has indeed been its fidelity to its frontier motto.

Meeting a need

The question that first interested the company's founders was how to supply employment information to vast numbers of graduating university students. Large companies acknowledged that the need was there, but were unable to devise a commercially feasible way to meet it. The result was the founding in March 1960 of University Newspaper Advertising Co., the original predecessor of Recruit Co. But any understanding of the company's origin requires a grasp of the special employment situation in Japan.

Japan has virtually none of the student-company exchanges found in the United States. In that country, university students often receive extended on-the-job training, and receive college credits for it as well. But in Japan, there is no such custom, and students concentrate instead on studying theories far removed from the real world where practice makes perfect.

Universities in Japan keep companies at arm's length lest students be distracted by employment offers at this important time in their education. In fact, Japanese students are prohibited from taking employment exams before November in their senior year, only five months before graduation.

This means that companies have only a short time to recruit students. Yet they still must secure the best graduates possible, because under Japan's lifelong employment system, these prospective employees expect to stay with the company until retirement. Ultimately, university graduates comprise the large pool of talent that is the most important single source of corporate manpower. Some companies keep the doors open to other applicants—including former graduates already working for other firms. But the practice of accepting such newcomers half-way up the promotion ladder is still relatively new.

A Japanese company spends considerable time and money training and educating new employees fresh out of college. In fact, the first three years after employment are generally considered a training and education period during which intensive investments are made in human resources development. It has been a long time since the Japanese management boom began abroad, but one of the key ingredients in that management style remains the employee loyalty fostered during this "investment" period.

Over the years, Recruit Co. has developed new market after new market by tapping demand in the "narrow gaps" of industry. In 1976 it published *Jutaku Joho* ("Housing Information"), a magazine

introducing properties for sale. This periodical was made possible by the know-how acquired through publishing successful job-hunting journals. Recruit Information Publishing Co. was founded the following year, when companies first began hiring older employees from other firms. Its publications include *Travail* (French for "work"), *Shushoku Joho* ("Employment Information"), and *Beruf* (German for "profession"). All these magazines have proved a hit, and with good reason. They have succeeded in targeting important but heretofore ignored niches in Japanese society.

Employee dedication

The seemingly easy success Recruit has achieved in these fields stems from the exceptional diligence of its employees. A Japanese company has sometimes been described as a gathering of "workaholics." Certainly dedication and hard work are the hallmarks of Recruit Co., and of the group it commands. Recruit has snared a uniquely aggressive group of workers.

Recruit offices remain lit until late at night. One employee explains that most Tokyo staff live in the metropolitan area and therefore waste far less time commuting than workers at other companies, many of whom spend as much as two hours one way. "In our case, commutation time is short," he adds, "because we usually have to work until late at night."

Why do they work so hard? One reason is that Recruit employees get handsome and unlimited overtime allowances. Another reason is that most Recruit workers are young. But the biggest reason seems to lie in the company's principle of participatory management, and in Recruit's "profit center" (PC) accounting system.

Under the PC system, launched in 1974, each unit and each point of sales is regarded as a profit center. In other words, efforts to improve profits and productivity are focused on each profit center. Of course, they are also vigorously

pursued within each division and section, including each non-sales department, in a drive to secure higher profits for the group as a whole.

The concept itself is hardly new, and is also used by other companies. Yet Recruit's "PC management" is drawing attention. The reason is the way it is operated, in effect creating a host of smaller companies within the corporation.

The philosophy behind this approach is a conviction that each employee must work like a top manager. This thinking governs the conduct of Recruit workers at all levels of the company, and explains the firm's adherence to participatory management.

The way the system works, profit and loss statements are prepared by various units ranging from divisions to sections, making each accountable for its own sales and profits (or losses). Each unit "pays" the company for labor, housing and other services. In other words, the manager of a profit center at the section level and above is very much like the top executive of a small enterprise.

The PC manager must try to invigorate his unit since the vitality of the employees who work under him is the key to sales growth. Inevitably, he must also listen carefully to their suggestions, no matter how trivial these may seem.

When asked if there is anything uniquely Japanese about the way the company is managed, Recruit employees usually reply no: Recruit is not managed in the standard Japanese way. Originality made the company what it is today, they say.

Indeed, there is nothing very Japanese about Recruit's management style. There are, of course, management posts, but Recruit managers do not project an aura of authority. The president performs his duties; the division manager his. Otherwise they—and all other managers, for that matter—are no different from rank-and-file employees. This is where Recruit differs from other firms, in which decisions at the top carry overwhelming weight.

The rapid growth of the Recruit group is also attracting attention abroad. About three years ago, the group received a tie-up offer from South Korea, where the employment situation is similar to Japan's. A Korean firm wanted to buy Recruit's know-how on publishing employment journals and the in-house development of human resources.

The Korean firm, however, never followed through, presumably because of the subsequent recession in the Korean economy. But Recruit itself says it has no intention of doing business abroad, because it believes that it can operate the way it does only in the Japanese work environment. Says Ezoe: "There are still many 'sukima' industries waiting to be developed in Japan." ●



Recruit Co.'s Tokyo headquarters