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Strategic Recruiting in Tokyo

Finding Experienced Bilinguals

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For newly arrived foreign firms, dealing with language and creating a human network are the core issues in establishing and/or integrating a Japanese presence. Usually these issues are addressed by know-how and quality recruiting -- the two main points of leverage in competing with Japanese incumbents, who already have a customer base. Early-stage companies and multinationals in particular depend on "skillful" senior "bilinguals," recruited to provide the foreign headquarters management with a better view of the Japanese market, and to make strategic decision-making reasonably transparent. When you have millions or billions of dollars invested in Japan, it is only natural for headquarters to want a sense of control.

In selecting a candidate for a strategic role, firstly, what is "skillful"? Generally we expect that within a job category it means up-to-date knowledge, a wide and active human network, and leadership capability. Unfortunately, what leadership means in Japan is not the same as what it means in the West, and so a manager trained in the art of Japanese feudal management would be a poor fit for most multinationals. Therefore, many companies either insist on their newly recruited leaders being someone already working for a multinational or someone who holds an MBA from a foreign university.

Secondly, what can we consider to be sufficient bilingualism? This is generally determined by the position that the person will hold. The higher up in general management they are, the more likely it is that they will have to interact with senior staff at headquarters and other branches in Asia. In my experience the most successful bilingual individuals have studied English overseas, and thus are able to understand nuances, jokes, and body language. Navigating the boardroom politics of a US or European company is hard enough without having

a language handicap as well.

Clearly, then, the level of performance required for strategic positions in a foreign company in Japan is demanding. The problem is that the number of people who possess both business and linguistic skills is remarkably small -- so small, in fact, that we require professional "scouts" to help us find, entice, and sign up these individuals.

Rarity of Foreign-educated Staff

Just how rare are skilled, bilingual leaders? Let's look at the primary source of bilingual individuals first, since even for regular and lower-end (or entry-level) positions, most foreign firms will favor a bilingual person -- on the basis that you never know when a fresh recruit may develop into tomorrow's CEO. The main source is overseas English education, and more than 70 percent of Japanese head to the USA, with others studying in the UK, Canada, and Australia.

According to a 2003 IIE Open Doors report, the number of Japanese studying in the USA was about 40,000. Of these, only about 18 percent were doing graduate studies, while 70 percent were doing undergraduate work. Thus, there is an annual pool of about 3,600 holders of advanced degrees -- not even enough for one person per company in the gaishikei community (there are about 5,500 registered foreign-capital companies in Japan).

Looking at those doing undergrad studies, the number also averages out at just 9,330 people a year, or about 0.1 people for each of the 100,000 medium- to large-size companies operating in Japan who might want to hire an internationalized employee. Taking into account all those attending non-university language schools, the probable number of bilingual people coming back into Japan in 2003 was around 100,000 a year. So there are probably about 2 million people in Japan who have had some kind of study overseas.

Companies who have been in Japan a long time know that skilled bilinguals are hard to find, and thus when they come across someone, either fresh out of grad school, or perhaps moving up the career ladder, they are very quick to hire them - - even if no position is immediately available. In effect, rarity of suitable candidates means that every hire of an experienced bilingual person is a strategic hire.

Few Qualified Job Seekers

We turn to four experts in the recruiting field to get a picture of what is happening with the recruitment of senior, experienced staff, and how companies are making strategic hires in 2005. The four firms and their representatives are: George Johnson, Senior Consultant at CDS K.K.; Jon Doherty, CEO of DaiJob Inc.; Max Knight, Representative Director of Optia Partners; and Akio Sashima, President and CEO of Speed & Pride Corp.

Firstly, just how hard it is to find bilingual experienced people in the ideal age bracket? Japan has no age discrimination laws when it comes to recruiting, so most companies focus on 30-year-olds because they are experienced and yet still healthy and active. Also, because these people are often at a pre-management level, they don't come with the mental baggage of pride and rigid methodology.

From numbers above, we can estimate that there are about 36,000 foreign-trained graduate-level bilinguals in their 30's in Japan. We know from MBA prep schools that about half of those doing graduate or post-graduate degrees are sponsored by their companies, so that leaves about 18,000 available for foreign firms. Further, while the average number of jobs held by a Japanese from age 20 to 30 is now 3.6, after 30 people get married and job movement slows dramatically. In this writer's opinion, the average Japanese person from 30 until retirement may only move an average of 3 to 4 times -- about once every 7 - 10 years. Thus, the number of graduate bilinguals who could be considered viable candidates (remember, they are probably gainfully employed and not actually looking for a job) is as small as 2,700 people -- less than 1 person per corporate member of the combined foreign chambers of commerce in Tokyo.

Fixed factors aside, there is also the condition of the global and Japanese economy. Thanks to three solid years of export growth both direct and via goods manufactured in China, Japanese corporations are enjoying a business revival. This means that the demand for specialized and skilled individuals such as bilingual experienced managers under 40 is particularly high. As Speed & Pride's Sashima comments, "At present, when we find good candidates -- and we mean GOOD -- our clients hire them ASAP. We find that those companies taking a conventional approach to hiring -- spending a lot of time to interview and choose - - are losing those candidates. Basically, by the time they take four to six weeks to get through their internal processes, the candidate has already received a firm offer from a competitor."

Speeding up the Recruiting Process

Although we're talking about strategic recruiting, in the current environment, perhaps all mid-career recruiting should be considered strategic. Certainly our recruiter panelists concur that companies looking for key individuals need to consider setting up a faster system to process candidates -- letting business managers make their own recruiting decisions, and assigning the HR department to more of a marketing and approvals/administration role.

CDS's Johnson feels that some foreign firms haven't yet realized that they have to adapt to the situation. "The best approach," he says, "is to have a long-term commitment to hire the best and brightest, at all levels, investing in training and having a strong HR function that can support and develop the candidate flow on a continuing basis. Unfortunately, most companies approach recruitment in a somewhat reactionary manner. Setting up a business here is costly, and when business is good, they jump to hire for the short or medium term. But to get the best of the best, thinking long term and conducting ongoing candidate reviews is also necessary."

One possible way to educate business managers about the strategic value of continuous recruiting is to have them consider the recruiting procedure for some of their current best performers. Like as not, more than half of these have either come from unplanned hirings or introductions, or have come in for a different position and migrated within the company. Either way, quality candidates should not be allowed to slip through the cracks, and if necessary managers should consider culling some of the current non-performers to make room.

DaiJob's Doherty believes that adopting a continuous recruiting policy also forces business managers to face up to possible inadequacies in their teams. "While most clients would like to think that they already have a strong team, especially if they're in the recruiting seat, a steady review of new candidates is a great reminder of how well you're really doing," he says. "You ask yourself, are the candidates better or worse than my team members? If better, what level of contribution could a new person make if I replace a current person? If worse, what are we doing about staff retention?"

Doherty adds, "If the company can afford it, keep looking at candidates and pick up those that make the cut. Our Executive Search division, Ambition Consulting, will do this on a contingency basis. For those firms that want continuous exposure but can't afford to keep hiring, an online job spec will also work well, and costs only JPY3.6mm for unlimited positions for 1 year -- this is the cost of just one average executive placement fee. So it's worth thinking about!"

But as Speed & Pride's Sashima points out, "Continuous recruiting doesn't work unless you're prepared to actually make unexpected hires -- it's a seller's market and if you look over and over but don't actually buy, not only will you lose talented candidates who might have become your future leaders, but you will also lose the trust of your recruiting agents. A long recruiting search doesn't necessarily get better candidates."

Corporate Image Pulls Candidates

The boom-and-bust-cycle mentality of foreign firms in such a small community of candidates is not healthy for the image of those firms. While the myth of lifetime employment in Japanese firms has been burst over the last four or five years, in 2002 - 2003 foreign firms fared even worse and laid off thousands. For talented individuals in a secure job, especially those married and with children, the bloodletting left them with an impression that working with a foreign firm is still a major risk.

The good news is that many foreign firms have got past their pre-2000 excesses and are learning to be more conservative and more consistent about their hiring strategies. "Recently, companies are not just doing strategic hiring at the sales level," Sashima notes, "but also [hiring] for competent back office managers -- especially HR and Accounting Managers." From this viewpoint, it appears that companies are taking the HR function more seriously and investing more time and energy to ensure that their business managers get to see a steady stream of good candidates.

One of the hard nuts to crack in the hiring market is attracting staff to a new company or brand. Japanese job seekers are very brand conscious and often don't realize the extent and stability of a foreign firm's business in Japan. For this reason, those companies with the highest public profile do the best in recruiting. It is common knowledge that a major company like Microsoft gets several thousand resumes per month. People's imagination is captured by the company's message and they desire to take part in that vision. Companies that can afford it, sync their PR with their recruiting efforts. The result can be a significant pick-up of in-bound resumes.

"We believe that PR is very important," comments DaiJob's Doherty. "There are a lot of jobs out there and most candidates go to Websites first to begin their search. The reason for this is that looking at a Website is easier, quicker, and gives the candidate an idea of market values. While on the site, if a smaller company is able to present itself in a positive way, the chances are that the candidate will recall this company when they start narrowing down their job search. Ask two Japanese candidates whether they would like to work for a company they know or one they don't, and you'll find that they hedge their risk by

going with the one they are familiar with -- providing of course that the conditions and benefits are similar."

Speed & Pride's Sashima agrees. "Talented people, especially those at the top of the food chain, are motivated by more than just money," he says. "They want to really identify with the company they will be working for. Thus, they carefully research details about the working environment, the corporate culture, and the CEO's vision."

Sashima is right. Readers following the recruiting business may recall the market battle between two Japanese recruiting Titans: incumbent Recruit and newcomer En-Japan. It wasn't until En-Japan started running company and CEO profiles that their business really took off and forced Recruit to follow suit with a similar format. Japanese candidates love detail, and often they fear the unknown. PR has an important role in this process.

That said, CDS's Johnson makes the point that "Good PR can be extremely useful in getting candidates to show an interest and check the Website, maybe even apply. However, in our experience, PR alone will not populate a successful business."

Johnson's comment alludes to the fact that with mass PR you are going to attract a lot of sheep, when in fact your complex and competitive business environment demands nimble mountain goats. In this regard the contrarian position of Optia's Knight is apt. "While many candidates prefer high profile firms simply because they feel it may make it easier to market that firm's services or products," he says, "in fact, we try to help candidates understand that some of the best opportunities are with companies they've never heard of. We find that candidates get tired of hearing about the same opportunities/information being circulated around the market either via media or through recruitment firms, etc. Especially those higher up in seniority want something fresh and attractive -- I think it's human nature to want to learn about that which we don't know. For this reason, putting out a lot of PR doesn't always have the effect you intend."

Reference Checks

Most hiring companies do reference checks, or if they have a recruiter, then they have the recruiter do them. You would think this is an easy process, working through a list of three past bosses, and using the feedback from all three to create a reasonably balanced picture. And yet, many gaishikei CEOs can recount stories of key people who were hired and then turned out to be living in a world of virtual reality. Candidates who lied about completing their MBA, those who got fired gracefully so as to not smear the company, and others who conveniently hop

between jobs just as the performance numbers are due to come in. This is why it is important to establish a trusted relationship with several recruiters, and educate them that you expect the due diligence to be done right.

Optia's Knight explains his policy about reference checks: "In my view, a problem often exists when the reference is one provided by the candidate being considered for the role -- simply because the reference is prepared by the beneficiary and therefore is almost always biased. If companies really want to achieve objective due diligence, a far more effective approach is to speak with the managers who have worked with the candidate in the past [but] who have not been named as a referral. A good recruiter has these contacts and can do this kind of background research."

Another form of reference check is to put the candidate in front of your most talented recruiter, your CEO. This is the person who has had the most experience in picking key people, and while he/she may be busy, remember that this is a strategic hire, and befitting the CEO's attention. Speed & Pride's Sashima explains that a face-to-face with the CEO works both ways. "If the candidate likes the CEO, he will decide to do his best for him -- a very powerful form of motivation for most Japanese -- not just for a company they don't even know. Sometimes this strategy works very well -- try to assess how traditional the candidate is, in deciding. I find that on the other side of the coin, in many cases talented people leave a company without hesitation once they lose trust in the CEO. So CEO interaction is a key form of employee retention."

CDS's Johnson says that his company relies on the quality of the initial introduction of a candidate to assess the trustworthiness of a reference. He comments, "Following our initial screening and interviews, we as a matter of course take a number of references from a candidate. Because we enjoy an extremely strong referral network, many of our candidates are introduced to us by other successful people we already know. That is, the introductions are trusted and qualified." He then adds, "Sometimes a client may want deeper information. In that case, a more thorough background check can be made, including a credit history in certain cases. With the recent changes in the data protection laws, however, we make sure that both the candidate and client understand the candidate's right to privacy." The corollary to this comment is that if a candidate is sensitive to a request for access to private records, they probably have something to hide.

Internships

Internships are becoming popular as means of testing unknown talent. For companies that can't afford to make unplanned entry-level hires, an internship

can also act as a holding pen for candidates -- at least for 2 - 3 months -- while a formal position is created and budget allocated. We asked our panel if there was much demand for internships among their client base, and whether clients see internships as a strategic activity or just a cheap source of labor.

According to DaiJob's Doherty, "More companies are looking to entertain internships as an option to 'test' young talent before committing to an actual hire." Doherty reckons this comes from companies wanting to reduce their recruiting-related risk and costs. It is also the same reason why DaiJob has seen an upsurge in corporate recruiting of independent consultants and temporary staff ("haken" - both temp and temp-to-perm).

Optia's Knight says, "Absolutely companies are interested in interns. However, like permanent positions, internships are competitive, especially those at top-tier firms. Companies are being selective about who they choose simply because of the time taken to supervise an intern."

War Stories

For those readers in senior positions and wondering what the market looks like now, we asked the panel about their recent strategic placements.

Speed & Pride's Sashima tells of a Japanese entertainment company that wanted a young manager with management experience in EU countries. But due to the domestic nature of the industry, they were unable to find a suitable candidate from among the major Japanese recruiting agents. The HR manager finally contacted Sashima and within one month had two candidates who were taken to offer-letter stage. The firm was surprised to find out the general high level of quality and performance of individuals educated overseas and subsequently employed by foreign companies. So much so that in the end they wound up hiring both candidates, one to run the EU branch and the other to run a newly created overseas department back at headquarters in Japan.

CDS's Johnson describes a country manager search for a US networking business: "We were able to find a unique, driven individual as the country head. Within months he not only established the operation in Japan, but had also personally developed two new mobile carrier clients and produced a self-sustaining revenue flow in the process." CDS also helped a US start-up in the search-technology field hire its CEO and many key sales people. The Japan market proved ultimately to be a very important part of the company's highly successful public offering.

DaiJob's Doherty relates, "One recent placement we made was of a sales director

in a new start up technology firm. The candidate was [in his] mid-50s, completely bilingual and up to speed with all technology-related developments in the field. Not only did this candidate bring a wealth of experience, but also strong general business acumen and a huge personal network which has resulted in a much faster start-up than expected. Thus, companies in the start-up phase trying to find the ideal candidate in their 30's and early 40's may like to re-consider discounting older staff. There are some absolute gems out there!"

We close with a comment from Optia's Consumer Goods Partner, Tyron Giuliani, who recently completed a Representative Director placement for the consumer goods operation of a Fortune 500 company. Originally a foreigner was in place as the country head. But regional headquarters was not satisfied with the performance. Giuliani explains, "In consultation it was decided that as the products the company sold were both mass market targeted and premium end, a key factor was having a strong network of contacts in both channels. We were able to convince the client that exact product experience was not necessary for success in this role. We completed the position with a food, beverage and packaged goods expert who was able to establish shop-shop distribution for the premium brands and expand the mass market brands through the general merchandisers and convenience stores. Our candidate was a bilingual over-50 Japanese professional and it was his network of contacts and 'out-of-industry' thinking that produced a significant increase in results for the client." **JJ**

Our panelists				
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Panelist	George Johnson			
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