



Global Talent A Strategic Differentiator in Japan

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Japan Inc. is missing out

Japan has long been an economic powerhouse but is at risk of losing its competitiveness in the global arena. Over the last 25 years, the number of Japanese Fortune 500 companies has dropped 64% and in 2010, Japan was overtaken by China as the second biggest global economy.¹ Additional pressures from an aging population, COVID-19, and local talent shortages are driving the business imperative for Japanese corporations to diversify and amplify its workforce through globalization in order to keep up.

Many Japanese organizations recognize the need to embrace talent profiles that support global ambitions, but accessing, engaging, and retaining this talent is becoming increasingly difficult. There is a skill and talent shortage occurring around the world – 70% of organizations globally report that they are struggling to find the talent they need with the right mix of technical and soft skills², while in Japan, 80% of employers report such challenges.³

"The difficulty of procuring global talent is undermining Tokyo's economic competitiveness."

Heizo Takanaka, Economic Advisor to Japanese Government

According to Deloitte/Fortune's latest CEO Survey, this talent shortage is the top issue that CEOs are currently facing and is compounded by the escalating impact of the 'Great Resignation' and low job satisfaction rates in Japan.^{4,5} Amidst this backdrop, the competition for global talent is fierce. This exacerbates the challenge for Japan, which has historically struggled to compete with Asian Global Centers including Singapore and

Hong Kong due to numerous factors including low pay, inflexible working culture and the emphasis on local language proficiency.^{6,7} According to a 2021 Nikkei survey, more than 70% of specialist positions open to foreigners require full fluency in Japanese (N1 proficiency on the Japan Language Proficiency Test), while fewer than 40% of job seekers have that qualification.⁸

Demand for globally-minded talent

With limited growth forecasts locally, much of the growth opportunity for Japanese companies lies outside of the country. To access and capitalize on this growth, it has become a business imperative for companies to realign business and talent strategies with the ever-evolving talent and skill requirements. In doing so, talent strategies must evolve to access, engage and develop "globally-minded" talent and to realign the organizational culture accordingly.

A globally-minded talent profile is inclusive and not defined by one's country of birth or nationality. Rather it is a profile that embraces a curiosity for global issues and brings the perspective, experience and capabilities required to contribute and succeed in a global environment. In particular, globally-minded talent demonstrate soft skills, such as cultural intelligence, empathy,

collaboration, inclusivity and diversity of thought, that play a fundamental role in bridging the gap between different cultural contexts. Research has found that increased diversity among employees results in higher quality work, increased innovation, better decision making, greater team satisfaction, and more equality.⁹

Some companies in Japan are recognizing the new opportunities and aspirations that globally-minded talent can help unlock. During the COVID-19 pandemic, Japanese staffing firm Pasona Group evolved their business strategy to include a focus on supporting Japanese companies to address local digital skill shortages by recruiting overseas IT professionals to work remotely from abroad.¹⁰ Now as Japan's borders re-open, companies such as Line, Rakuten and Mercari, have made plans to step up recruitment of skilled foreign workers, particularly engineers in areas of high demand.¹¹ The Japanese government also recognizes the need to attract global talent and is aiming to hire 50,000 highly skilled Asian professionals in digital technology and other in-demand fields over the next 5 years.¹² While this represents some progress, there is still more to be done to harness the full potential of globally-minded professionals to help create growth and support the competitiveness of Japan Inc. into the future.

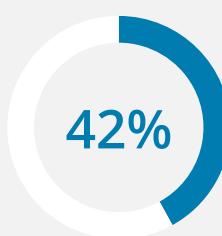
The case for change – Japan's situation in numbers



Rate at which the number of Japanese Fortune 500 companies has dropped



Percentage of Japanese employers who struggle to find talent with the right mix of skills



Percentage of employees in Japan who feel satisfied at work

How to harness the full potential of globally-minded talent

The case for globally-minded talent in Japan is clear. However, for many organizations, it can be a challenge to set a clear vision and strategy for embedding globally-minded talent into their businesses. Regardless of where an organization might be on that journey, the following three actions are foundational to beginning the shift to leveraging a Global Talent Strategy as a competitive differentiator.



Inspire a global vision through diverse leaders

Building a global culture that inspires performance requires leaders that have experience and the ability to harness the differences across diverse markets and cultures to elevate their contribution and impact within a local context. This requires awareness of cultural nuances and complexities to motivate different audiences. A global leader views the unique opportunities and aspirations across markets and cultures as supportive to executing a global vision rather than as an obstacle. As globalization continues to slowly make headway across the Japan market, companies with diverse executive teams have been shown to be 36% more likely to outperform their competitors.¹³ Leaders of Japanese companies must be intentional in acting to embrace and embed a global mindset throughout the DNA of the organization. This requires energy, trust and confidence of the value and potential that globally-minded talent can help unlock.

"To truly embrace globalization, you need to have an international team that represents the global nature of the company."

Christophe Weber, Takeda CEO

Takeda, a pharmaceuticals company with a deep history in Japan, has taken steps to achieve a global vision through its approach to Leadership and Talent management. Christophe Weber was the first foreigner in the company's 240-year history to be appointed as CEO. Despite some initial resistance, his global outlook has been pivotal in driving successful international growth, building a culturally diverse executive team and introducing internal programs focused on identifying, developing, and supporting upcoming global leaders. This has created a platform to help elevate the experience and impact for its customers across diverse markets, strengthening financial performance.¹⁴

Global leaders can also help embed a broader world vision for Japanese companies. Canadian Sarah Casanova became CEO of McDonalds Japan in 2014 following a significant drop in sales. Armed with her experiences working across the region, Sarah led the transformation of the organization with her deep knowledge of the McDonalds business model and its global vision and culture. Leveraging playbooks she had learned in other markets, she closed more than 100 unprofitable restaurants and empowered teams across the country to make their own business transformation decisions. She also introduced several new features to engage local customers, such as specialized, locally inspired seasonal menu items.¹⁵ Sarah combined global best practices with local tastes and cultural traditions which resulted in a record profit of 15 billion yen in less than 3 years.¹⁶

Build an inclusive & collaborative environment by removing cultural barriers

The homogeneity of the Japan working environment can lead to unintentional pressure to conform to certain standards and expectations. Indeed, many globally minded professionals feel pressure to assimilate to local workstyles and cultural codes in Japan, and this can be a factor in them leaving a company or even the country.¹⁷ To fully harness and unlock the value of global talent, companies in Japan should aspire to create inclusive working environments whereby their diverse skills, insights and experiences are celebrated.

An inclusive organization is one that is adaptive and recognizes the differences among its employees. Research shows that inclusive workplaces bring out the best in people and as a result, are six times more innovative and twice as likely to meet or surpass financial goals.¹⁸ When building an inclusive environment, the first and foundational step is giving employees an equal chance to participate.¹⁹ For globally minded professionals, language is often a barrier to their ability to effectively engage and participate, especially in Japan where less than 30% of the population speak English.²⁰

"Simply put, companies that don't globalize will not be able to compete in the economy of the future. It's not a choice — it's something we have to do."

Mickey Mikitani, Rakuten CEO

More and more Japanese organizations are introducing English as a single common language to drive an "as one" global culture that expects and enables connection, collaboration and engagement among employees. Rakuten, a Japanese e-commerce company, famously introduced an "Englishnization" program over a decade ago during a challenging period of global expansion. The CEO Mickey Mikitani supported his employees by launching in-house English classes and after only two years, more than 90% of Rakuten's workforce had achieved the required competency level.²¹ While controversial at the time, the move has allowed Rakuten to operate globally at scale and attract diverse talent – the Tokyo headquarters alone now has employees from more than 70 countries.²²

While using English as the primary language may not be right for many Japanese organizations, the key to inclusion is ensuring that all individuals feel valued and that they belong to the group and can make a meaningful contribution, regardless of their differences. This could be through providing AI translations, Japanese language instruction or other means to drive inclusion for those without Japanese native fluency. Another Japanese e-commerce platform Mercari not only recognized the power of an inclusive approach to language, but also the need to do more. They created a Global Operations Team (GOT) to provide translation and interpretation support for teams working globally.²³ Since its inception, that team has continued to evolve in its purpose and impact supporting Mercari's global talent strategy, and is now driving Diversity & Inclusion (D&I) and intercultural programs.²⁴ This evolution of the team reflects recognition of the importance in pairing language enablers with broader D&I programs to create a global and inclusive experience that energizes and motivates diverse teams to thrive and stay with the organization.

Listen, adapt and iterate based on the ever-evolving needs of your talent & business

Efforts to inspire and include are important, however they are difficult to make truly effective if employees don't feel they have a voice. Therefore activating data and listening channels to drive empowerment and enable understanding of the unique hopes, fears, needs, ambitions, and challenges of globally-minded talent is a critical success factor. Further, it is key to the execution of the overall strategy and prioritized initiatives with purpose, meaning and impact, with a focus on unknown and unmet workforce needs.

At Deloitte Tohmatsu Consulting (DTC), the Global Talent Initiative (GTI) was established in 2020 with a mission to make DTC more globally competitive to better support international clients in Japan and overseas, by aspiring to make DTC the career destination of choice in Japan for globally-minded professionals. Since its inception GTI has taken a 'listen first', data-driven approach to capture and understand the sentiment of its members. The knowledge and data collected drive the GTI strategy and roadmap of prioritized initiatives. GTI members are engaged regularly through diverse listening channels, including 1:1 check-ins, focus groups, events, online surveys and pulse checks. The approach has enabled GTI to think big, start small and move fast, while constantly adapting and evolving to align with the needs of its members. Most importantly, it helps its members contribute to something greater than themselves.

Case Study: Global Talent Initiative at Deloitte Japan – *From Inclusion to Belonging*

For several years at Deloitte Tohmatsu Consulting (DTC), some bilingual professionals and those with experience outside of Japan had often felt under or mis utilized, or even out of place. In a grassroots effort to address this, a number of globally minded Partners and professionals came together to launch the Global Talent Initiative (GTI). This quickly gained management support, as it simply made business sense. GTI aimed to make Deloitte more globally competitive which is good for its people and for its clients.

One of the ways of doing this was to create a community where global opportunities, experiences and best practice could be shared. This objective was supported by three key principles – inclusion, data-driven and agile. These three principles together have helped GTI evolve to create a dynamic environment where members have genuine connections and feel like they truly belong. GTI participation is driven through an online community platform, regular meetings and events of multiple formats. It started during the COVID-19 pandemic with most events being large, one-way online presentations with breakout sessions. In the spirit of being data-driven, GTI members shared feedback to engage with others on a smaller scale and these large events are now supplemented with Pods (5-6 members) and regular one-to-one Partner meetings. GTI's success is best communicated by its members who have provided the following quotes as part of a recent survey:

“ What I like about GTI is the open door to global projects. I have reassurance that there is an avenue to access global opportunities and connect with like-minded people. ”

“ GTI is a hub – it is an accumulation of all of Deloitte's efforts. A thread that connects people and pieces, where often it is difficult to meet similar people (especially in COVID). ”

“ Looking back on my first year as part of GTI, I'm really happy to have joined this community. ”



Looking ahead

The increasingly competitive battle for Talent has required organizations to reevaluate business strategies and reorient talent models to elevate the ability to access, engage and develop the talent required to be successful. We are in a moment of choice and consequence, where setting a bold destination for all organizational strategies — business, workforce, and social — is vital. For Japanese companies, embedding Global Talent Strategy at the core of their organizational strategies as a strategic differentiator, offers important and exciting opportunities and possibilities.

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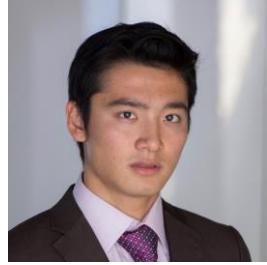
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