

The mastery of generalization

Introduction

The unrelenting pace of globalization, coupled with unprecedented levels of social connectivity and the advancement of technological capabilities has made us question and reevaluate the competencies that our success at work will depend on. Of particular resonance is the call to develop mastery and deep craft knowledge in light of increasingly global connectivity to the Cloud and the knowledge depositories and analytic resources it holds. The adherence to traditional recruitment and employment practices in Japan however, provides stark contrast to this expectation. *Master generalists*, not specialists, are best suited to provide dynamism and add value to their companies in the rapidly changing business environment.

Nurtured in arguably one of the world's leading technological hubs, the Japanese workforce has been most in synch with the knowledge-based economy, and as such, their recruitment and employment practices serve as an invaluable resource to examine. In point of fact, the latest United Nations report on Inclusive Wealth, a study that looks at the productive base of economies, estimates that human capital represents 72% of Japan's wealth, placing the average Japanese with more human capital than anyone else¹. In this context, the nature of work and the workforce of Japan constitute an ideal case study from which to analyze the management philosophy of Peter Drucker.

Shukatsu: Traditional Employment Practices in Japan

Media frequently report on the downsizing of well-known companies, outsourcing of jobs to low-cost developing countries, and increases in the number of workers under flexible contractual arrangements. Why have Japanese employment practices been maintained in this inimical environment? One answer is that, in principle, there is no such thing as a "job" (in the strict sense of the word) in Japan. Most company employees are generalists, not specialists. Japanese corporations' hiring decisions are not based solely on job categories or descriptions. New employees are trained in house, and in most cases, they acquire new skills by serving in a variety of positions. They gain experience, and are eventually promoted, their salaries rising accordingly.

¹ United Nations University – International Human Dimensions Programme on Global Environmental Change (UNU-IHDP) and United Nations Environment Programme (UNEP). Inclusive Wealth Report 2012: Measuring progress toward sustainability. Cambridge: Cambridge University Press, June 2012. <http://cl.ly/1r3v2V3P3T1h422S1225> Accessed 20 June 2012.

As a foreigner immersed in the Japanese tertiary education system for the past seven years and presently making the transition into becoming a fully-functioning member of society, referred to in Japan as '*Shakaijin*', I have come to appreciate the expectations of Japanese corporations in hiring, training and developing the future talent they require. Traditional simultaneous recruitment and employment practices in Japan favor non-specialists, place academic backgrounds on an equal footing and offer general positions based on a frequent job rotation system.

There is an overall emphasis on hiring new graduates with generic potential skills rather than mid-career employees with specific skills. The recruitment system (*Shukatsu*) is a yearlong process which begins in December of the 3rd year of university and lasts until the summer, or fall of the 4th year. An average of 47 entry sheets is estimated to be submitted per student², although it is not uncommon for that number to be around the 100 mark. Whilst lengthy and time-consuming, it is exceptionally structured and collective. Industry-wide seminars are amongst the many events that are organized to attract and encourage students to develop their understanding of the industry.

Students are hired for lifetime/long-term potential, not for specific skills or a particular job slot; instead they are general new hires that will eventually find a role that suits the organization. The average length of service to a company remains in the high-end of the spectrum, with 43.2% of the workforce serving 10+ years in the same company, as opposed to an exceptionally low 8.4% serving less than a year³. Regardless of conventional perspectives, stability is highly prized by the Japanese workforce, to the point of success and happiness being dependent on it. Knowing that the employee will be with the company for a lengthy service, trainability and cooperativeness are key elements in the screening criteria. Standardized testing includes achievement and psychological personality tests, as well as a multistage interviewing process that culminates with a final interview with senior management or the CEO. Rather than industry-specific skills, new graduates are hired on their character, communication talents and their ability to adhere to the corporate culture of the company.

The compensation system is flat and seniority-based, with entry level salaries

² Development of Information Services for Career Opportunities. Shukatsu – The Road to a Job in Japan. <http://www.disc.co.jp/en/resource/pdf/SHUKATSU.pdf> Accessed 15 June 2012.

³ Development of Information Services for Career Opportunities (DISCO). Japanese Shinsotsu Recruitment Culture. <http://www.disc.co.jp/en/resource/pdf/SHINSOTSUCulture.pdf> Accessed 10 June 2012.

set at around ¥200,000 across most industries; compensation for graduate degrees is also standardized, providing a 10-20% increase. Generous incremental bonus payments, ranging to the equivalent of 2-4 months' pay for every trimester/semester completed, reward loyalty and promote a lengthier service to the company. The amount paid is not a reflection of a shift in business practice. Even burgeoning firms that pay several times the standard entry level amount follow the same recruitment and employment practices.

Internships, although gradually offered across industries, have yet to become common practice. They are usually short in duration, ranging from a couple of days to a few weeks, and follow the same features and calendar adherence as the regular recruitment system. Candidates are expected to apply in the same fashion as they would for a job opening, sit for the same standardized tests, and while the regular 5 to 7 interviews are waived, multiple rounds of interviews are commonplace. Internships by nature are a system of on-the-job training. However, given that the average internship in Japan is less than a week, and this being a far too short period for companies to develop the expertise they need and the students to considerably contribute to them, internships function as a company extended seminar, a comprehensive screening, or a lengthy field trip. Students who participate in these programmes are given a 'free pass' (sometimes even a physical one) that allows them to jump in to the final stages of the selection process should they decide to pursue a career with the company.

Shukatsu is horizontal, egalitarian, provides stability and addresses skill gaps and mismatch prevalent in turbulent times. Equally important, it provides unrestricted access to all industries, so students do not have to rule out entry and professional development in areas they are interested in but usually require technical expertise, i.e. gaming, information technology and energy industry.

In this context, the training of new graduates to be job-ready is systematic and lies in the hands of individual companies. As a result, companies need to take time in choosing the right candidates, have thorough systems in place to screen potential applicants, and ensure all measures are taken to recruit students who are trainable and will adhere to their corporate culture. The expected lengthy service of non-skilled staff has led to the development of in-house training programs, that while may appear to be a burden for companies to shoulder, have in fact provided resilience against spillovers of the global financial crisis.

The severe economic downturn across the advanced economies and the ongoing sovereign-debt crisis has triggered global social crisis, with

unemployment being its human face. Deterioration of the heavy unemployment crisis is in place, as reports estimate the Eurozone risks losing a further 4.5 million jobs, with the entire global economy at the risk of contagion⁴ and pre-crisis employment rates in advanced economies not materializing before 2016⁵. Scarred by the loss of agency perceived, my generation is facing a dystopian future. Traditional education paths do not seem to provide a safeguard against this uncertainty, and companies keep emphasizing that they are having a hard time finding the right people with the desired skills set; in fact, even at the height of the financial crisis in 2009, more than a third of employers reported having difficulties in finding workers with the appropriate skills⁶.

Such is the shift that the World Economic Forum has stated that capitalism is being replaced by 'talentism', as capital is being superseded by creativity and the ability to innovate as the most important factors of production⁷. In this environment, skills have become the currency of the knowledge-based economies. As any other currency, skills depreciate as requirements of labour markets evolve; to retain their value, investment in skills is to be maintained and upgraded throughout life. Equipping the youth with the skills that are the underlying factor of job vacancy rates via formal education is the ultimate solution but educational initiatives usually take generations to yield desirable results. Instead, it is by integrating the active recruitment of scores of youth and the development of their potentials by the company that a smooth accumulation of human capital can lead to efficiency and innovation. As the country boasting the world's highest life expectancy rate at birth (m/f 80/86⁸) and with its elderly population set to comprise 40% of its total by 2055⁹, Japan understands that the value of an individual lies in its ability to morph and slide into different capabilities. After all, "value in the future will come through being able to combine different areas of depth to create value"¹⁰.

⁴ International Labour Organization (ILO). Eurozone risks losing a further 4.5 million jobs. http://www.ilo.org/global/about-the-ilo/press-and-media-centre/news/WCMS_185000/lang-en/index.htm Accessed 11 July 2012.

⁵ International Labour Organization. World of Work Report 2011: Making markets work for jobs. Figure 1.12, P. 16. http://www.ilo.org/global/publications/books/forthcoming-publications/WCMS_166021/lang-en/index.htm Accessed 10 June 2012.

⁶ OECD. Better Skills, Better Jobs, Better Lives: A Strategic Approach to Skills Policies. http://skills.oecd.org/documents/Skills_strategy_final_PDF.pdf Accessed 15 June 2012.

⁷ Schwab, Klaus. The End of Capitalism – So What's Next. http://www.huffingtonpost.com/klaus-schwab/end-of-capitalism---b_1423311.html Accessed 5 June 2012.

⁸ United Nations Department of Economic and Social Affairs (UN-DESA). United Nations World Population Prospects: 2012 revision. http://esa.un.org/unpd/wpp/country-profiles/country-profiles_1.htm Accessed 15 June 2012.

⁹ Ministry of Health, Labour and Welfare of Japan. Annual Report 2009-2010. <http://www.mhlw.go.jp/english/wp/wp-hw4/index.html> Accessed 15 June 2012.

¹⁰ Gratton, Lynda. *The Shift: The Future of Work is Already Here*. London: HarperCollins Publishers. 2011.

The Japanese Enterprise

Japanese companies have been and continue to be in the forefront of innovation and advancement of the knowledge-based economy. Mastery of generalization does not crowd out innovation; in fact Japan leads the world in innovative and creative goods and services with the highest number of patents in force¹¹. As the World Economic Forum's Global Agenda Council on Intellectual Property puts it in its latest report, the knowledge and creativity encapsulated in patents makes our modern world possible¹².

A main driver of technological advancement and development of Japan are the *Sogo Shoshas*, or general trading houses (GTHs). They excel and exemplify the practice of generalization. Having played a vital role in the transfer of technology to Japan as importers of machinery and equipment in the past, these trading houses continue to play their crucial part in technology transfer exports today. Resourceful and energetic¹³, as *The Economist* well describes them, GTHs are master generalists themselves. They are masters of all trades with a truly global presence: from being investors to solutions providers, and operating in such a broad range of fields, from finance, risk management, to facilitating complete transportation systems and the procurement and supply of raw materials, to exploration, production and trading of energy resources to next-generation technologies and aerospace investments. The vitality of leading trading houses of the likes of Mitsubishi Corporation, Mitsui and Co., and Sumitomo Corporation, just to name a few, serve as a powerful example of the success overarching business models can provide. At the same time working for such organizations is a way to assure to develop mastery in different fields, as the very nature and scope of their operations is so diverse. At its best, the GTH is a bundle of what Peter Drucker calls "knowledge workers".

The way forward

Changes in the labor market in the recent years have indeed occurred. Fewer jobs were offered as companies across most industries scaled down their recruitment activities; leading IT and apparel companies in Japan made English the official language of operations in an attempt to facilitate performance across geographically diverse functions and business endeavors; and Japanese

¹¹ World Intellectual Property Organization (WIPO). World Intellectual Property Indicators 2011.

http://www.wipo.int/export/sites/www/freepublications/en/intproperty/941/wipo_pub_941_2011.pdf Accessed 15 June 2012.

¹² World Economic Forum. *Can we invent a better future?* <http://forumblog.org/2012/07/can-we-invent-a-better-future/> Accessed 6 July 2012.

¹³ *The Economist*. *Japan's trading houses*. <http://www.economist.com/node/21554552> Accessed 10 June 2012.

companies have expanded their operations and built business structures to capitalize on the growth of emerging markets as these rose in prominence.

However, neither the rise of social media and digital connectivity, the Global Financial Crisis, the fact that by the end of the decade 4 of 10 graduates will come from China and India¹⁴, the yen's appreciation, the 3.11 earthquake tsunami, and nuclear disasters, nor commonly professed management mantras are going to change these deeply ingrained practices; the underlying features of the recruitment system will remain the same.

Japan has been at the forefront of the information age since its inception, crafting, exporting and building the technological infrastructure that has set the world on a fast-track. As many of Japan's neighboring Asian countries were shifting from a manufacturing-based economy to a consumer-based one, many companies have diversified their workforce by increasing their hiring quotas of Japanese students with overseas study experience, international students in Japan and those studying overseas; however, neither the recruitment nor the employment practices have been altered.

With the world centered on the rise of emerging economies, technological advancements in connectivity, and the ongoing global financial crisis one would do well to keep things in perspective. This is not an analysis of the nature of work and workforce of just any country. It is the country where human capital represents the most important factor of production in the economy and as such, the closest to Drucker's knowledge-based economy. An economy that remains among the world's largest and an organizational system that continues to lead the world in innovation. The future of work relies on an organizational structure that values work over "jobs" and develops mastery across different fields and industries as a way to cope with setbacks and capitalize on nascent opportunities.

¹⁴ BBC News. End of empire for Western universities? <http://www.bbc.co.uk/news/business-18646423> Accessed 10 July 2012.

Bibliography

BBC News. End of empire for Western universities?

<http://www.bbc.co.uk/news/business-18646423> Accessed 10 July 2012.

Development of Information Services for Career Opportunities (DISCO).

Shukatsu – The Road to a Job in Japan.

<http://www.disc.co.jp/en/resource/pdf/SHUKATSU.pdf> Accessed 15 June 2012.

Japanese Shinsotsu Recruitment Culture.

<http://www.disc.co.jp/en/resource/pdf/SHINSOTSUCulture.pdf> Accessed 10 June 2012.

Economist, The. *Japan's trading houses*.

<http://www.economist.com/node/21554552> Accessed 10 June 2012.

Gratton, Lynda. *The Shift: The Future of Work is Already Here*. London: HarperCollins Publishers. 2011.

International Labour Organization (ILO).

Eurozone risks losing a further 4.5 million jobs.

http://www.ilo.org/global/about-the-ilo/press-and-media-centre/news/WCMS_185000/lang--en/index.htm Accessed 11 July 2012.

World of Work Report 2011: Making markets work for jobs. Figure 1.12, P. 16.

http://www.ilo.org/global/publications/books/forthcoming-publications/WCMS_166021/lang--en/index.htm Accessed 10 June 2012.

Ministry of Health, Labour and Welfare of Japan. Annual Report 209-2010.

<http://www.mhlw.go.jp/english/wp/wp-hw4/index.html>

Accessed 15 June 2012.

OECD. Better Skills, Better Jobs, Better Lives: A Strategic Approach to Skills

Policies. http://skills.oecd.org/documents/Skills_strategy_final_PDF.pdf

Accessed 15 June 2012.

Schwab, Klaus. The End of Capitalism – So What's Next.

http://www.huffingtonpost.com/klaus-schwab/end-of-capitalism----_b_1423311.html Accessed 5 June 2012.

United Nations Department of Economic and Social Affairs (UN-DESA). United Nations World Population Prospects: 2012 revision.

http://esa.un.org/unpd/wpp/country-profiles/country-profiles_1.htm Accessed 15 June 2012.

United Nations University – International Human Dimensions Programme on

Global Environmental Change (UNU-IHDP) and United Nations Environment Programme (UNEP). Inclusive Wealth Report 2012: Measuring progress toward sustainability. Cambridge: Cambridge University Press, June 2012.

<http://cl.ly/1r3v2V3P3T1h422S1225> Accessed 20 June 2012.

World Economic Forum. *Can we invent a better future?*

<http://forumblog.org/2012/07/can-we-invent-a-better-future/> Accessed 6 July 2012.

World Intellectual Property Organization (WIPO). World Intellectual Property Indicators 2011.

http://www.wipo.int/export/sites/www/freepublications/en/intproperty/941/wipo_publication_941_2011.pdf Accessed 15 June 2012.