Management and Diversity

In June 2022, Professor Iriyama of Waseda University, who specializes in business administration, and President and Representative Executive Officer Asami discussed the topic of Management and Diversity. They also exchanged views on human resources and organizational challenges.

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Profile

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After working at Mitsubishi Research Institute, where he was engaged in research and consulting mainly for automotive manufacturers, as well as domestic and foreign government agencies, he received his Ph.D. from the University of Pittsburgh School of Management in 2008. Since that same year, he worked as an assistant professor at the State University of New York at Buffalo School of Business. After becoming an associate professor at Waseda Business School, Waseda University Graduate School in 2013, he was promoted to professor in 2019, and now specializes in Business Administration.

Promoting Task Diversity

Asami: EBARA is a company that has continued for more than 100 years by developing and providing products and services that were needed for each era. EBARA's origins began with a university venture and the goal of creating a pump made in Japan, but reality has turned out so completely different that I think our founder would be surprised if he saw EBARA today. EBARA has dynamically adapted to the changes, but there do remain some rather stagnant parts of the Company, perhaps because of the sense of security from lasting for a century.

By 2030, the Group aims to become a place where regardless of nationality or gender, people can think for themselves, take on new challenges proactively and with a sense of speed, and enjoy achieving results. However, I do sense some resistance to change: the current EBARA is centered in Japan and has been around for one hundred years, so why not keep doing what has been working? I believe we lack speed in some areas, so we are implementing various initiatives to improve these areas.

For example, so far, diversity & inclusion has been centered on the promotion of women's activities, but in the fall of 2021, we decided to focus not only on women, but also a broader range of people to make the Company more diverse and enable people to continue their careers even after life events. We launched the new diversity project and have started recruiting members (details on page 49). More than 40 people applied for the 15 spots, with a variety of ages, nationalities, and divisions represented.

Iriyama: To be honest, I was surprised to learn that EBARA is proceeding with such a focus on diversity.

Asami: I suspect that it may mainly be the other project members and I that presently share this thinking. It will take time for this to permeate throughout the entire Company.

In fact, I have noticed this in my conversations with the project members, and it has taught me that visible differences as well as our individual aptitudes are equally important. It was at that time that I learned about the term "task diversity,"* and we are currently working on that initiative.

In addition to the diversity project, we are also implementing HR tech. In hiring interviews, people who have good rapport with the interviewer are more likely to be hired, which tends to bias the aptitude of the personnel. We also use aptitude data and are trying to expand data-driven recruitment based on objective fact.

* Invisible diversity of experiences, ideas, majors, work history, etc.

Strategically Create HR and Organizations

Iriyama: My general impression of EBARA was that it was quite stiff and traditional.

Asami: It is very stiff! Let's not kid ourselves. Many people do things because they are supposed to do them or because they are told to do them by their supervisor. I believe that there are few people who have the sensitivity and imagination to consider what others will think about what they do and do their jobs. This is where EBARA needs to change.

Iriyama: I believe that many major Japanese companies face these same kind of problems. A company is ultimately about people and organization, and I understand that the biggest reason for these challenges is that Japanese companies have not strategically created personnel and organization.

There are two issues that major Japanese companies face with regard to human resources and organization. One is that top management in Japan has not been strategic about it, maintaining the strategy of developing human resources through a specific corporate culture. I think it is great that you are committed to this change. If the president won't do it, you would need a strong chief human resources officer instead.

Asami: We have a new Human Resources Division Executive as of April 2022, and I expect he will be even more passionate than I am.

Iriyama: That's good! Another thing is that HR work takes time. People don't change easily. It's possible for an individual to decide to change themselves, but people don't easily change from outside influence. We need to allow a good amount of time to create space for change. I think that changing HR will take at least ten years and, if that is not enough, then perhaps twenty years.

I'm very impressed by EBARA's efforts, and it is important to know how you are working over the long term. I believe that the reason why Japanese companies are not addressing diversity is because the term of office of the president tends to be short. If the president changes after two or three years, the initiative will not be continued. I believe that the presidency should be a one-year term renewed annually, and if the person is very good at the job, he or she should be prepared to continue for twenty years or so.

Company Vision Aligns with Employee Ambitions

Iriyama: I believe that what your company is trying to do is the kind of work that will be required of humanity in the future. On the other hand, what is lacking is a sense of urgency. If people in the company are not moving, it means that there is not enough urgency. It is important to show a concrete sense of crisis that EBARA will no longer exist in 10 or 20 years if things continue as they are.

If people recognize that, then despite the crisis, we will actually be able to exert tremendous power in the future as social contribution and business are integrated, I think it will be easier to recruit a diverse workforce.

Asami: I wanted to increase profitability first, so I sent out a video to employees about what I wanted to do. In my message, I said that if we can increase profitability, we will have the resources to achieve E-Vision 2030, and we have since achieved the current operating profit ratio. I believe that by continually exhorting employees to continue growing and by envisioning the bright future that can result, they have gradually come to understand what the Company is trying to do and become more engaged.

Iriyama: That's very good.

Asami: Professor, you say that experiencing a sense of crisis is important. Through these experiences, diversity will grow. I agree with that. I have been in sales for a long time and lived in the U.S. for more than seven years, and I have found that people grow the most when

they have the experience of having to go abroad alone as a minority and learn to live in a different country.

Iriyama: One of the things I try to touch on at the end of my lectures on diversity is the topic of the minority experience. Japanese middle-aged men in top Japanese companies have only had majority experiences in their lives.

A society in which everyone is a minority is a diverse society, and in such a society, people can accept others, but those who have only had majority experiences won't feel that way.

Asami: If you have been abroad and experienced not being able to communicate in your native language at all, you can sympathize, but those who have not had that experience do not know what the situation is like. It's almost like a battlefield.

Iriyama: Yes, I agree. I am all in favor of having people experience these challenges, but a very large problem with Japan's human resources today is that they are unable to make decisions, and decision-making personnel are not being cultivated.

In Japanese companies, it is easy to nurture people who can reliably carry out orders that come down from above. But an important skill is being able to make decisions in situations where there is no right answer and then, once a decision is made, to explain the decision and work through it. People who have "battlefield" experience are able to do this.

Asami: I tell my employees not to just do what has been decided, but to think about what can be done better or what can be changed. I say do the right thing, but the right thing is not the same today as it was yesterday. It's okay to be wrong and to take risks and make decisions. We need people who can make such decisions to become leaders.

After I became president, I heard from an outside firm interviewing candidates for executive positions as part of a training program that everyone is serious and unusually loyal, but they have no vision. When asked what they think the company should look like three or five years from now and how they intend to contribute to that, they can't answer the question.

When I train the next generation of leaders at EBARA, I first ask, "Do you all know why you are here?" I tell them, "You are only here because you have done what you had to do and have continued to produce results, but you have probably never thought about the Company's current situation or where it is going." I tell them that I don't want them to stay the same and that I want them to think carefully about it. After three years of doing this, I have the impression that things are gradually changing.

Iriyama: That is also a very important issue, and what's just as important is making sense of broader context. Since Japanese companies have been employing people for their entire lives as their hiring style, employees do not understand why they are working there. Japanese company education does not allow them to plan their dreams for the future.

Therefore, the first important thing is to have a clear idea in mind of what you want to do in the distant future. It is ideal when a company's vision and each employee's ambitions overlap.

Active Discussions and Psychological Safety

Asami: Since I became president, I have been saying that we should have more discussions at EBARA. At least three people, preferably four or five, should get together to discuss an issue, and if they get stuck there, they can invite more people to come and talk. However, we also believe that it is not enough and that we must promote the concept of task diversity.

Iriyama: Diversity is not easy, and a diverse organization is essential for innovation, but diversity makes meetings very contentious, and that directly leads to innovation.

Really active discussion is important, and these lively discussions lead to decisions and innovation.

Asami: Right. The results of a survey of employees conducted by the Diversity Project highlighted the importance of "psychological safety. In reality, a flat organization is ideal, but because of the hierarchy, it is difficult for lower-level employees to speak when their superiors are speaking. They don't ask questions or express their opinions because if they say something

they will be criticized or told to do it themselves. However, if you don't ask questions, the discussion will not begin. I keep saying internally, "Let's ask questions first. If you don't speak your mind, there is no point in being here." However, I also unconsciously use words such as boss and subordinate, senior and junior, so I'm trying to stop and instead use words such as team, member, and leader.

Iriyama: I think it is important because that kind of psychological safety is lacking in Japan, but on the other hand, I recognize that it will take time. I believe management is the key, do you do anything about that in your management training?

Asami: Communicating with subordinates in one-on-one meetings has become much more widespread. I used to be a person who rarely listened to others and did what I thought was right like a bulldozer, but in coaching before I became president, I was told that was not good enough and that I should become a good listener.

I was instructed to do one-on-one meetings of 15-30 minutes with thirteen people each week, including business managers, and not to speak up during meetings until I was asked for my opinion.

Iriyama: I think it is very important for a president to listen and refrain from speaking. For innovation to occur, discussions need to be active, and without psychological safety, such discussions will not take place. What is important for this is facilitation. We live in an age where AI does the management, so what leaders do is facilitation. The secret of facilitation is simple: don't speak. It is important that the idea of psychological safety be extended to the middle-management level, which tends to speak a lot.

Asami: There are many managers who just do one-on-ones because the company tells them to. Members who don't feel comfortable with the manager won't say what they really think, and then they won't know what the one-on-one is for. In the end, it may end up feeling like a top-down lecture.

Iriyama: If we don't have a clear idea of what we are doing and why, we will just do it because it came from above. So, with regard to diversity, the most important thing is to get it into your gut what you are doing it for. If that is not the right place to start, we will never proceed. The simplest reason why we do what we do is because it is essential for innovation.

In a rapidly changing world, if we don't innovate 20 or 30 years into the future, the company will collapse. To

innovate, you need to combine different types of knowledge, and diversity is necessary for this purpose. And since psychological safety is necessary for diversity, the bosses are told that they should not talk in meetings.

Asami: Managers have to coax out input.

Iriyama: Exactly. Even though Mr. Asami and those around him know the feeling, it has not yet permeated the entire company, which of course means that it will take time, but I think it is important to get people to understand why it is necessary deep down.

Change the Whole Picture, Not Just Diversity

Iriyama: Another thing I would like to mention about diversity is path dependency. A company is complex, and it runs because a lot of things fit together. Conversely, it is impossible to change only those parts of the company that do not fit the times. Since your company is also an old company, I think it is possible that it has been running well with the system in place at a time when changes were not as drastic as they are now. That system is set up with high homogeneity and low psychological safety, but it is impossible to change just that, so the whole system needs to be changed. It can be verbalized as path dependence. It isn't possible to do only diversity, so it is very important to change the whole process.

Asami: It means that we have to re-create our system with the intention of discarding everything that has been done before.

Iriyama: I think that the direction you are taking EBARA is excellent.

Asami: I believe that we need to change our personnel system and hiring practices, as well as other aspects of our business, toward innovation in the future. Thank you very much for your time today.