

SUCCESS STORIES

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Helping Non-Japanese Companies
Succeed in Japan

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A SPECIALIST OFFERS ADVICE

People Power – 12 Ways to Keep You and Your Firm on Top in Japan

By Thomas J. Nevins, President, TMT Inc.

One of SSJ's most prolific contributors returns this month to relay a variety of well-learned lessons to subscribers, based on his decades negotiating deals and assisting many foreign corporations with their Japanese employee issues.

1. A nicer office can often pay for itself: As expensive as office space seems in Japan, it is good to remember that it is one-tenth or even one-fifteenth the cost of the payroll that sits on that floor. So, if leasing an ample space and an attractive office in a slightly more prestigious neighborhood gets a few new staffers to join your company for a salary that's ten percent lower than what you otherwise would have had to pay them, you have paid for your rent!

More importantly, some people, who otherwise would not agree to join your firm, will join if your investment and presence in Japan is impressive. A central location, near a train station, is even more critical.

2. Desperate men will do desperate things: Yes, in this bad economy, you may be able to get professionals and staff to join your firm through advertising, or your firm's website 'Careers at...' section. If applicants are out of a job, even a performance-based interview, where you do your best to scare them away with your high expectations, will not scare them off. They will join, even if they know it won't last. If they have lost jobs before, they may have learned how to squeeze money out of past employers, and they may try the same with you when the axe falls.

A skilled executive recruiter, who instead approaches the employed presently working at other companies, and knows how to do research, do 'name collecting',

scouting, and cross-reference checking from more junior people in the candidate's same company, is a less-expensive and more effective way to go in the long-run. Our firm does executive recruitment, and we've learned that if a candidate already has a job, and does not through necessity need your job, 'scare tactics', or a depiction of your job's high expectations and standards, will scare away those who are not truly up for a new challenge. But job hoppers are the worst risk. They almost always have to keep hopping.

3. The 'Rule of 3': Interview three people, at least three times each, using three different company interviewers, and perhaps most importantly in three different settings/environments — such as in a conference room, over dinner or drinks, walking on the street to a station together, over golf if a player, with a Japanese interviewer if truly trusted, with more than one interviewer at the same time, etc. Meeting three different candidates may be the least important rule in the 'Rule of 3'. A good executive search firm's job is not to waste your time meeting candidates. But then, of course, we must be decisive, and really 'know one when we see one.' Candidates' hearts and minds are tender things, and if you make a candidate wait too long, they believe you did not sufficiently believe in them and go elsewhere. They will set up their own self-esteem defense mechanisms, and you will lose them.

4. Take advantage of, and strengthen, the probationary period: Especially with candidates out of a job, although we do not want to take advantage of peo-

ple, it is easier to get them to join even with a longer probationary period. Perhaps you can go a step further. Back it up with a six-month term contract, with clearly defined dates — not a separate contract — just properly worded within the offer letter. Even good currently-employed people should be willing to take a six-month probationary period. If they push back and say, "I'm happily employed. Why probation? You have to believe in me too," then you can answer, "You are good, and so why are you worried about a six-month probationary period (or contract)? If you're not good, be sure and let me know now—hah, hah." If you get the probationary period nuances right, you can even afford to offer a higher salary than you might otherwise be willing to offer. Because you have some additional protection if things don't work out.

5. One young oak tree won't do it — you need a mix of ages, local hires, and expats: Have a balance of head-office, expat, or otherwise different career path foreign talent in your firm, along with the strongest local Japanese executives and staff you can get. Make sure there are multiple voices and points of view heard by the head office, and more efficient ways to explain the direction regional or head-office management wants to go. One of the biggest tragedies at so many foreign capitalized firms in Japan (or anywhere), is when they hire a local national executive at a rather young age. It is harder for good older Japanese to accept a young boss, and harder for the young boss to boss the senior. It is also difficult for human nature to hire people better than themselves. A GM or president at 55, allows a

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FROM THE EDITORS

THE 'COVE' AND ITS MEANING

Regardless of one's view on dolphin captivity and mercury poisoning, one of many surprises and ironies in 'The Cove', which won 'Best Documentary Film' at the Academy Awards, is that the town of Taiji, Japan — where the movie's story unfolds — celebrates dolphins. There are statues and mascots of dolphins all over the town, such that one could never imagine the nature of the dolphin killing that occurs there.

It is just another example of the kind of dichotomy between what is 'said' and what is 'done' that characterizes much in Japan. You know, the 'honne' and the 'tatemae' that you learned in your cross-cultural communication training class...

It is hard to fathom such brutal killing of dolphins occurring anywhere, much less in a country which takes pride in its dedication to nature and the environment. But it still occurs and that's the sad fact.

The movie also briefly captures Dan Goodman, a spokesman for the Japan delegation at the International Whaling Commission, as a voice for evil. But that is just movie-making. Because like all individuals involved in a debate on sensitive issues, Goodman's history and background suggests that he really believes the position that he helps Japan espouse. And that is his right, that those on the other side need to respect.

'The Cove' is a must-see not only for those interested in dolphins and the environment, but also those interested in Japan. Because the attitudes and prejudices of people in Taiji are typical of people in small rural towns all over Japan. It's not always pretty, but it's real.

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firm to bring in good fifty year-olds, talented, ambitious 45 year-olds, etc. — a balanced mix of ages.

Often in this case, people who speak English (or the head-office language) are deliberately not hired; making the top local national executive indispensable, and the only voice and point of view that is heard in the region or back at headquarters. But having a good check and balance on the quality of people hired, on any 'cozy' business relationships, and on the ability to bring in new and better outside vendors and resources that can also deal directly with the home-office, can be just as important as keeping track of the books. Even loose standards and inconsistent checking of the books and financial operations is still not uncommon these days. This has been shockingly seen again with the recent billions and billions of yen, allegedly stolen by a single finance manager at Molex, based on borrowing from a major Japanese bank — all done for his own personal trading and gain.

6. 'This is the Japanese way', or 'it cannot be done in Japan':

These are all too commonly heard here. As non-Japanese, we can get mesmerized, hypnotized, worn down, or just have the life beaten out of us with such super-fluff statements. At best they are only partly true, and are often an excuse for either an all-too-prevalent deep disdain for interference, or for lack of competence. Reasons and explanations must be better than that. There are principles and business methods that work in every country, not unlike the law of gravity, and there are universal management truths. Many more Japanese sales guys who use to be able to

catch new movie releases at the theatre during the workday, and pick up their wives at the department store, have been shocked to find they should have been selling the company's products instead of themselves. And now there are fewer company cars to sleep in, not as much discretionary cash, and not as many customers at the department store.

7. Waste you can't afford: Don't you wish you could set up your own benefits? In Japan, anyway, it is amazing how often our firm hears a variation on "Well, of course we would expect local nationals to write the Rules of Employment and set up the benefit package." And we hear it especially among trusting and naïve USA'ers as opposed to most Europeans.

That is why you can end up with huge personalized top executive retirement benefit commitments, or 'too rich' corporate-wide retirement benefits. As well as many other rules that raise your cost, such as rigid *nenposei* salary systems instead of having four to seven months of common Japanese flexible salary and performance-based summer and winter bonus at risk; four weeks' vacation after year one, on top of eighteen public holidays plus the extra New Year's and summer vacation days; seven instead of 7.75 or eight-hour workdays; full salary payment for even a year or more of long term disability (*kokoro no byoki*, or sickness of the heart/depression/fatigue is spreading like wildfire!) instead of collecting the 66.6 percent from the social insurance office and paying the difference for non-rogue employees; paid menstrual leave that angers the majority of hard-working women who don't take this benefit but have to shoulder the extra work of those who do; unnecessarily rich over-

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time rates and no overtime containment strategy; payment of ¥100,000 or more monthly commutation allowances; etc.

8. Strategically smart Rules of Employment (ROE) that give more legal protection and give you the tools you need to keep people on your team and on their toes: Do you have a transfer or job change clause that includes the ability to accordingly adjust people's pay level? Do you have pay-cut language other than the Labor Standards Law maximum pay cut of one-half a day's pay or ten percent of the pay during the pay period? That one is for disciplinary action or a specific penalty. Since the power to reduce pay must come from the power of the contract, but ROE have legal precedence over individual contracts, it is important to also clearly write in the ROE that in the case of underperformance, a larger commensurate pay adjustment is possible.

Reducing people's pay is no fun for any of us. It should be rarely practiced, and usually be accompanied by a choice to take a moderate severance package. Unfortunately the pay-reduction option, combined with modest severance, becomes important (without asking for their 'agreement'!), because otherwise it can be just too difficult and expensive to terminate people in Japan. Asking for their agreement is wanting your cake and to eat it too, and trying to cover the backside of your trousers with legal protection. That's too much to ask!

What if they don't sign for the pay cut? You then put an unnecessary boulder in your path. Instead, you are implementing the pay reduction thirty days later, or even further out, to give you more wiggle room.

Also, if your Japanese unit still

has a defined benefit retirement plan, make sure there is a large discount between the voluntary/quitting and the involuntary/reaching retirement age retirement benefit. Why make it easy for competitors to poach your people? Why not save money, and keep valuable resources for the business, and those who loyally stick with you? And regardless of what self-interested employees, or outplacement firms charging a lot of money per head tell you, or what you are told by advisors not up to snuff, and not able to deliver real value, you NEVER, NEVER, NEVER have to offer voluntary, early-out staff reduction extra severance payment to ALL of your staff to make it 'fair'. Instead, you can be selective and hang on to 100 percent of the people you need, who obviously have no right to an extra severance package. And they know early on that the extra package will not be available to them — even if they whine for it.

The most unfair thing about these strategically-flawed staff reductions is to make the same severance package available to those you are pressuring out, and those you are begging to stay. Those poor troopers pressured out hate this, and for that reason alone, many will not sign the letter of 'separation' (not 'resignation' or 'termination'). This is the brake on the size of the severance package. If the extra severance payout becomes too large/rich, it is not fair to the good, needed people who have no chance of getting it. But the keepers at least get to keep their nice jobs, you keep your company strong, and you get promoted (hopefully). Don't encourage good staff to leave!

As it was announced in the May 14, 2010 *Japan Times*,

bankrupt JAL did what it has always done, offering early retirement packages to ALL. Way too many pilots qualifying to fly its long-range jumbo jets resigned in order to get the extra pay-out. Just as all the best cabin crew and sales staff have left JAL over the years. There will now be 'significant expenses' hiring and qualifying short-range pilots for long-range flights. Hundreds of firms in Japan, and around the world have been weakened, bankrupted and have vanished for the same reason.

9. Ask, listen and learn before you speak or layout your position: The Japanese, and perhaps non-native speakers struggling with your language, cannot as easily out-talk us, and can become exasperated. The Japanese, for example, hesitate to interrupt, to contradict, and take longer to answer. They are more comfortable with pregnant silence, and sometimes hope we will keep talking so they can think about what's for dinner, or their golf stroke. It is best to ask questions, be patient, and be in it for the long haul. And have a couple of 'No Doz' tablets in your pocket or strong coffee on the conference table. You will need to slowly repeat back and confirm that what you heard is what they have said, and really meant. Of course, you can probably substitute many nationalities for the word Japanese. And in some countries, your local national will be in your face, and maybe your coffee on your lap...

10. People tricks, the Japanese (and of course, others) play: I've heard this sad tale seven or eight times. When you're the negotiator for a deal and swinging into Japan to negotiate, you may be offered to have the other party,

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probably your host, reconfirm your return flights for you. No. Don't even let them know when you're leaving, and don't accept days of touring and wining and dining, with the deal worked out in the car on the way to the airport for the flight home. Deals and results don't need to be done while you are here, and try to let your superiors at home know that they shouldn't expect you to come back with a deal.

In Japan, if delay is not the ultimate form of denial, it is a great way for sharp Japanese negotiators to win concessions, and suck you dry (the same tactic is used by other cultures too, but that's a separate story). You don't want to be the man or woman who can make the decision alone. You also can use the 'I need to check with my people/operations guys/home team back home' excuse, too. The Japanese will say that contracts can always change with the situation — unless they don't want to change the agreement after it's been agreed to. So don't act like you're in a hurry for the agreement, and don't let them know what your real deadlines are (such as the date of your trip home) either. Remember, they are better at this than you are. Why? One reason — none of us is as smart as all of us, and there can be six of them to every one player on your team. So have a very fluent bilingual person on your side, at least to limit their ability to huddle and call audibles right at the negotiating table that you can't understand. It is very easy to lose your shirt, and more, when dealing with such good negotiators. So be careful.

11. Life is a negotiation: Don't care too much about the deal. Do your homework. Have the facts, information and options. Know your 'walk-away' position and

stick to it. Know your boundaries. All that is important. But it is also true that you never need to be a 'tough negotiator', or short-tempered, or aggressive. You can be so blasé about the deal, and whether it happens or not. It is better to listen with a poker face, eliminate your body language (except for a good wince when the price you're to pay is too high, or the price they're to pay is too low, or the terms not favorable enough), and make it about the deal principles and not the people. Separate the guy who is irritating you from the fundamental issues. Focus on the interests both sides have in common, than on any assumed positions. Because what if your assumptions prove wrong? What if you prove not to be the person they think you are? Think of the third option and create options for mutual gain by doing ideation together with the other side, with pencil and pad.

And listen well. Keep in mind #9 above. It takes Japanese about five times longer to answer, and they are ten times more comfortable with pregnant silence. Beat them at their own game, and take long breathers as well. But you can keep asking questions. They are unlikely to contradict you, so it is better for them to take charge, and you to keep asking questions.

It is often said that the question you don't think to ask is the one that most needs to be asked (several times if necessary), and answered. You can become as difficult and inscrutable as you perceive them to be, and they can pretend to be. We can give the other party the luxury of painting a picture of exactly what they would like the deal/business venture/joint venture to look like — no matter how

long it takes them to do so. Keep the leftover 'No Doz' from #9 above. Then a simple question: "Would you accept this deal if you were me?" When they laugh, ask "I heard a laugh. Was that you?" Always keep smiling...

12. Don't lose your Japan negotiation, and maybe your job, falling for the world's oldest trick:

Try and figure out whatever it is you think they are trying to tell you. Check with others that you trust, people with Japan experience, or just other uninvolved native Japanese who you respect. And the top two 'very bad', but hard-to-resist human mistakes for the visitor or the resident expat in Japan are: a) avoid accepting a lot of whining and dining, or at least keep it balanced with you taking them out just as much; and b) stay away from being put in compromising positions.

Find your own service people if you need service, translation, or escort, instead of accepting the 'guide-sans' offered by your counter-party. Excuse yourself, pretend you have to call your wife or mother, when talk arises of any late night Ginza or Roppongi club scenes. In Japan, it is easy enough to find your own helpers, service folk, or late-night companions — on your own steam and on your own nickel — that will keep you from becoming indebted to your counter-party in a way that jeopardizes your judgement in making the right deal for your firm, and for your future.

A regular contributor to **SUCCESS STORIES: JAPAN**, Tom Nevins founded TMT Inc., now part of Glasford International, in Tokyo in 1978. He is a labor consultant, headhunter, and author of several books including 'Labor Pains and the Gaijin Boss', and 'Taking Charge in Japan' — both by The Japan Times. His views are his own.