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# The Personnel Management Cases of Foreign-affiliated Companies

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## 3 . U.S. Companies

(Chemicals, Medical Supplies/Pharmaceuticals)

**2002**

**The Japan Institute of Labour**

The Personnel Management Cases of Foreign-affiliated Companies  
(3) U.S. Companies (Chemicals, Medical Supplies/Pharmaceuticals)

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## *GE Yokogawa Medical Systems, Inc.*

### ***I . Corporate profile***

Business Category:	Manufacturer (medical machinery and equipment)
Workforce:	1,500
Location:	4-7-127 Asahigaoka, Hino, Tokyo, Japan 191-0065
Founding Year:	As a result of the merger between GE (General Electric) and Yokogawa Electronics, Yokogawa Medical Systems, Inc. was founded in 1982. It was renamed GE Yokogawa Medical Systems, Inc. in 1994.
Capital:	11.38 billion (11,380,000,000) yen
Parent company:	General Electric (USA) / Yokogawa Electronics
Foreign Capital Percentage:	GE 75% / Yokogawa 25%
Business Areas:	Development, production, importation, sales, service and leasing of medical diagnostic imaging apparatus

### ***II . Main Points in the Personnel Management Scheme***

- The management policies and personnel system of GE Yokogawa Medical Systems (hereinafter called "GEYMS") are basically identical to those of the GE group, which has 300,000 employees. Employees with high capacity are, even at a young age, assigned significant tasks and, accordingly, human resources development is being implemented aggressively so that employees will "exert their strengths in a more global leadership position, as opposed to simply aiming for the office of President as their final career goal."
- With "Pay for Performance" as the fundamental concept of its personnel system, employees of GE Yokogawa Medical Systems are evaluated on the basis of their individual performance, and their wages and any increase thereof are determined in accordance with such evaluation results. They, however, are not evaluated solely on the basis of their performance. Other points of consideration include their actual fulfillment of the behavioral standards called "Leadership Values at GE," which commonly govern all employees of the GE group, their contribution to the company and the degree of sympathy for the corporate culture and values at GE.

- Influenced by Yokogawa Electronics, GE Yokogawa Medical Systems has an independent labor union. All its employees, excluding those in management positions, belong to the union, totaling approximately 1,100 members. Due to this special background, the current personnel system of the company partially contains Japanese-style traits inherited from its former organization, although the personnel system of the GE group is applied overall.

### ***III . Basic Ideas Regarding the Personnel Management***

#### ***1 ) Recruitment / Employment / Retirement***

GEYMS recruits employees on its homepage and advertisements in magazines and newspapers (roughly twice a year) as well as through the use of employment agencies, references from its contacts, transfers from other companies in the GE group upon in-house recruitment, etc. As it is costly to conduct recruitment through an employment agency, although the quality of applicants is higher, GEYMS varies its recruitment methods by, for example, placing advertisements in magazines and newspapers when it seeks to employ a large number of workers. On rare occasions, it also conducts executive head-hunting through an employment agency when searching for staff at the general manager level or with special professional skills such as the qualification as a lawyer.

As the flow of employees, including cases of retirement and inter-departmental transfer, is relatively frequent in the sales and maintenance divisions etc. in which more than 300 employees are working, GEYMS is continuously filling positions in these divisions throughout the year. The company, however, never expands the number of personnel on a large scale in response to sales increases etc. because it attaches importance to the productivity improvement by a certain fixed number of staff. Currently, the ratio of entry-level employees (recent school graduates) to mid-career employees is approximately one to two.

Work experience is the most focused aspect of its employment criteria for mid-career applicants seeking a position in the sales department. Those who have successful work experience by showing excellent performance in the sales department of another company are evaluated particularly highly. While it is not a requisite, experience of working in the medical industry is also given particular

consideration. In such cases, a broad range of industries may be considered to be 'medical,' such as the pharmaceutical industry, even though they differ from the industry that GEYMS operates in. English skills are not required.

For mid-career workers applying for a position in the maintenance department of medical diagnostic imaging apparatus, skills as an engineer are naturally part of the required criteria. Those who have experience as a customer service engineer in a similar industry are also well-evaluated even if it is not the medical industry. Personal communication skills are also considered in the application process as communication with customers is necessary. As with the sales department, English skills are not required.

The personnel working in GEYMS consisted only of its own employees at the time of foundation, but now it is becoming increasingly frequent to use temporary staff (dispatched from an employment agency) and/or contracted workers, as is also the case with other companies. Temporary staff are actively assigned in almost all the departments, except for professional positions such as engineers in the development and maintenance departments. In addition, approximately 150 part-time workers are hired on a hourly-wage basis on the production line in its factory.

## **2 ) Wages**

At GEYMS, an age seniority-based wage system has been abolished in all of its personnel management including wage increases, promotions and bonuses. The process of abolition, however, was implemented in phases in consideration of the relationship with its labor union. Firstly, the age seniority-based pay scale was abolished with the age-linked wage system still remaining. By abolishing the age seniority-based pay scale in which wage amounts were set according to age increase, any future raise in age-linked wages that would otherwise ensue thereafter was stopped. As a next step, the age-linked wage was incorporated into the base wage scale and all the wages containing the word 'age' were thus abolished.

While GEYMS succeeded to completely remove all age-linked wages from salaries payable to employees who joined or would join the company after the said measure was taken, however, the salaries being paid to those who had already been employed before that time still contain a portion that essentially corresponds to age-linked wages without assuming such name. Negotiations with the labor

union are currently proceeding regarding this matter with a view to reaching an agreement in the middle of the 2002 business year.

### **( 1 ) Calculation Methods for Base Wages and Wage Increases**

Base wages are determined in accordance with the grade of job of each employee, based on the basic notion that wages should be paid relative to the degree of his/her contribution to the company (significance of job x performance). Wage increases are determined in accordance with the annual evaluation for the preceding year.

Employees in the same position of job are treated equally in the salary system, regardless of age or the number of years of employment. However, a certain range of variation is permitted in salary determination for employees in the same grade of job. This allows the company to manage job-based wages effectively. One central figure is set for each grade of job and salaries range between 75% and 125% of this amount.

This central figure is called the base wage policy line and shows a salary level that the company should pay in each band of job. The base wage policy line is a market standard of salary calculated on the basis of various research on salaries, representing the current salary range existing at GEYMS and its external competitiveness.

### **( 2 ) Bonuses and Merit-Based Wages**

Previously, performance evaluation in the first half year was reflected in a summer bonus, that in the latter half year in a winter bonus and annual performance evaluation in a wage increase in April. Currently, however, the amount of both summer and winter bonuses is fixed for both clerical and management positions and merit-based wages are paid in March on the basis of the business performance of the company and an individual performance evaluation.

To further understand the system, suppose, for instance, that the total amount of bonus wages paid in summer, winter and March corresponds to 6.5-months' worth of salary in 2001; the amount of summer and winter bonuses would each be fixed as corresponding to 2-months' worth of salary, amounting to 4-months' salary in total, and the sum of the remaining 2.5-months' wages would vary according to an annual evaluation (in the case of employees in a management position).



### ***3 ) Personnel Review and Evaluation***

GEYMS was founded as a result of the merger between GE and Yokogawa Electronics to operate as a Japanese branch of GE Medical Systems, which is one of 11 business divisions of the GE group. Inheriting the labor union from Yokogawa Electronics, GEYMS originally started under the same personnel system as applied by Yokogawa Electronics. It has been trying actively ever since to introduce a personnel system that reflects the philosophy of GE, shifting from the Japanese-style personnel system. The Japanese-style personnel system still partially remains, but the current system is basically in line with the GE-style system.

The basic philosophy of its personnel system mentioned above is "Pay for Performance." With old systems including age-linked wages abolished, employees are now evaluated according to their own performance. Employees with a high performance are rewarded with a wage increase, but those with a low performance will not be granted a wage increase regardless of union membership.

In addition to performance evaluation under the objective management system, employees are also evaluated annually in light of the "GE Leadership Values." Under the objective management system, each employee sets his/her own annual objective on the basis of the role expected of his/her job and organization-wide objectives. The degree of his/her objective achievement is evaluated in an even-handed and fair manner and subsequently fed back to the employee. By enhancing the quality of this process, the company intends to give employees the sense of accomplishment in their work and galvanize them to undertake a higher-level task. Consequently, the grade of job of each employee is determined on the basis of job evaluation results and the wage level is defined according to the grade of job thus determined (job-based wage system). With the introduction of a system called 'Session C' that is conducted annually on a regular basis in all the organizations under GE, the organization of GEYMS and its personnel are also reviewed in order to enhance its overall organizational strengths.

The above is the explanation of the personnel review system of GEYMS. There are also other systems pertaining to it, namely, 'Job Grading System (known as the 'Career Bands' within the company),' 'Session C' and '360-Degree Survey.'

The job grading system was adopted by GEYMS in 1995 with the view to shifting to a global band of GE. A grade of job is determined on the basis of job evaluation results by counting in the significance of each job (Hay Point). As three grades are defined respectively for clerical and management positions,

there are a total of six such grades.

For clerical positions, the job band of each individual employee is reviewed once a year by the applicable division on the basis of the 'Job Band Definitions' specified for each job band. For management positions, the significance of each job is redefined twice a year by the Personnel Committee with reference to evaluation results obtained by using the Guide Figure Profile Method of Hay Consulting. In principle, the grade of job of an individual employee corresponds to the significance of the job that he/she is assigned.

'Session C,' a personnel evaluation system, consists of an organizational and personnel review for the previous business year and the business plan for the current year. In view of these contents, the leader of each department reviews the organizational structure and personnel placement and, accordingly, determines and implements appraisal, promotion and development of employees working directly under him/her, a plan regarding prospective successors of major positions, and measures against low performers.

These evaluations are conducted on the basis of an EMS or Employment Management Summary. An EMS is a formulary sheet in which self-assessment by an employee and an evaluation by his/her boss are described. It is filled out individually by each employee and contains his/her personal history, educational background, capacities, performance over the preceding year, weaknesses and improvement measures thereof (specific action plan) and his/her own self-evaluation with regard to the 'GE Leadership Values.' His/her boss conducts an evaluation with reference to this sheet, personally meets with the employee to explain the evaluation and discusses a plan for the coming term together.

The 'GE Leadership Values' function as something like a behavioral guideline for GE leaders. At GEYMS, the contents are printed on a small piece of paper that, when folded, is similar in size to a business card, for each employee to be able to keep handy all the time (see Figure 1).

**Figure 1 : Nine Leadership Values**

Employees are provided with a foldable card that lists the 'Leadership Values' and always keep it handy.

## **GEMS LEADERSHIP VALUES**

### **1. Vision**

- Create a clear, concise and customer-oriented vision and communicate it.
- Lead your team or organization in a clear and attention-drawing manner.
- Based on the vision, determine the priority order, incentive-inducing objectives and evaluation methods.
- Guide others to make efforts in achieving business objectives from an affirmative and optimistic perspective.

### **2. Passion / Commitment**

- Set a high objective for yourself and others and achieve it. Be motivated towards growth.
- Praise others effectively to galvanize them.
- Take responsibility for success and failure.
- Constantly articulate an opportunity for betterment of customers, the company, workplace and/or yourself and aim for it.

### **3. Energy / Speed**

- Be action-oriented. Explore everything until the end with energy, spirit and motivation.
- Grab an opportunity before wasting it.
- Respond promptly to needs of customers, contractors, the management and/or employees working under you.
- Make a timely decision even under a tight deadline due to scarce information or any other pressure.

### **4. Global Mindset / Diversity**

- Show global consciousness and sensibility and feel no resistance to forming a diverse and global team.

- Act for the benefit of global business as a whole.
- Communicate with everyone with respect, trust and courtesy.
- Take the initiative on efforts to promote globalization and diversification of people, and cooperate in it.

### **5. Change**

- As opposed to responding to external pressure that requires a change, be motivated to make an experiment that would trigger a change ahead of an externally-imposed change.
- As opposed to fabricating an excuse to avoid a change, take it as an "opportunity."
- By means of benchmarking or accumulation of best practices, search for methods to improve the work environment, work methods and processes continuously.
- Take advantage of 'work-out' or other reform methods to delegate your authority to others.

### **6. Boundaryless / Team Player**

- Work with everyone effectively: vertically, horizontally, internally and externally of GEMS.
- Adopt appropriate communication methods and information networking effectively: via written documents, oral communications and e-mail.
- Pay attention to and make efforts towards contribution to the company-wide success of GEMS, as opposed to successes in modality, within your department or in a regional sense only.
- Listen to every idea, regardless of who provides it or from what venue. Listen effectively.
- Handle conflicts with others and take active measures to solve any obstacle to the effectiveness of your team.
- Keep a good balance between granting of the freedom to succeed or fail and the non-interference policy.

### **7. Integrity**

- Act with committed sincerity in making a business deal.
- Be as good as your word.
- Create an environment in which revelation of legal issues is encouraged.
- Show to others that you are always sincere in personal relationships and deserve trust, and gain their trust

## **8. Development**

- Select and employ capable personnel.
- Work out jobs and tasks for the benefit of development and growth of employees working under you: offer them training and skill-development experience.
- Give feedback on performance and career development frequently and frankly: make sure that your position is clear.
- Acknowledge performance of an individual employee or a team and reward it.
- Create an employee-motivating atmosphere and encourage risk-taking and experimenting as appropriate for achieving improvement.
- Know your strengths and weaknesses, learn from failures and make active efforts to respond to skill-development needs.

## **9. Quality**

- Add value to customers regarding every product, service and process offered.
- Pay attention to the quality, as with the schedule and budget, when it is necessary to make a daily decision.
- Be passionate about reaching a Six Sigma goal.
- Through improvement of defects, promote Six Sigma results so that countable profits can be earned.
- Allocate human resources and budgets to implement an endeavor for quality achievement.

(Source : This Figure was prepared on the basis of documents provided by GE Yokogawa Medical Systems)

Evaluation results of leader-level employees are expressed in the '9 Blocks.' The '9 Blocks' refers to a matrix that consists of nine blocks (3x3) with two evaluation lines of 'performance (the degree of numerical objective achievement)' and 'value (the degree of corporate value achievement),' each divided into three levels (see Figure 2).

The decision whether an employee will be entitled to enrollment in the leadership course as a high performer (Key Course Nomination) or subject to improvement measures as a low performer depends on which Block his/her evaluation result falls into. As it is clear from the fact that the Blocks are composed of two evaluation lines of 'the degree of numerical objective achievement' and 'the degree of corporate value implementation,' leader-level employees are required to understand and implement the corporate culture in addition to simply showing a good performance.

**Figure 2 : "9 Blocks" in Personnel Evaluation**

		Degree of Numerical Objective Achievement		
		(Sufficient)		(Insufficient)
		1	2	3
Degree of Corporate Value Implementation	(Sufficient)	1 Most sought-for personnel Future promotion is certain		A new chance should be given upon relocating him/her to another section
		2		
	(Insufficient)	3 Difficult to evaluate Although the employee may bring about results in the short run, the company will not benefit in the long run		Improvement plan should be carried out

(Source : This Figure was prepared on the basis of documents provided by GE Yokogawa Medical Systems.)

As values to be shared by all the employees working at GEMS, the GE Leadership Values are infused into and inculcated on employees at every possible occasion. The purpose of the 360-Degree Survey is to give feedback to employees, especially those in leadership positions, about whether or not these values are implemented, and to further enhance their own values or values of team members. The

Survey covers not only feedback from bosses of a certain employee but also from colleagues, employees working under him/her, and, furthermore, relevant external business contacts and customers, thus involving 360-degree feedback just as its name implies. The Survey is currently conducted with the use of the Intranet so that compiled results will be fed back faster.

Results of the 360-Degree Survey are reflected in an annual performance evaluation table (EMS) and also used as conditions for promotion to a management position.

#### **4 ) Working Hours / Work Schedule**

##### **( 1 ) Working Hours**

The monthly-adjusted flex-time system is applied with the core time set between 13:00 and 15:30 (a revision is scheduled for 2003). The number of average daily working hours is 7 hours and 50 minutes with a 55-minute lunch break.

Overtime wages are paid for any hours worked in excess of the average working hours.

##### **( 2 ) Non-Working Days / Vacations / Paid Vacations**

The five-day work week system (no work on Saturdays and Sundays) is applied and the number of non-working days is prescribed as 126 days per year (the figure for the 2000 business year), including public holidays, the consecutive 10-day summer vacation and year-end/New-Year vacation.

Employees are entitled to 15 days of paid vacation in the first year of employment and 17 days in the following year, but it is possible to take a maximum of 20 days off. In reality, a maximum of 23 days can be taken off by taking advantage of the extra vacation system as the privilege for non-absence etc. Sick leave is limited to 10 days annually with no repeat permitted, and the so-called 'refresh vacation' is allowed every five years. In addition to the above, leave for congratulations or condolences, leave for volunteering, childcare leave etc. are permitted.

#### **5 ) Employment Benefits**

##### **( 1 ) Types of Allowances**

While allowances for employees in management positions are basic, a large variety of allowances are offered to rank-and-file employees, such as a moving allowance, an allowance for temporary transfer without family, a business trip allowance, a dependent family allowance and a transportation expense

allowance (a revision is scheduled for 2002).

**( 2 ) Recreational Facilities**

GEYMS makes the following facilities available to its employees as part of its employment benefits.

( See Figure 3 )

**Figure 3 : Recreational Facilities**

Facility	Objectives
Tennis courts at the Headquarters	Tennis
Recreational facilities available under the Yokogawa Union Fitness Agreement	Located nationwide. Available for use at low cost

**( 3 ) Stock Option System**

The system is designed so that only roughly 5% of the highest performing employees will be assigned GE stocks. This privilege used to be offered to employees in management positions only, but the system has been utilized as a means to increase the degree of job achievement of employees in recent years and beneficiaries have therefore been selected regardless of whether they are in management or clerical positions.

**( 4 ) Various Monetary Awards**

Some portion of the budget is allocated to each department so that the general manager of each department will give, at his/her discretion, an award to employees who achieved an exceptional result. Awards may be granted for a variety of results outside the scope of an employee's normal line of work, such as making the internal homepage contents more accessible. Such an award is considered upon recommendation of self or other and is granted in the form of cash, gift certificates etc. It is not necessarily restricted to individual employees but each branch as a whole may also win an award, as is occasionally the case.

This system is positioned as a means to have employees implement GE's corporate culture and values of 'attending to a job with fun' while in the throes of daily pressure from demanding tasks, and will likely be further expanded in the future.



## **6 ) Education and Training / Skill Development**

### **( 1 ) Training System for Top Management Development**

The company requires its leading employees to acquire specialized skills essential in corporate management, such as in financial management, and leadership to effectuate a change, not to mention skills pertaining to their own line of work. In GE's Corporate Leadership Development Center in Crotonville, New York, prospective leaders are gathered from all over the world so that they will learn to become part of the global top management in the next generation. The Center offers a large array of programs, ranging from beginning-level programs for prospective leaders in their 20's and early 30's to advanced-level programs for current managers, including executive officers.

The advanced-level programs are learning venues for CEO candidates. They consist of, in order of seniority, the MDC (Manager Development Course) offered to general manager-class employees, the BMC (Business Management Course) offered to regular executive officers and the EDC (Executive Development Course) offered to senior executive officers. As all these programs are to be attended by employees who are given the highest evaluation in the 9 Blocks evaluation method etc. and are designed to develop the global management of the GE group, the screening process is quite rigorous. GEYMS also sends approximately two to three employees to these programs annually, the eligibility requirements for which are first determined through the recommendation of its President and subsequently approved by the Headquarters.

### **( 2 ) Miscellaneous**

At GEYMS, a wide variety of training programs are set in place for the purpose of offering skill development opportunities to its employees, including those mentioned above. One prominent example among such programs is a two-year special training program offered to regular employees with excellent performance records with the view to developing future leaders: attendees of this program can experience three or four six- to eight-month rotations, including overseas rotations. The purpose of an overseas rotation is not only to acquire language skills but also to learn job know-how and build up a personal network. Long-term dispatches to GE-group companies in America and Asia can also be categorized as skill development opportunities .

#### ***IV . Issues in Personnel Management and Directions for Solving Them***

Since its foundation in 1982, GEYMS has been actively introducing personnel systems in line with the philosophy of the GE headquarters. Due to the relationship with its labor union, however, there still partially remain some Japanese-style employment benefit arrangements and wage systems, including various types of allowances and retirement bonuses. The most urgent issue that GEYMS will face in the future is to overcome these matters and pursue a global personnel system in keeping with the GE headquarters, as well as how to implement the tenet of "Pay for Performance" in a thorough manner. This is also in line with the general direction of personnel systems applied in Japan.

Amid the current circumstances of growing social diversifications, GEYMS believes that they are also challenged with a new issue of designing work layouts adjusted to them. With the flex-time system already adopted, it is now becoming possible to increase the degree of freedom in workplace choice thanks to the progress in communication equipment. GEYMS is showing a positive attitude towards flexible arrangements for, for instance, employees who are occupied with the care of children or sick family members by allowing them to work at home. In addition, GEYMS is always listening to requests from work fronts and tries to create an attractive workplace, with the view to distinguishing itself from other companies and attracting high-quality personnel.

#### ***V . Difference Between Personnel Management in the U.S. and Japan***

In the United States, no overtime allowance is paid to personnel with highly specialized skills, regardless of whether they are in a management or clerical position. Companies instead adopt a wage system in which an employee's performance is evaluated in consideration of overtime work. On the other hand, many Japanese companies still hold on to the concept of overtime allowance except for employees in management positions. The current system allows a paradoxical circumstance to arise, in which employees with higher skills complete their job within the regular working hours and thus receive only their basic wages while those with lower skills are paid an overtime allowance, even if they are engaged in the exactly same line of job. This is an undesirable obstacle to the fair implementation of "Pay for Performance."

## *General Electric International Inc. Japan*

### ***I . Corporate profile***

Business Category:	Controlling company of the GE Group
Workforce:	Approximately 400
Location:	No. 35 Kowa Building, 1-14-14 Akasaka, Minato-ku, Tokyo 107-8453
Founding Year:	1962
Capital:	500,000 dollars
Parent company:	100%
Foreign Capital Percentage:	General Electric Company
Business Areas:	Having been established as an operation base of business sections outside of the United States, its Japanese branch is divided by business section, product classification or service category and is engaged in marketing, purchasing, technical support and customer service.

### ***II . Main Points in the Personnel Management Scheme***

- The GE Group is a giant corporation that hires a total of 300,000 employees worldwide, and General Electric International Inc. Japan (hereinafter called GEII) is one of its branches, which are located in approximately 70 countries all around the world to function as operation bases of its business sections outside of the United States. The GE Group has positioned the "GE Values," its global sense of values, at the foundation of its management and carries on schemes and policies that are based on the "GE Values" in its personnel management as well.
- Under the policy of the "GE Values," the GE Group has introduced "Internal Staff Recruitment," which enables those employees who have worked in the same department for more than two years to be transferred across different group companies or national borders through an internal staff recruitment system that releases information on vacant or new positions.
- "Six Sigma Quality" means that "the occurrence of defective products is limited to less than 3.4 units per one million units handled in a certain operational process": at the GE Group, it is set as a

common goal, by implementing the idea of "Six Sigma," to grow out of the paradigm of "quality improvement through product repair" and to provide without fail perfect or near-perfect products and services through "process design and improvement."

- The idea of "Six Sigma" applies not only to production and product development sections but also to all the other sections of GE, including management and control, and it is pursued to make it a more fully complete system by way of company-wide institutionalization and commitment.
- In an attempt to develop top-notch personnel, the GE Group has developed a "Leadership Development Program" in the areas of finance, IT, personnel and global management and nurtures future leaders via the Program.

### ***III . Basic Ideas Regarding the Personnel Management system***

#### ***1 ) Basic Concept of Personnel Management***

##### **( 1 ) GE Values**

Having advanced into the 90's, the GE Group set the "GE Values" (Figure 4) as the common sense of values for its personnel. Their application has enabled each of its employees to improve his/her capacity by gaining an understanding of new cultures and values as well as implementing them, thus also helping GE augment its corporate vigor as a result.

**Figure 4 : GE Values**

GE Values: In pursuit of promoting the GE of the 21st Century

**Unyielding Integrity, Commitment to Performance and Thirst for Change.**

**Passion for Our Customers:**

Measuring our success by that of our customers... always driven by Six Sigma quality and a spirit of innovation.

**Meritocracy:**

Creating opportunities for the best people from around the world to grow and live their dreams.

**Growth Driven, Globally Oriented:**

Growing our people, markets and businesses around the world.

**Every Person, Every Idea Counts:**

Respecting the individual and valuing contributions of each employee.

**Playing Offense:**

Using the advantages of size to take risks and try new things, never allowing size to be a disadvantage.

**Embracing Speed and Excellence:**

Using the benefits of a digital age to accelerate our success and build a faster and smarter GE.

**Living the Hallmarks of GE Leadership**

Passion for learning and sharing ideas

Committed to delivering results in every environment

Ability to energize and inspire diverse global teams

Connected to workplace, customers and communities... in touch with the world.

**( 2 ) Six Sigma**

"Six Sigma Quality" is defined as "the occurrence of defective products is limited to less than 3.4 units per one million units handled in a certain operational process," and the implementation of "Six Sigma" is aimed at growing out of the paradigm of "quality improvement through product repair" and providing without fail perfect or near-perfect products and services through design and improvement of the process.

The idea of "Six Sigma" applies not only to production and product development sections but also to all the other sections of GE, including management and control.

The details of the concept of this system are as described in Figure 5.

**Figure 5 : Six Sigma**

**Strategy of Six Sigma**

In order to materialize Six Sigma Quality, it is necessary to contain the occurrence of defects within 3.4 per one million times a certain single process is implemented. A defect is defined as "an occasion not to meet stipulated requirements." This means that very few defects should be allowed in

implementing a key process. Six Sigma is a vision that we are making serious efforts to have come true and is also the philosophy that forms a part of our corporate culture.

### **Key Concepts of Six Sigma**

There are several key concepts in the core of Six Sigma.

C T Q (Critical to Quality):	The most important attribute on the part of customers
Defects	Inability to meet customers' demand
Process Capacity:	What a process realizes
Variation:	What customers see and recognize
Stable Operation:	Making a process consistent and predictable in order to improve what customers see and recognize
Design for Six Sigma (DFSS):	Design intended to satisfy customer needs and process capacity

### **What Customers Feel Is Not An Average But Variation**

When viewing a business in an inside-out manner, we often refer to average factors measured recently. Customers, however, do not evaluate GE on the basis of average factors. What customers recognize is some variation of each single transaction or each single product delivered by GE. Six Sigma first focuses to reduce variation in processes and, as a next step, concentrates on the improvement of process capacity.

Customers highly value a process with consistency and predictability that can bring about world-class quality - and this is the very process that Six Sigma is intending to achieve.

### **GE's Commitment to Quality**

The Six Sigma efforts of GE have gained great success that has exceeded even the most optimistic prediction we had made in the past. The philosophy of Six Sigma, such as regarding customer preference and emphasis on data, is embraced on every corner of GE and is applied to every activity as well. We are committed to making this success even sounder. The route to realize such a commitment rests with sharing best practices regardless of business area and, with what strength we can muster,

delivering to customers better and speedier solutions.

## ***2 ) Recruitment / Employment / Retirement***

Each of GE Group companies in Japan, of which there are more than 40, conducts recruitment under the scale and form in accordance with its own needs. Although GEII conducts no periodic recruitment, it has introduced the "Leadership Development Program," a program intended to develop future leaders in various fields, including finance, IT, personnel management and sales/marketing, and recruits recent school graduates as well as experienced workers.

In the course of this two-year program, participants go through six- to eight-month long OJT's in the applicable program field, such as finance and IT, in multiple business sections. In addition to the OJT's, they also receive classroom training to acquire more specialized knowledge.

Upon completion of the Program after two years, they are assigned to an applicable business section within the GE Group as professionals in that field.

As the "Leadership Development Program" is a system that supports the foundation of the GE Group, its details are described in Figure 6 below.

**Figure 6 : Leadership Development Program**

**Financial Management Program (FMP)**

Targeted for Recent School Graduates and Employees with One to Two Years of Work Experience

- The FMP is a 24-month long intensive program during which participants rotate through four different assignments.
- The contents of the assignments include financial planning, accounting, operation analysis, accounting audit, business forecasting, business development, commercial finance, operation improvement by means of Six Sigma etc.
- In order for participants to acquire technical, financial and business skills par excellence, its coursework consists of the combination of OJT based on actual duties and classroom training. Participants are required to make high achievements in the coursework.
- The FMP enjoys a high worldwide reputation as one of the best programs of its kind. In financial development processes at GE, the FMP mainly functions as the first gateway.
- The FMP is a program that is implemented in all parts of the world. Currently, approximately 700 employees are working as FMP trainees, engaging in the businesses of GE in 20 different countries. In Japan, over 10 businesses support approximately 30 FMP trainees.
- Well-experienced program managers provide you with advice and support, and work as a bridge between you and various resources as well as help you develop yourself.
- Participants are evaluated for their achievements on several occasions both in classroom and work fronts. In addition to official evaluations conducted every six months, non-official feedback that is given from time to time is also included in such evaluation occasions.
- Those with particularly high achievements may also be given an overseas assignment opportunity (normally in Asia or America).

**Corporate Audit Staff (CAS)**

Targeted for Employees with Four to Seven Years of Work Experience



#### Mission of CAS

1. To develop future business leaders of GE on a global scale
2. To ensure integrity of controllership, compliance and financial statements
3. To promote important strategies and management initiatives for the purpose of supporting development

During the two to five years of their term of office, CAS gain experience in auditing and consulting operations regarding various businesses of GE. They work in cooperation with diverse teams around the world by rotating through four-month long assignments. This means that, every time they are engaged in another assignment, they will work with a new team and a new manager in a new place and operation.

In the course of each four-month long assignment, CAS must learn how the business or the whole process functions. They assess risks and detect key problems, analyze them in detail and come up with solutions, as well as facilitate and implement changes, and review the results with the senior management. This way, CAS can not only experience all the aspects of the business but can also obtain sufficient understanding of industries, market trends and leadership styles in the world.

After completing the CAS training, they are posted in an important leadership position, such as in financial and accounting management, business development and executive management, in respective businesses of GE.

"The CAS is an organization for the development of the most excellent leaderships at GE. Through state-of-the-art training, continuous feedback, direct interactions with the management, incentive and awards programs, engaging assignments etc., the CAS program provides participants with a suitable environment for unlimited development as professionals.

Keith Sherin

Chief Financial Officer, General Electric Company

### Information Management Leadership Program (IMLP)

Targeted for Recent School Graduates and Employees with One to Three Years of Work Experience

- The IMLP is a program intended to develop leaders of the next generation in the area of information management at GE.
- Participants go through four six-month long rotations in which they gain experience in technical management and project management in various businesses of GE. Through these rotations, they can accumulate experience in such areas as service, production and finance as well as find mentors and supporters in an array of businesses. The IMPL is extensively concerned with operational and technical issues as well.
- Participants can gain international experience through training and job in the course of rotations.
- Participants can receive OJT on businesses, career strategy, communication skills, problem solving, decision-making, project leadership etc.
- Coursework is given with respect to acquisition of knowledge on the latest IT applications and systems as well as their strategic application within GE.
- Those who complete the IMLP will have acquired a solid technical foundation and excellent project management skills, as well as business insight and the capacity to lead people around them.
- From the very first day of the Program, you are expected to make a significant contribution to the business.

### Human Resource Leadership Program (HRLP)

Targeted for Those Who Wish to Improve Their Careers in the Area of Personnel Management, Preferably Master's Degree Holders

- The HRLP is a program in which participants can gain high-level techniques related to personnel management, receive training on basic business concepts and accumulate hands-on experience in work fronts.
- Participants rotate through three engaging and extensive assignments, each of which is eight-month

long.

- Participants can acquire broad basic skills through hands-on experience in two HR assignments, and the third assignment takes place in a business area different from that of HR, such as financial and accounting management, quality control and business development.
- For the most part, participants may be assigned to any office of the GE Group companies. They can be assured that, no matter which place they are assigned to, they will be able to concentrate on the acquisition of skills with peace of mind by virtue of generous support, which is always available to them, and active information exchange.
- Participants can receive classroom training on high-level techniques related to personnel management and basic business concepts.
- Participants can seek to build broad connections with their colleagues and top business leaders from all over the world.
- In program seminars, they are given an opportunity to familiarize themselves with the main initiatives of GE and mix with top business leaders from all over the world.
- Those who complete the HRLP will have developed the skills of planning and implementing a strategic initiative capable of forming and maintaining a global and diverse team.
- People you are expected to meet in this Program are sure to become part of your valuable network in the course of your careers at GE.

#### Global Leadership Development Program (GLDP)

Targeted for MBA Holders

- The GLDP is a program to have participants acquire the foundation of technical and strategic skills necessary to become global business leaders in the future.
- Participants go through 6- to 12-month long assignments, customized for each of them, and receive training.
- Participants can receive OJT on businesses, career strategy, communication skills, problem solving, decision-making, project leadership etc.
- In its coursework, participants learn operation improvement based on the method of Six Sigma, risk

management, credit management, M&A, business routines, teamwork construction etc.

- Opportunities are available for rotations in various businesses as well as overseas rotations.

- Participants are expected to make a significant contribution to the business from the very first day of the Program.

- Those who complete the GLDP are expected to have acquired excellent leadership skills and also to fulfill their role as leader in reality.

### **3 ) Wages**

GE's basic principles concerning compensation are "Market Competitiveness" and "Pay For Performance." Under these principles, each group company sets wages on its own that are competitive in its respective market. In the meantime, the GE Group intends to move in the direction of eliminating differences between group companies as much as possible, especially with respect to common functions, in order to further facilitate communication between personnel of group companies in the future.

In the case of a company that joins the GE Group as a result of merger or acquisition, the possibility of change in its previous salary scheme and level will be considered as a part of the integration plan for that company.

At GE Japan, the Personnel Department sets salary review guidelines in consideration of work achievements of each employee and social conditions etc. but it is up to the direct supervisor of the employee, as opposed to the Personnel Department, to actually make a decision on his/her salary review on the basis of such guidelines. The employee will be informed of the review results by the supervisor.

### **4 ) Personnel Review and Evaluation**

#### **( 1 ) EMS**

Once a year, in the first half of January in principle, employees submit an EMS (Employment Management Summary) to their direct supervisor. An EMS is prepared by each employee himself/herself and consists of his/her personal records (educational background, awards granted, training received, work experience etc.), achievements made over the year under evaluation, his/her strengths and points to be improved, and requests for future job assignment. His/her supervisor later enters, in the capacity of manager, evaluations and comments concerning his/her achievements made,

strengths and points to be improved and requests for future job assignment, and uses it to feed them back to the employee. The EMS system is a global, Web-based system that employees can refer to at any time to see "How my supervisor evaluated me" or "What is expected of me this year," together with entries of the past years as well.

On top of that, EMS's are also important in that they are referred to as resumes and references at the time of internal transfer or application for internal staff recruitment.

## **( 2 ) Goal & Objective**

Apart from an EMS, a "Goal & Objective" is set once a year as well. This is the indication of objectives to be achieved over the year under evaluation in the form of specific figures etc. and, in conjunction with an EMS, is referred to for the purpose of personnel appraisal.

After documents describing the EMS and "Goal & Objective" of each employee are, upon completion of both, submitted to the supervisor who is one rank higher than his/her direct supervisor, both supervisors hold a meeting to determine evaluation results concerning the degree of objective achievement in the previous year and to set objectives for the following year.

## **( 3 ) 360-Degree Survey**

As a tool for employees to learn in an objective fashion "How people see me in the workplace" and improve and develop themselves, a "360-Degree Survey" is conducted once a year, although its results do not directly affect their evaluations etc.

In this Survey, an employee is given five-point evaluations by 8 to 15 people in three different relationship categories, i.e., supervisors, colleagues and customers, that the employee chooses himself/herself under the advice of his/her supervisor, who are asked to answer 5 to 60 questions on the Web. Customers as referred to here are not necessarily restricted to external people and may also be employees in other departments, for example, in the case of an employee working in a back-office section, employees in another department that provide service to the employee in the course of business.

The questions are intended to ask respondents about the competency of the targeted employee in terms of his/her behaviors based on the GE Values and include detailed and varied topics, such as "How well he/she understands customers in performing his/her tasks," "To what extent he/she could behave in accordance with the GE Values" and "How much leadership he/she exerts."

As the "360-Degree Survey" is first and foremost a tool designed for the purpose of giving feedback to employees themselves, no one else can access its results. Employees are encouraged to prepare an "Action Plan" in response to the results of the "360-Degree Survey" and submit it to the respondents of the Survey in return.

#### **(4) Internal Staff Recruitment**

One of the personnel systems that are applied on the basis of the GE Values" is its internal staff recruitment. This system allows employees to build up careers via their own will by contemplating and designing their role or position within the company on their own.

This system poses no barriers between group companies or no disadvantage due to age: it is a unique system of the GE Group in which employees can, if backed with ability and by efforts, advance their careers on their own responsibility, across different lines of work, business categories or even national borders.

### **5 ) Working Hours / Work Schedule**

#### **(1) Flexible Work Arrangement**

The Flexible Work Arrangement is a new system implemented as of April 1, 2002, under which the following five options are set in place to accommodate, in response to the needs of various lifestyles of employees, a work environment where they are able to show the maximum performance in their respective duties.

For an employee to apply for the Flexible Work Arrangement, it is requisite that a desired arrangement should meet the needs of the business that he/she belongs to and, if any problem is expected to arise upon introduction of such arrangement, the employee himself/herself must suggest a solution for such problem at the time of application.

##### **i) Flex Time**

Three hours of minimum working hours are set per day but an employee may arrange the rest in such a fashion that it will meet the minimum monthly working hours set under the employment rules, which will be implemented upon approval of his/her supervisor.

ii) Telework

The arrangement that allows an employee to work in a place other than the office approved by the company several days (four days maximum) a week.

iii) Remote Work

The arrangement that allows an employee to work in a place other than the office approved by the company five days a week.

iv) Reduced Working Hours

The arrangement that allows, for a certain period of time (3 to 6 months), an employee to set his/her working hours shorter than the regular working hours. Although an adjustment will be made to the salary for the effective period, the benefits, retirement allowance calculation etc. will continue at the same level as his/her status as full-time employee remains unaffected.

v) Compressed Work

The arrangement that allows an employee to work the five days' worth of minimum working hours in four days so that he/she can take the remaining one day off.

**6 ) *Employment Benefits***

Schemes for social insurance, employees' pension and retirement pension are all fully established.

**7 ) *Education and Training / Skill Development***

GE's main skill training opportunities that any regular employee is entitled to receive include "Presentation," "Negotiation" and "Finance." This is a program developed by GE itself that generally lasts for two days (refer to Figure 7); an employee can receive the training if he/she makes a request and his/her supervisor approves it.

**Figure 7 : Contents of Main Skill Training Programs**

<p><b>Presentation:</b> Develop presentation skills successfully Focus on presentation of results of Work-Out and Six Sigma</p>
<p><b>Negotiation:</b> Develop actual strategy for negotiation Use actual negotiation challenge participants currently have</p>
<p><b>Finance for Non-finance Managers Level 1:</b> Learn how to use finance and accounting principles for biz decision-making Understand financial impact of biz decisions and actions Understand basic GE financial strategy</p>
<p><b>Finance for Non-finance Managers Level 2:</b> Learn financially strategic thinking through case studies Financial statement analysis Profitability restructuring by controlling sales volume and price</p>

#### ***IV . Issues in Personnel Management and Directions for Solving Them***

As the system of Flexible Work Arrangement has just begun, the issue facing GE is how to have it penetrate and mature as an established system in the future.

By making use of this new system, GE wishes to create an efficient and agreeable work environment where the needs of individuals and the company (business needs) are harmonized with each other.

#### ***V . Difference Between Personnel Management in the U.S. and Japan***

The basic philosophy on personnel management does not differ between the United States and Japan. As GE's systems are always designed in a very flexible fashion, they are implemented in Japan upon taking the Japanese legal system and customs into account.



## *Johnson & Johnson K.K. Medical Company*

### ***I . Corporate profile***

Business Category:	Chemicals (Detergent, Healthcare Products)
Workforce:	Approx. 840 (as of January 2002)
Location:	East 21 Tower, 6-3-2 Toyo, Koto-ku, Tokyo, 135-0016
Founding Year:	1978 (Johnson & Johnson K.K.)
Capital:	4 billion yen (Johnson & Johnson K.K.)
Parent company:	Johnson & Johnson (USA)
Foreign Capital Percentage:	100%
Business Areas:	Import, manufacture and marketing of general health care products

### ***II . Main Points in the Personnel Management Scheme***

- "Decentralized management" and "community-oriented management" are the unique policies that Johnson & Johnson (J&J) bases its management on. Currently, J&J K.K. divides itself into three internal companies called "Medical Company," "Vision Care Company" and "Consumer Company." Medical Company is further subdivided into several divisions, each of which is managed independently as a completely separate business entity applying its own personnel and wage systems.
- Although J&J is globally comprised of approximately 190 autonomous units operating under the "decentralization" principle, all operations are unified under a single corporate philosophy known as "Our Credo," which clearly defines four responsibilities that each J&J group company is required to fulfill. As "Our Credo" serves as a symbol of the unity of all J&J group companies, it is the first priority for them to bring it into their daily practice.
- J&J calls its MBO (management by objectives) "performance planning." "Performance planning" is a management process in which an employee's achievement is evaluated by both the employee himself/herself and his/her supervisor relative to his/her yearly objective, his/her skills and behavioral patterns are identified, and his/her development plan is subsequently determined for the

following year.

- A survey operation called the “Credo Survey” is conducted every two years to examine and evaluate whether "Our Credo" is reflected in the behaviors of each group company or division. Consisting of approximately 130 questions, the “Credo Survey” is a strict evaluation standard directly linked to evaluations of each division head and has also become an essential tool in directing the whole group to be committed to the management founded on the right philosophy.

### ***III . Basic Ideas Regarding the Personnel Management***

As J&J's concept of "decentralized management" governs all aspects of its activities, each division applies different personnel and wage systems. While the Human Resource Department maintains consistency among divisions by supporting the divisions by means of assigning its staff as a consultant for them, it is up to each division to decide on what system to apply.

In keeping with its practice of allowing each division to follow its own management method, J&J has clearly defined in "Our Credo" (Figure 8) four responsibilities that each division is required to fulfill, namely, “Responsibility to customers,” “Responsibility to employees,” “Responsibility to communities” and “Responsibility to shareholders,” so that a single management philosophy is shared by all of its divisions.

As “Our Credo” is now considered to be something like a constitution at J&J, any profit earned by a practice in violation of “Our Credo” will not be counted in evaluations, which reflects the Company's strict stance against result-obsessed hook-or-crook sales activities or money worship .

“Our Credo” also plays an important role in MBO and skill development as will be discussed later in this document and accordingly serves as a huge support for the Company’s growth.

## Figure 8 : Our Credo

### Our Credo

We believe our first responsibility is to the doctors, nurses and patients,  
to mothers and fathers and all others who use our product and services.

In meeting their needs everything we do must be of high quality.

We must constantly strive to reduce our costs

in order to maintain reasonable prices.

Customers' orders must be serviced promptly and accurately.

Our suppliers and distributors must have an opportunity

to make a fair profit.



We are responsible to our employees,

the men and women who work with us throughout the world.

Everyone must be considered as an individual.

We must respect their dignity and recognize their merit.

They must have a sense of security in their jobs.

Compensation must be fair and adequate,

and working conditions clean, orderly and safe.

We must be mindful of ways to help our employees fulfill

their family responsibilities.

Employees must feel free to make suggestions and complaints.

There must be equal opportunity for employment, development

and advancement for those qualified.

We must provide competent management,

and their actions must be just and ethical.



We are responsible to the communities in which we live and work

and to the world community as well.

We must be good citizens - support good works and charities  
and bear our fair share of taxes.

We must encourage civic improvements and better health and education.

We must maintain in good order  
the property we are privileged to use,  
protecting the environment and natural resources.



Our final responsibility is to our stockholders.

Business must make a sound profit.

We must experiment with new ideas.

Research must be carried on, innovative programs developed  
and mistakes paid for.

New equipment must be purchased, new facilities provided  
and new products launched.

Reserves must be created to provide for adverse times.

When we operate according to these principles,  
the stockholders should realize a fair return.



*Johnson & Johnson*

### ***1 ) Recruitment / Employment / Retirement***

Both recent school graduates and mid-career workers are recruited in accordance with requests from each division head. Approximately 14 to 15 recent school graduates are expected to be employed for FY2003. For mid-career workers, approximately 120 to 130 become employed every year.

As a main process of recruiting recent school graduates, J&J invites approximately 2,500 recruits to attend its seminar who are pre-selected following document screening among those who earlier made application for employment with the Company through its website. During the seminar, attending

students receive explanations on what kind of operation each division engages in and will subsequently be asked to choose which division they wish to work in. After going further through the process, including resume screening, handled by the Human Resource Department and being interviewed by the applicable division several times, successful applicants receive an offer to work for J&J.

Although those who receive an offer are required to develop their English skills enough to score at least 700 on the TOEIC test by the time they join the Company, the offer will not be canceled even if they fail to meet this requirement.

While job openings for rank-and-file mid-career workers are mostly posted in newspapers, recruitment magazines and the Company's website, recruitment for departmental head positions or higher is conducted through employment agencies.

In highly specialized fields such as neurosurgery and the circulatory system, there is a limited number of people with expertise who can start working without training. Such expert workers hired by J&J in the past were mostly former employees of its competitors but the Company's current trend is shifting towards recruiting highly capable people with work experience in another industry.

As the Sales Department of "Medical Company" has found specific behavioral characteristics in the high performers within the Company, such as the "ability to make a good impression on customers," the "ability to work independently" or the "ability to manage oneself," mid-career job applicants are evaluated for their behavioral characteristics during an interview, of which results are given numerical scores so that the Company can judge how well each applicant's behavioral characteristics match those of high performers.

Other important criteria in the selection process include applicants' "sense of ethics" and ability to act with integrity.

English proficiency is an absolute requirement for manager-level job applicants but those with a good business sense may be employed as well even if they lack English language skills on the condition that they should improve the skills after joining the Company.

## **2 ) Wages**

### **( 1 ) Pay Raise**

In line with the "decentralized management" style of J&J, each division is given discretion to decide on its pay raise criteria as well as wage system. A significant feature of J&J's wage system is the fact

that wages are determined on a case by case basis in accordance with the applicable market trend and business model.

Under the average wage structure applied by the business units in "Medical Company" (with a workforce of 840), one of J&J's internal companies, the ratio between base salary and performance-based salary is 70:30. It should also be noted that the amount of base salary is, in principle, determined on the basis of each employee's performance of the previous business year.

## **(2) Bonus**

Bonuses are paid three times a year in June, December and February. Bonuses paid in June and December each consist of the portion which is based on the Company's quarterly results and the fixed portion which is calculated by dividing an employee's annual base salary for the year by 12, 14, 15 or 18. For a bonus paid in February, by which month the Company's financial results for the previous business year are all made available, employees receive an amount that is adjusted in consideration of the two past bonus payments (in June and December) after the results for the whole year are confirmed.

## **(3) Incentive Programs**

A variety of incentive programs are each implemented independently by different divisions of J&J: one such program that "Medical Company" finds particularly effective is an award called the "Cost Reduction Program" (CRP).

The CRP award is granted to ideas or efforts that contribute to cost reduction during each business year, and four to five groups receive the award every year. The incentive payment is 150,000 yen for each individual recipient and 300,000 yen for each recipient team.

One of last year's CRP award recipients was a team that contributed to annual cost reduction of approximately 20 million yen by discontinuing the use of single-use wooden crates and shifting instead to collapsible plastic foam containers in importing products from overseas. Since this team not only succeeded in cost reduction but their efforts were also in line with "Our Credo," namely, the part that stipulates protection of the environment and natural resources, it was given a particularly high evaluation.

There are other ingenious incentive programs, including the "Rookie Award" granted to a new employee who achieved the best results among peers. By applying such programs, each division tries to further motivate employees and helps augment J&J's corporate value.

#### **(4) Other Allowances**

Although J&J no longer offers such allowances as family allowances and housing allowances, it still covers other costs including commuting expenses and costs incurred as a result of position transfer. Social security contributions and retirement packages are also set in place.

### **3 ) Personnel Review and Evaluation**

#### **(1) Background and Concept of the New System**

In "Our Credo," the philosophy shared by all J&J group companies around the world, J&J clearly defines the responsibilities that every employee is required to fulfill. In the belief that employee development is the key to implement the values embodied in "Our Credo," the Company introduced an MBO program called "Challenge & Review" (C&R) in 1992 upon setting a basic principle for personnel development which goes: "Employees bloom through work and companies grow through employees."

#### **(2) Outline and Structure of the New System**

C&R is a program intended to evaluate an employee's achievement and help the employee develop his/her skills, in which the employee strives to achieve a set objective, such achievement is reviewed by both the employee and his/her supervisor and, subsequently, his/her development program for the following year is drawn up.

The performance evaluation process starts with the setting of a work objective for an employee and ends one year later with the review to determine the degree of his/her achievement relative to the set objective, of which results will subsequently be reflected in his/her performance evaluation. In the meantime, skills and behavioral patterns necessary for the employee to achieve his/her objective are identified for the purpose of preparing a development plan specifying how the employee should achieve his/her objective so that the Company's personnel skill development efforts meet with success.

Each J&J employee is also subject to a 360-degree survey in which his/her supervisor, workers working under him/her and his/her colleagues answer a questionnaire structured on the basis of the five competency categories under the leadership model called "Standards of Leadership" (SOL; Figure 9), which is derived from "Our Credo." Survey results thus obtained are fed back to the employee so that he/she can identify room for improvement to become an ideal J&J employee, draw up an improvement

plan and achieve growth on his/her own.

**Figure 9 : Standards of Leadership**



### **(3) Other Systems**

#### **i) Credo Survey**

To ensure that each division should adhere to “Our Credo” in conducting its business, the J&J group implements a system called “Credo Survey” once every two years, having started in 1988.

The “Credo Survey,” which is conducted on a global scale, functions as something like a corporate audit and assumes an important role as an evaluation process for the top management in each division.

Although it is not clear how the "Credo Survey" came to be introduced, a serious incident that J&J was faced with in 1982 may have had a bearing: cyanide somehow got into Tylenol, its leading non-prescription painkiller product in the United States at that time, and seven people died in the Chicago area as a result of taking it. As J&J immediately responded to this incident by recalling the product,



unhesitatingly disclosing information through mass media and organizing a special action team, it was praised highly by consumers. It is believed that, under the recognition that the existence of “Our Credo” prompted J&J to take these actions, there emerged a movement within the Company towards further establishing it as its corporate philosophy through the introduction of the “Credo Survey.”

The survey, which every J&J employee is required to participate in, consists of approximately 130 questions (approximately 90 common questions and approximately 40 Japan-specific questions) , and respondents should give a five-point answer to each of them. The 130 questions are categorized into 25 sections, major ones among which are listed in Figure 10.

The survey results are distributed to all divisions, and each division works up an improvement plan to address low-scoring sections and implements it over the course of two years. As the management is considered to have a serious fault if no improvement is identified in the “Credo Survey” two years later, each division head takes strong interest in the “Credo Survey,” which contributes greatly to heightening the sense of moral obligation of the entire J&J group.

**Figure 10 : Main Questions of "Credo Survey"**

- Customer focus
- Communication
- Teamwork
- Management
- Respect for employees
- Adherence to Credo values
- Adherence to Credo behavior
- Others

#### **(4) Conditions for Promotion**

As a condition for promotion, J&J requires its employees to attain a certain English proficiency level indicated by TOEIC score (Figure 11).

**Figure 11 : Target TOEIC Scores for Promotion of Sales Positions**

Position	Target score
Business manager	800 or above
National manager	730 or above
Regional manager	600 or above

#### **4 ) Benefits**

In consideration of its employees' needs regarding benefits, J&J does not have any recreational facilities that Japanese companies typically have. At this moment, access to a contracted fitness club is the only such benefit offered by the Company.

#### **5 ) Education and Training / Skill Development**

A significant goal that J&J sets in employee training is to make it mutually beneficial. It means that the Company provides opportunities to employees, and employees achieve growth on their own through these opportunities. In other words, "The Company grows through its employees' growth."

Training and skill development are principally conducted on an on-the-job basis. It is through on-the-job employee training that the process of Challenge & Review functions effectively as an MOB.

In 2002, J&J made a major reform to its training and skill development system: it changed the name of its training system from "Training Strategy" to "Learning Strategy."

The company's intention was to give the whole system an "active" image by using the word "learn" in contrast with "training," which has a connotation that employees are trained by the Company in a passive fashion.

J&J's training programs can be divided into three categories, namely, compulsory programs, enrollment-based programs and enrollment-based programs that requires the Company's approval.

A wide variety of programs are set in place, ranging from basic management courses to individual skill development courses such as English presentation. The course fees are generally covered by the Company; for example, the Company pays, upon completion, half the fees for a distance learning program, of which there are 70 to 80, and also covers half the fees for attendance at an English language school up to 150,000 yen. As employees are required to take the TOEIC test once a year, the Company

also made it possible for them to take it in the Company.

The effect of the Company's shift to the Learning Strategy is felt most remarkably in the major change to the program application process though the enhancement of program contents itself is also far from negligible. Employees had to obtain approval from their direct supervisor to attend any program in the past, but they can now apply directly to the Human Resource Department. The number of applications has increased drastically as a result, thus effectively giving strong motivation to the employees to be "active" in learning.

For executive-level employees, the Company has set in place four compulsory courses called "Leadership and Management Development" (LMD). This program is targeted for all the executive-level employees of every J&J group company around the world and is regarded as an essential program to build a foundation of growth for J&J.

#### ***IV . Issues in Personnel Management and Directions for Solving Them***

As indicated by the shift from the "Training Strategy" to the "Learning Strategy," the issue that J&J currently faces is to firmly establish a culture in which employees strive for self-development and increase their own market value.

J&J considers that this is an endless challenge. Upon understanding that it will take a considerable length of time to have such a culture prevail among its employees, the Company is striving to boost their awareness by changing processes and programs.

With respect to the "Challenge & Review," although a system of improving an employee's shortcomings identified at the end of business year through his/her development program is now complete, the Company has yet to establish a review system to identify how far he/she has implemented his/her development program at the time of interim settlement of accounts during the following business year. It is another pending issue for the Company to have the program assume all the functions as were intended originally.

It also thinks that a minimum set of rules should be established in allowing each division to operate under "decentralized management" since there are indeed some employees who find the system unfair or inconsistent . J&J believes, however, that what is important is to set basic rules to be shared within the

Company while maintaining the flexibility that it currently enjoys, as opposed to simply clinging to a single, company-wide system.

## *Nippon Becton Dickinson Company, Ltd.*

### ***I . Corporate profile***

Business Category:	Manufacturing (Pharmaceuticals)
Workforce:	470
Location:	DS Building 8-5-26, Akasaka, Minato-ku, Tokyo 107-0052
Founding Year:	1985
Capital:	687.5 million yen
Parent company:	Becton Dickinson & Co.
Foreign Capital Percentage:	100%
Business Areas:	Import, manufacture and sales of medical supplies, devices, laboratory equipment and diagnostic products.

### ***II . Main Points in the Personnel Management Scheme***

- The operations of Nippon Becton Dickinson Company, Ltd. (BD Japan) are conducted based on the four core values which are shared throughout the group worldwide. These core values are as important as our business growth and they are strongly reflected throughout our personnel system.
- Sales have continued to grow since the establishment of BD Japan and recruitment is mainly satisfied by hiring mid-career workers who can perform immediately. The company places high priority in recruiting quality people and has adopted various measures such as employee referral program and unique interview systems.
- BD Japan has adopted Balance Score Card (BSC) as an indicator for its operations. BSC is employed throughout the Company ensuring that all employees take part in BD's corporate strategy and that each employee sets his/her targets in relation to the strategy.
- Individual targets set in the beginning of the year in accordance with BSC, are evaluated at yearend focusing on two points, "Was the results a success?" and "Was adequate behavior followed?" In regards to "Was adequate behavior followed?" more than six employees provide 360 degree feedback. The feedback conducted here is not "evaluation" but in fact "advice to attain higher performance" which is a unique feature of BD Japan.

### ***III . Basic Ideas Regarding the Personnel Management***

BD Japan clearly states the four “Core Values” (Figure 12) shared throughout the BD group as its operational guideline. These core values are as important as our growth in business and the Company believes that all employees must understand and implement this spirit as a requirement for business expansion.

“Core Values” also plays an important role as “BD’s values” in the MBO process as described later.

To meet the challenges in the business landscape where change is constant, BDJ Roadmap for Transformation (Figure 13) was introduced in 1997 to outline the direction of focuses in setting visions and goals.

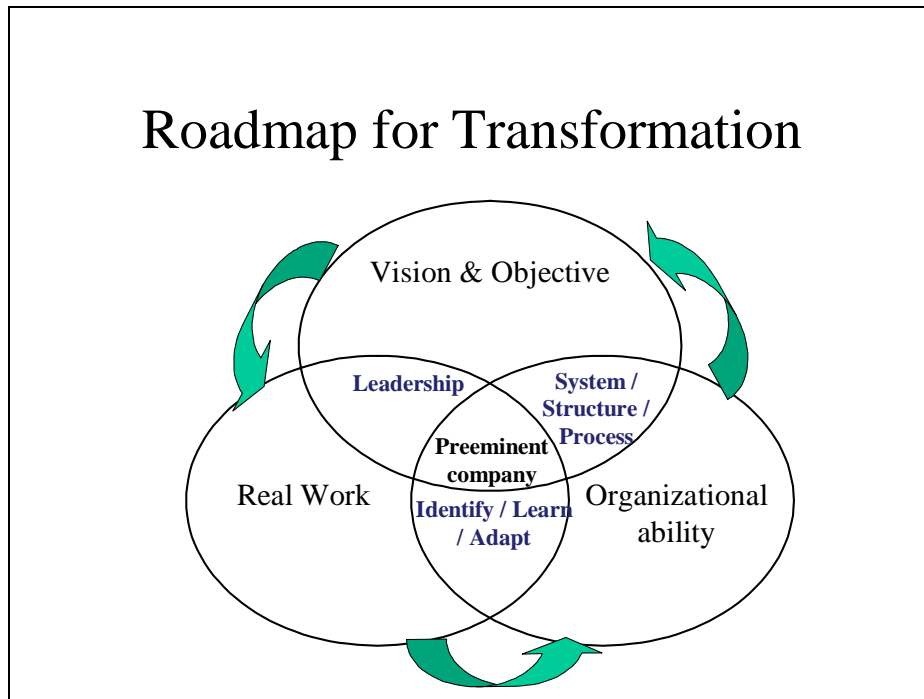
While it was difficult to adapt to the drastic changes in business and market environment with the existing rigid framework, the new framework ensures the flexibility to move counter-clockwise to a different position in the roadmap depending upon the situation and enables the Company to effectively adapt to the changes in business outlooks.

The company adopts merit system based on MBO as the basic concept of personnel management and has abolished all aspects of seniority and life time employment.

**Figure 12 : Four Core Values**

<p>We act in harmony</p>
<p>We have respect for the dignity and feelings of all people. We strive to create a positive work environment that is friendly and collegial.</p> <p>We consult one another, share ideas and involve those who can make a contribution to our progress.</p> <p>We recognize the value in involving all the right people in the decision-making process and believe the best decisions are made after they have been well-discussed.</p> <p>We believe that conflict can and should be resolved in a professional, respectful manner.</p>
<p>We do what is right</p>
<p>We are committed to the highest standards of excellence in everything that we do: on behalf of our customers, our shareholders, our communities and ourselves.</p> <p>We are proud to work for a health care company whose products and services make a difference in people's lives.</p> <p>We derive our greatest sense of accomplishment from doing what is right - not what is expedient.</p> <p>We are reliable, honest, and trustworthy in all our dealings. We keep our promises and if we make a mistake we put it right.</p>
<p>We always seek to improve</p>
<p>Superior quality is the "ground floor" of our organization. Upon it we continually strive to improve by developing, manufacturing and supplying products and services superior to our competitors' and better than the previous one. We study our progress and learn from ourselves and others how to do things more effectively and efficiently.</p> <p>Our commitment to quality goes beyond how well we serve our customers to include the way we deal with all people. How we do things is as important to us as what we do.</p>
<p>We accept personal responsibility</p>
<p>We consider individual involvement and accountability to be both a right and a privilege and accept personal responsibility for everything that we do.</p> <p>We treat the Company's reputation as our own and try to make wise use of our time and the Company's resources. We expect access to the tools and information necessary to participate in any decisions that will reflect on our collective or individual reputations.</p>

**Figure 13 : BDJ Roadmap for Transformation**



### ***1 ) Recruitment / Employment / Retirement***

#### **( 1 ) Recruitment**

The company mainly recruits mid-career workers who are ready to perform in their specialized field immediately. However, students with outstanding abilities such as supervisor academic performance are exceptions. In the past, the Company has recruited around 50 mid-career workers and one or two recent school graduates annually.

Recruitment is conducted through the Company's webpage and placement services as well as advertising on magazines and newspapers. Positions with specific requirements such as assignments to regional locations or highly specialized skills cannot be filled by the usual recruitment process. In these cases, the Company provides detailed criteria to placement services to pinpoint appropriate candidates.



## **(2) Employee Referral Program**

Since 1999, BD Japan has adopted the employee referral program using its employees. Under this system, employees recommend reliable candidates based on their knowledge of the vision and mission of BD Japan. The process is the same as ordinary recruitment. The employee making the recommendation is responsible for the candidate as well as for the Company. Therefore, the reliability of the program is very high and the Company promotes the program by rewarding incentive payments between 300,000 to 600,000 yen.

The important aspect, however, in the establishment of this system lies in the selection process of candidates. BD Japan considers recruitment as a high priority issue and has set strict selection criteria. Applicants who were recommended through the employee referral program are not given any preferential treatment in the recruitment interviews. Also, the employee who recommended the applicant is prohibited from joining the interviews. Since the applicants follows ordinary recruitment procedures, not every applicant recommended is hired. BD Japan takes extra caution to ensure that there is no misunderstanding between the employee and the recommended applicant as the referral is only a recommendation and not a guarantee for employment with the Company.

## **(3) Selection**

Two interviews are conducted for sales positions. They are “interview with human resource staff and division head” and “telephone interview” to assess sales skills. Decisions are made in approximately ten days as sales positions usually must be filled quickly.

Three interviews in a period around twenty days are conducted for positions other than sales such as marketing. They are “telephone interview,” “director interview” and “case interview.” The details of the interviews are shown in Figure 14.

Here, the “case interview” is unique in the sense that applicants are asked to read a story and answer questions to assess flexibility in mind-set and behavior. A key manager from a division other than the interviewing division acts as a facilitator in the interview. This is to provide applicants with insights of other division in BD and receive an overall view of the Company. Managers also gain interview skills and opportunities to meet new candidates. Therefore, there are synergistic benefits for both sides.

In all selections, emphasis is on problem solving skills such as strategic thinking and zero-base thinking. In addition, communication skills and teamwork are important.

As for English proficiency, apart from positions in sales and manufacturing, there is an increasing trend that English skills are recognized as a “desirable skill.”

In addition to new employees coming from other companies within the industry, the number of mid-career workers from outside the industry is currently on the increase. BD Japan foresees that the framework of the healthcare industry will change significantly in the future, meaning that the time will come when past success will not be sufficient to stay competitive. The company, therefore, aggressively seeks outsiders who have completely new and flexible ideas and sets “qualifications rather than experience” as a criteria in the selection process.

**Figure 14 : Interview Questions for Positions Other Than Sales Personnel**

Telephone interview	Check applicant’s strength and personality in approximately 90-minute interview.
Director interview	Evaluate communication skills, character and overall impressions.
Case interview	Evaluate strategic thinking, zero-base thinking and problem solving skills.

## **2 ) Wages**

Compensation is primary based on performance throughout the organization. Base salaries are determined in the beginning of the year and 50% of the amount exceeding 100% of the corporate target will be paid out to the employees.

Sales personnel receive a fixed summer bonus which is double the monthly salary. Winter bonus is variable and can range from zero to seven times the monthly salary. The average winter bonus is about double the monthly salary.

There are other incentives such as “sales incentive” for sales positions and “success sharing” for marketing positions.

The company provides a full range of other allowances and benefits such as retirement benefit, pension plan, social insurance, employee stock ownership program, overtime and family allowances, however, the Company plans to slim down allowances.

### **3 ) Personnel Review / Evaluation**

#### **( 1 ) Overview, Background and Structure of New System**

##### **i) Balance Scorecard (BSC)**

BD Japan introduced BSC in 1988 as a communication tool in order to assist employees in understanding important issues of BD Japan. These issues are the consistency between the long and short range perspectives, the relation between corporate vision and corporate missions as well as the importance and relation between the corporate mission and each employee's activities. BSC was gaining attention in many companies in the US in the beginning of 1990s and Mr. Valentine, president of BD Japan introduced the system upon learning of its implementation at US headquarters.

The overall corporate strategy and divisional strategies are listed on BSC and disclosed throughout the Company via the corporate website. Individual targets are not determined by one person but are set under the acknowledgement of the supervisor and all team members. This is important in implementing the system.

Employees must fully understand their jobs and divisional strategy to write down their targets. As a result, employees gain a wider view of the entire business which proved to be the greatest merit of introducing the system.

Management also recognizes that strategies created by a few employees are difficult communication-wise and strategy-wise to be widely understood by all employees.

Currently, the benefits from implementing BSC are increasing as many divisions have started to include other employees as well as managers for creating strategies using BSC.

##### **ii) 360-degree Feedback**

360-degree feedback are conducted by more than six members, direct supervisor, subordinates and peers on two primary aspects, "Was the result a success?" and "Was adequate behavior followed?." "Was adequate behavior followed?" is categorized and studied by two aspects which are "BD's core values" (see Figure 12) and "Did I follow desired behavior?" that include marketing competency and sales competency.

Here, an important feature is the fact that the study is not used to evaluate capability but to provide feedback to the individual.

It is not a process for others to evaluate an individual. The system provides an opportunity for an individual to learn the gap in view, how others view the points he/she “thought the task was done adequately” or “completely forgotten.” The findings are used to improve performance in the following year.

In the past, how the target was achieved was never an issue as long as it was achieved. After the introduction of the new system, however, results are not recognized if the employee only achieves the figures and ignores the values.

At BD Japan, Human Resource department only provides the outline of the 360 degree feedback and detailed descriptions are defined by the employees. This creates a beneficial cycle of operations in which employees receiving feedback from other employees.

#### ***4 ) Training and Development***

Since BD Japan started the “time management course” six years ago, the program has been expanded according to the increasing importance of training and it culminated as a system in “BD University Japan” in 2001. Although our US headquarters also has “BD University,” the Company was one step ahead in taking actions showing our aggressive approach towards employee training.

Programs are conducted by three contracted lecturers dedicated to BD Japan and 15 internal instructors and an important feature is the fact that 80% of the programs are developed in-house.

For example, the Company translated the necessary materials for a program called “system thinking” since the concept was put forward by an American professor and Japanese textbooks were unavailable. The approach is that the Company aggressively seeks new ideas from abroad that are unavailable in Japan.

The company strongly believes that “Training is simply one of the tools” the Company use in our business. Unpopular programs, therefore, are considered unnecessary in business and replaced when identified.

## ***. Issues in Personnel Management and Directions for Solving Them***

The current issue for BD Japan is to achieve higher business performance using various programs described in this document. This is because the Company is not sure if the results of recruitment activities and training programs have provided their maximum contribution in benefiting the entire organization. This is truly the key point to ensure continued future growth in size of the Company and operational results.

This is especially true in “succession planning” which is a program to develop future managers. Currently, the program has not yet reached a stage where there are a number of future leaders in various levels. It can be said that the organization must prepare a successive chain of leadership candidates from the next generation to the generation beyond to ensure stability as an organization.

From 1995, there was a four-year transition period in which the Company faced wariness and resistance from the employees against radical changes in the Company’s commitment to change the corporate culture. Currently, however, every employee has come to accept the Company’s view that change is a natural process and old structures must change.

The company believes that it can implement changes which will create a new corporate culture that provides true satisfaction to all employees. Therefore, in this aspect as well, the Company needs people who can accelerate changes with their unique cultures.



## *Pfizer Pharmaceutical Inc.*

### ***I . Corporate profile***

Business Category:	Pharmaceutical
Workforce:	4,680 (as of May 1, 2002)
Location:	Shinjuku-Mitsui Building 2-1-1, Nishi-Shinjuku, Shinjuku-ku Tokyo 163-0461
Founding Year:	1955
Capital:	19.8 billion yen
Parent company:	Pfizer Inc.
Foreign Capital Percentage:	100 %
Business Areas:	Manufacturing, sales and import/export of prescription and OTC pharmaceuticals, animal medication and other agricultural chemicals.

### ***II . Main Points in the Personnel Management Scheme***

- The mission of Pfizer Pharmaceutical Inc. (Pfizer Pharmaceutical) is to “become the most successful and respected healthcare and consumer product company in Japan.” Based on this commitment, the Company has introduced new strategies in its sales organization for prescription pharmaceuticals, which represent 90% of its sales. In addition, Pfizer Pharmaceutical has significantly increased recruitment, enhanced training programs, and reformed its overall personnel management system. As a result, Pfizer Pharmaceutical continues to record steady growth in the stagnant pharmaceutical industry in Japan.
- In January 2001, the Company implemented a new organization with “Specialty Representative Teams,” which was an epoch-making event in prescription pharmaceuticals marketing in Japan. The company built and has been enhancing this new organization by adopting an aggressive recruiting strategy before startup and by providing intensive training programs to the new employees. The training programs are administered by PHA (Pfizer Health Academy), which is an organization dedicated to training activities.

- Pfizer Pharmaceutical eliminates all aspects of seniority in its evaluation system. It is a performance-based system which clearly reflects both individual and organizational performance and is applied throughout the Company. A competency evaluation is implemented for non-managerial level employees, which focuses not only on performance but also on processes that led to the results.

### ***III . Basic Ideas Regarding the Personnel Management System***

#### ***1 ) Organization***

Introduction of A New Pharmaceutical Sales Structure: The “Specialty Representative Team System”

##### **( 1 ) Background**

Pfizer Pharmaceutical introduced the “Specialty Representative Team System” to its prescription pharmaceuticals division in January 2001. Historically in Japan, a designated MR (sales representative responsible for providing medical and product information to healthcare professionals to promote the prescription of the Company’s products) was assigned to a doctor or hospital and the MR cultivated a close individual relationship to promote products. However, medical institutions nowadays require deep expertise to meet the increasing diversity in disease and patients’ needs. For that reason, the traditional sales system of one MR covering all product categories and providing a wide range of information was becoming inadequate.

Recognizing the need for change, Pfizer Pharmaceutical conducted a thorough preparation before introducing the “Specialty Representative Team System”. Although several companies in the global Pfizer group had already introduced the system with great success, the Company was unsure of the reaction from the Japanese medical industry. Pfizer Pharmaceutical, therefore, conducted several customer surveys of physicians about the new system.

Physicians’ attitude towards the new system became more positive during the survey period. At the same time, the Company was able to confirm the benefits of the new system through pilot tests. Based on the results of these encouraging external responses, the Company proceeded steadily with internal preparations.

In addition to the Company's success in creating a large group of well-trained professionals for the



new system, it was also able to equip itself with a comprehensive product line due to successful product development. As a result, Pfizer Pharmaceutical became the first company in Japan with a sales organization based on the “Specialty Representative Team System.”

## **(2) After the Introduction: New Organization Under the “Specialty Representative Team System”**

Under the “Specialty Representative Team System,” the pharmaceutical sales division in Pfizer Pharmaceutical is divided into two groups, one targeting general practitioners (small clinics) and the other for large hospitals.

The group targeting large hospitals is divided into three teams specializing in circulatory disorders, infections, and disorders of the central nervous system, respectively. Each team has the expertise to provide specialized information to specialists in a timely manner.

The other group, MRs targeting general practitioners, is organized into three teams and each is responsible for a different product portfolio which consists of three to four key product categories. Since MRs were responsible for the entire product line in the former organizational structure, they tended to concentrate on new products and provided less information on existing products within their large portfolio. The improved new organization ensures that a wider range of high quality information is provided to doctors.

The teams for large hospitals are divided by disease areas while those for general practitioners are divided by product portfolio for the following reasons. General hospitals consist of departments with clear specialties such as surgery or internal medicine, therefore in addition to product information, they often require details of advanced treatments such as specialized information on overseas’ cases. The specialized teams are effective in addressing these needs.

On the other hand, surgeons in small clinics often do treat patients with internal disorders even though they are officially surgical specialists. As, in addition, small clinics are, unlike large hospitals, principally in charge of primary care, MRs can provide better service with broad information than with specialized expertise in a specific field.

Actually, MRs targeting general practitioners are responsible for a loosely defined group of products. Seven to eight major products are covered by three MRs and each MR is responsible for three to four products. Therefore, some products are covered by more than one MR. This approach can bring about

an opportunity to employ various strategies, such as several MRs providing information and follow-ups for one product to create a synergistic effect.

## ***2 ) Recruitment / Employment / Retirement***

As described in the previous section, Pfizer Pharmaceutical had been expanding its workforce to prepare for the introduction of the “Specialty Representative Team System” in January 2001 and to leverage the opportunities of new drug launches. As there is a succession of major products scheduled for launch, the Company plans to have over 2,400 MRs by September 2002. Furthermore, the Company is hiring more in R&D, clinical development and manufacturing / technology divisions since Japan’s R&D is expected to play a more important role as a result of the Pfizer group's consolidation of its R&D forces into six locations in three regions.

In addition to new graduates, Pfizer Pharmaceutical also recruits mid-career workers as necessary. Since mid-career workers are expected to take on responsibilities immediately, the Company normally seeks applicants with relevant backgrounds. For MRs, however, the Company aggressively recruits mid-career workers without as well as with MR experience.

Since expertise is required in the case of MRs, those without MR backgrounds receive extensive group training similar to those for new graduates. For this purpose, Pfizer Pharmaceutical focuses on enhancing Pfizer Healthcare Academy (PHA), as will be described later. Such efforts have contributed to the success of aggressive recruitment programs.

Mid-career workers are mostly recruited through placement services. Mid-career workers without MR experience, however, are recruited by job advertisements in newspapers, recruitment magazines and notices posted on the Company's website. The percentage of applications through the website is increasing and the Company believes that majority of its recruiting activities will be web-based in the future.

## ***3 ) Performance Evaluation***

### **( 1 ) Introduction of A New Personnel Management System**

In October 2000, Pfizer Pharmaceutical abolished its Job Qualification system and introduced a Job Grade system for non-managerial level employees, which had previously been applied only to managers and above.

The new system eliminates every aspect of seniority or personal situations and treats all employees in a fair manner by focusing on roles and responsibilities of each position. The system has a specific job grade and salary range for each job category in consideration of the fact that the level of comparable salaries in the employment markets, career development paths and job structures are different for each job category.

## **(2) Personnel Review**

Pfizer Pharmaceutical has entirely changed its personnel evaluation system and currently conducts performance and competency evaluations for its non-managerial level employees.

Performance is evaluated on two aspects, which are Financial Objectives (FO), i.e., numerical objectives set for each division or organization, and Strategic Objectives (SO), i.e., strategic objectives regarding performance of individual employees. This is based on the reward system implemented globally in the Pfizer group. The system had been applied to managers and was expanded to include all employees as of the 2001 business year. In this performance evaluation, SO is a common MBO (Management by objectives) whereas FO takes into account the detailed performance figures of each division. FO reflects the situation unique to the pharmaceutical industry, in which a period of more than ten years is necessary from the start of R&D to launching the product. For example, the current financial results would reflect the current activities of the sales division but reflect the R&D efforts from ten years ago. This is an extreme example but divisional and departmental FOs are highly effective in ensuring fair evaluations throughout the Company by linking individual targets to divisional targets.

On the other hand, the competency evaluation is completely different from the Ability evaluation employed in the previous Job Qualification system. The Ability evaluation was an appraisal of each individual's abilities, such as his/her knowledge, experience and analytical skills. The competency evaluation focuses on the actions taken to achieve the objective and how individual abilities were applied in the process. The aim is to value not only the outcome but also the process to achieve the results in order to create professionals who have the ability to perform consistently regardless of the situation. Eight core values (Figure 15) are used as factors in competency evaluation (In the actual evaluation process, Community is not considered since it is inappropriate as a standard.).

These eight core values are the value standard for the entire Pfizer group. They are a set of core values each employee must follow in his/her daily job duties as an individual and also as a

businessperson.

In addition to global surveys of the group, the Japanese branch has conducted several surveys on its own to study the implementation of the core values.

The core values are also used in the competency evaluation to ensure that they will be implemented in practice.

**Figure 15 : Eight Core Values**

<b>INTEGRITY</b>
We demand of ourselves and others the highest ethical standards, and our products and processes will be of the highest quality. Our conduct as a company, and as individuals within it, will always reflect the highest standards of integrity. We will demonstrate open, honest and ethical behavior in all dealings with customers, clients, colleagues, suppliers, partners, the public and governments. The Pfizer name is a source of pride to us and should inspire trust in all with whom we come in contact. We must do more than simply do things right—we must also do the right thing.
<b>INNOVATION</b>
Innovation is the key to improving health and sustaining Pfizer's growth and profitability. The quest for innovative solutions should invigorate all of our core businesses and pervade the Pfizer community worldwide. In our drive to innovate, we support well-conceived risk-taking and understand that it will not always lead to success. We embrace creativity and consistently pursue new opportunities.
<b>RESPECT FOR PEOPLE</b>
We recognize that people are the cornerstone of Pfizer's success. We come from many different countries and cultures, and we speak many languages. We value our diversity as a source of strength. We are proud of Pfizer's history of treating employees with respect and dignity and are committed to building upon this tradition. We listen to the ideas of our colleagues and respond appropriately. We seek a business environment that fosters personal and professional growth and achievement. We recognize that communication must be frequent and candid and that we must support others with the tools, training and authority they need to succeed in achieving their responsibilities, goals and objectives.
<b>CUSTOMER FOCUS</b>
We are deeply committed to meeting the needs of our customers and constantly focus on customer satisfaction. We take genuine interest in the welfare of our customers, whether internal or external. We recognize that we can prosper only if we anticipate and meet customer needs, respond quickly to changing conditions and fulfill customer expectations better than our competitors. We seek long-term relationships based on our comprehensive understanding of all our customers' needs and on the value we provide through superior products and services.

<b>TEAMWORK</b>
We know that to be a successful company we must work together, frequently transcending organizational and geographic boundaries to meet the changing needs of our customers. We want all of our colleagues to contribute to the best of their ability, individually and in teams. Teamwork improves the quality of decisions and increases the likelihood that good decisions will be acted upon. Teamwork sustains a spirit of excitement, fulfillment, pride and passion for our business, enabling us to succeed in all of our endeavors and continually learn as individuals and as a corporation.
<b>LEADERSHIP</b>
Leaders advance teamwork by imparting a clarity of purpose, a shared sense of goals and a joint commitment to excellence. Leaders empower those around them by sharing knowledge and authority and by recognizing and rewarding outstanding individual effort. We are dedicated to providing opportunities for leadership at all levels in our organization. Leaders are those who step forward to achieve difficult goals, envisioning what needs to happen and motivating others. They utilize the particular talents of every individual and resolve conflict by helping others to focus on common goals. Leaders build relationships with others throughout the Company to share ideas, provide support, and help assure that the best practices prevail throughout Pfizer.
<b>PERFORMANCE</b>
We strive for continuous improvement in our performance. When we commit to doing something, we will do it in the best, most complete, most efficient and most timely way possible. Then we will try to think of ways to do it better the next time. We will measure our performance carefully, ensuring that integrity and respect for people are never compromised. We will compete aggressively, establishing challenging but achievable targets and rewarding performance measured against those targets. We wish to attract the highest-caliber employees, providing them with opportunities to develop to their full potential and to share in the success that comes from winning in the marketplace.
<b>COMMUNITY</b>
We play an active role in making every country and community in which we operate a better place to live and work. We know that the ongoing vitality of our communities has a direct impact on the long-term health of our business. As a company and as individuals, we give of ourselves to serve the needs of communities and people in need throughout the world.

#### ***4 ) Pay Raises and Promotion***

As described in the previous section, the personnel evaluation system consists of a performance evaluation (FO, SO) and a competency evaluation. Points are calculated from the evaluation results and promotion, pay raises and bonuses are determined using these points. The relationship between evaluation and reward is shown below.

**Figure 16 : How Evaluation is Reflected in Reward**

Evaluation	Rewards
Competency	Promotion / :pay raise
Performance	Bonus / pay raise

The following are the formula for calculating Points.

i) Financial Objectives (FO)

Points are determined based on the percentage or degree of achievement against objectives for each division or organization.

ii) Strategic Objectives (SO)

Several objectives are set every year and a percentage figure is allocated to each objective (total percentage figure should be 100%). This exercise is conducted in a semiannual interview between an employee and his/her direct supervisor. Evaluations range from 0.00 to 6.00 according to the degree of achievement against objectives. The final result is the sum of the evaluation points multiplied by the allocated percentage.

Suppose, for example, three objectives were set and the percentages allocated to them were 40%, 30% and 30%. If the achievement evaluation was 3, 4 and 5 respectively for these objectives, the final result of 3.90 would be calculated according to the following formula:

$$0.4 (\text{allocation}) \times 3 (\text{evaluation}) + 0.3 \times 4 + 0.3 \times 5 = 3.90$$

FO and SO are added together using weights specified for each job or job grade. The bonus is calculated by multiplying the base amount set for each job grade by the above figure.

iii) Competency Evaluation

Evaluations range from 0 to 5 for each of the seven core values. The sum of these points is the final evaluation, resulting in figures ranging from 0 to 35.

iv) Performance Evaluation (SO, FO) + Competency Evaluation

Points from the performance evaluation and the competency evaluation are adjusted using a pre-set conversion table to give equal weights to both.

**5 ) Allowances and Benefits**

While Pfizer Pharmaceutical has abolished allowances based on personal situations such as family allowances, it has still retained many benefits unique to Japan. There are currently no specific plans to change the benefit scheme.

**6 ) Education and Training /Skill Development**

**( 1 ) Outline of PHA (Pfizer Healthcare Academy)**

Pfizer Pharmaceutical has an independent training organization inside the Company called PHA. It is run by more than one hundred people, including instructors and those involved in planning and administrative operations.

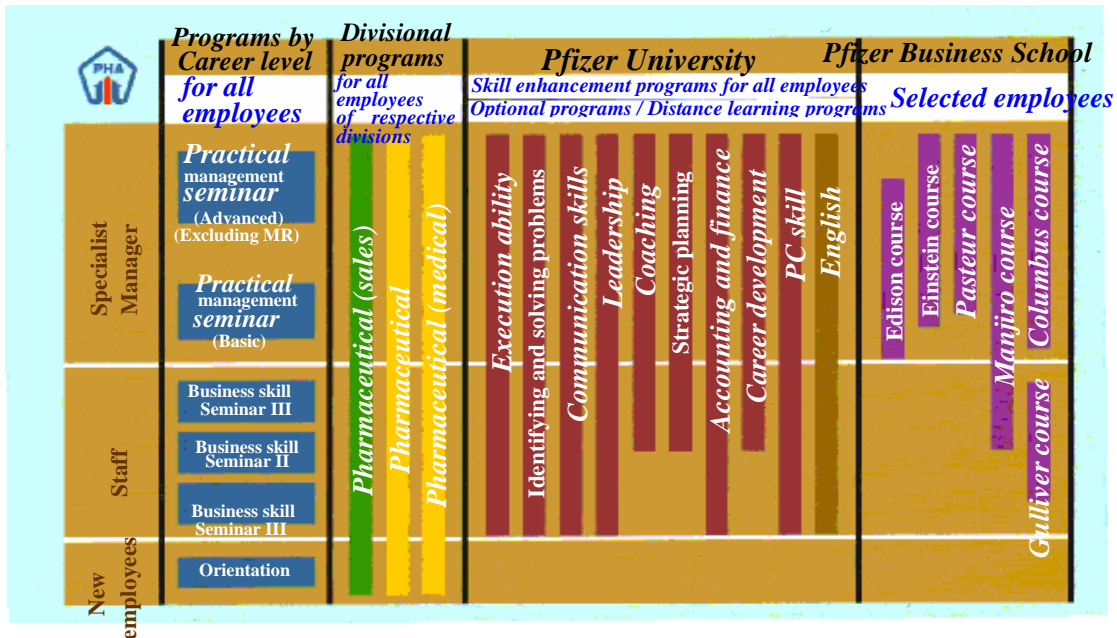
PHA's training programs are structured in a matrix by careers and by courses as illustrated in

Figure 17. Courses are grouped into four categories and employees can choose programs based on his/her career level.

“Programs by Career Level” are for all employees and form a strategic personnel development system based on the unique long term view of Pfizer Pharmaceutical. “Divisional Programs” are offered for employees to gain skills and knowledge essential for each division. “Pfizer University” is designed to meet the needs of employees wishing to enhance their abilities by providing them with the opportunity to participate in external seminars to develop various skills necessary in business including career planning. “Pfizer Business School” is aimed at training candidates for future senior management positions.



Figure 17 : Education System of Pfizer Healthcare Academy



**( 2 ) Program Participation**

All courses in Pfizer University are optional and open to employees. The number of applicants has grown every year and some courses are so popular that applicants are selected by drawing lots.

The aim of Pfizer Pharmaceutical is to become a “learning organization.”. An increasing number of employees sympathize with this agenda and are actively participating in programs that meet their career goals.

PHA actively supports such activities and distributes pamphlets containing course details and the amount subsidized by the Company. In addition, courses are reviewed and changed annually. With the recent advances in information technology, various company-wide programs are now provided as e-learning courses or as programs using the TV / Video system installed in its administrative and sales offices all over the country.

**( 3 ) Training Programs for MRs**

CSE (Career Support Expert) was established within PHA in 2000 to offer specialized training programs for MRs. CSE offers practical training on communication skills so that MRs will be able to

effectively communicate to doctors the academic information that they learn regarding products. Most CSE instructors are ex-MRs or Playing Managers who were demonstrating outstanding performance in the field a few months ago. As a result, they are assigned to train new employees for two years and then are usually promoted to heads of sales offices around the country. This clear career path not only works to eliminate their sense of incongruity of being assigned to training when they are gaining a high reputation as an MR, but has also prompted MRs to perceive it as a step in career advancement.

Although CSE started in 2000, the Knowledge Management Program, its prototype, had been implemented as a preliminary program since 1995. In the program, high performing MRs were selected from branches around the country to attend study sessions for creating best practice cases, which would subsequently be fed back to the branches. This was done by a team of three MRs: one in charge of general hospitals, another in charge of GPs and the third with a deep knowledge of products and diseases. The team would be sent to each sales office for a three-month period and given a higher authority than the office head. The best practice cases were introduced to all MRs in the country by these teams and the skills of MRs improved in a short period of time under this program. Currently, CSE has evolved into several units separated by disease area to train and enhance the skills of new MRs and specialty representative teams to an even higher level of product knowledge and sales technique.

#### ***IV . Issues in Personnel Management and Directions for Solving Them***

Pfizer Pharmaceutical's mission is to become “the world's most valued company.” The new personnel management system, along with the competency evaluation, is the key to committing individual employees to this global goal. To fairly evaluate actions initiated by each employee based on his/her ideas and to connect such actions to contributions to the Company as well as employees' own skill development, the Company needs to implement competency evaluations in a functional fashion.