

Interview with Outside Director

Path to Diversity Management

Outside Director
Chairman of the Personnel Advisory Committee
Vice Chairman of the Corporate Governance Committee
Member of the CEO Selection Advisory Committee
Member of the Compensation Advisory Committee

Izumi Kobayashi



— What do you think of the way Japanese companies view “human capital”?

The collapse of Lehman Brothers triggered a renewed emphasis on the concept of “human capital.” People and environmental protection came to be perceived as sources of value creation rather than costs.

Although in Japan there was a term for “human resources,” the unfamiliar Japanese translation of “human capital” hadn’t readily taken hold. As a result, although Japanese companies have traditionally placed great importance on maintaining employment, the idea that people are not a cost but capital that is the key to enhancement of corporate value and social value if education is provided and the environment is improved faded away in the course of the shift to management emphasizing financial performance. This is most unfortunate. Regarding the commitment toward employees that today’s younger generation, in particular, is demanding, Japan, with its emphasis on maintaining employment, had been in the lead in the past.

The most important thing in utilizing human capital is “human resources development.” My impression is that whereas European and American businesses invest heavily in human resources development, Japanese businesses do not invest to the same extent. Although “membership-based employment” built on the principle of lifetime employment has its advantages, “job-based employment” is more appropriate for raising the value of human capital. Which is selected will likely differ among companies, but OMRON’s announcement that it will be shifting to job-based employment is something that, as one who knows the merits of such an approach, I welcome.

— You serve as Chairman of the Personnel Advisory Committee. How do you view the “current state of human capital utilization” in OMRON?

As all the outside directors including myself unanimously note, the activity that stands out most at OMRON is “The OMRON Global Awards (TOGA).” It is splendid how OMRON employees

worldwide actively come together as one, in line with the OMRON Principles, to “create business or products and services useful to society,” and do so not out of a sense of duty or in accordance with instructions, but spontaneously.

TOGA is indeed a fine model of the utilization of human capital to create corporate value. Recently, in the context of purpose management, a value system such that an enterprise in its totality naturally endeavors to solve social issues in accordance with its corporate philosophy is permeating every aspect of business activities. Indeed, through TOGA, personal growth is evident throughout the OMRON workforce. I hear that many of OMRON’s foreign employees joined OMRON because they empathized with the OMRON Principles. I have rarely come across a company where an opportunity such as TOGA is provided.

— **Among the non-financial goals posted in the medium-term management plan SF 1st Stage, there are such goals as “ratio of women in managerial roles of at least 18% worldwide” and “100% attendance by managers of management training to draw out the abilities of diverse human resources.”**

Although summed up in the single word “diversity,” I consider there is “visible diversity” expressed by numbers, such as the ratio of male to female or the ratio of non-Japanese nationals, and “invisible diversity” that cannot be expressed quantitatively. Regarding “visible diversity,” I think OMRON is promoting this quite vigorously. Although all OMRON’s directors are Japanese nationals, the number of executive officers who are non-Japanese nationals is on the rise, and, overseas, local employees are taking responsibility for business development. Moreover, at Board of Directors meetings, female employees make presentations about their business or projects on various occasions, and I think that the commitment being shown by OMRON to diversity is considerable. However, visible diversity is no more than the beginning of the matter. The diversity that I have in mind involves people with different experiences or opinions respecting each other, at times arguing, and, as a result achieving empathy and creating something new. This is the real attraction and true value of diversity. However, in Japan, raising an objection or expressing doubt about someone’s opinion in a meeting may be viewed as a personal attack. However, different opinions and discussions are about business matters, and if we do not put aside not only gender differences, but also

personalities or age and hierarchical relationships, then it is not possible to have a fruitful discussion. Diversity is frequently discussed at board meetings too. On those occasions, I always comment along the following lines. “Visible diversity should of course be pursued, but, much more importantly, we should aim to be an organization where different highly individual people can constructively encounter one another, rather than taking a cookie-cutter approach such that however you cut it, the same kind of ‘excellent’ person based on the same design appears.”

In addition, I make the following point. “Everyone has strengths and weaknesses. How are those strengths to be stretched and developed? And how are those weaknesses to be covered and compensated by the team? Surely that is the true meaning of nurturing human resources.” At board meetings, I can sense OMRON’s serious commitment to strengthening its organizational ability. This is why I have great expectations that a virtuous cycle of diversity & inclusion will be created, a cycle such that “every member of the organization can fully display their individuality and ability,” “the company draws out their individuality and ability,” and “as a result, the organization is activated and new value is created.”

— **What do you think is required to strengthen human capital? Ultimately, what do you imagine will be the “New OMRON”?**

I think OMRON employees are mainly serious-minded, value the OMRON Principles, and have a great desire to do something useful for society. However, that vector is by and large uniform, and in an era in which it is unclear in what direction the world is heading, I think one could say without fear of being misunderstood that there may be a need for “misfits” and “eccentrics.”

In Japan, basic public services are well provided and all needs are conveniently catered for. However, what is taken for granted in Japan, may be novel and pressing needs in other countries. If we fail to notice those needs, there is a possibility that we will end up missing good business opportunities. Sure enough, various chances are concealed in our encounters with those who differ from us. By mixing with those of a different nature, I anticipate, among other things, that “ways of thinking and plans that were absent up to now will be born,” “our hypotheses will become more accurate, throughput will change” and “decision-making will accelerate.”

—— **Forward-looking Japanese companies are currently shifting to “job-based employment.” What changes do you anticipate as a result of this spread of job-based employment in the Japanese industrial sphere? How do you think OMRON’s human resources development and requirements will change from now on?**

I think that in order to make the most of each person’s individuality, in other words, in order to increase the value of human capital, there is no option but to shift to job-based employment. OMRON is currently forging ahead with this. However, one point that must be given sufficient attention is the question of who is to bear responsibility for the nurturing of human resources. Generally, in job-based employment, the authority and responsibility that up to now had been held by the human resources department are delegated to the on-site managers. Though bearing responsibility for profit, their most important job is “human resources development.” In foreign companies, the higher one’s job position, the more time one devotes to human resources. However, looking at Japanese enterprises, the money and time invested in training and evaluating human resources seems quite inadequate. Actually, in the work of an executive, considerable weight should be given to nurturing subordinates and developing their talent. I think there are several points to be considered. In the case of education and training, for example, given the Japanese ethos of “equality,” it is usual for everyone to uniformly receive the same program. However, in order to leverage people’s diverse strengths, programs should be customized for each individual.

Moreover, although it requires time and effort, a 360-degree appraisal is of course effective. This is because as well as leading to an understanding of how various people evaluate the person subject to evaluation, comparing evaluations by the superior and by others, it is possible to ascertain the superior’s abilities as a manager. One other important thing is the setting of goals. Even in job-based employment, it is necessary at the beginning of the period for the superior and the subordinate to discuss business and behavioral goals sufficiently and align their perspectives. Unless consensus is established, the superior and the subordinate will be working toward different goals, thus compromising the value of the evaluation results and, in the worst case, destroying a relationship based on mutual trust. Moreover, although it is common for circumstances to change midway in a project, many evaluation systems cannot handle such changes. So, initially

set goals should not be strictly adhered to no matter what happens. It is important to be able to adjust them as necessary. This may be a troublesome task, but it is one of the responsibilities that comes with management. In OMRON’s case, since the spirit of OMRON’s Corporate Motto and the OMRON Principles are well-established and widely known, the values system of the organization and the direction in which it should be heading are clear. That is why I expect even matters generally regarded as difficult, whether it be on-site human resources development or 360-degree appraisal, to proceed smoothly. I relish the prospect.

—— **What contribution do you envisage making as a director of OMRON?**

I have worked for many years in organizations outside Japan, so when some difference in opinion or the way of thinking arises, I always throw in the question “why?” Whatever the subject might be, I think the biggest contribution I can make is to continue to pose the question “why?” on matters taken for granted within the company or in Japan. I think it is dangerous for matters to proceed unchanged because “everyone in the company thinks so” or “this is the way we do things in our company,” for example, without introducing any viewpoints such as from outside the company. I intend to keep on asking, from a global perspective, not a Japanese perspective, whether the way of doing things before my eyes is “the best and only one,” “why it is regarded as normal,” and “whether it really must be so,” and continue to assert the need to consider matters from different angles.

