
The Personnel Management Cases of Foreign-affiliated Companies

2 . U.S. Companies
(Telecommunications)

2002

The Japan Institute of Labour

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Global Knowledge Network Japan, Ltd.

I . Corporate profile

Business Category:	Service provider
Workforce:	138
Location:	34F Tokyo Opera City Tower, 3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-1434
Founding Year:	1996
Capital:	10 million yen
Parent company:	Global Knowledge Network Inc. (Cary, North Carolina, U.S.A.)
Foreign Capital Percentage:	100%
Business Areas:	IT education (technology, technicians' skills, etc.)

II . Main Points in the Personnel Management Scheme

- This is a new company launched on a worldwide scale in 1995. In Japan, the Company started operations in 1996. The personnel system was built from scratch in consideration of how it ought to be, rather than customizing the American system in the head office into Japanese or basing it on the existing rules in Japan.
- Human resources (HR) development is based on the framework of Human Capital Development and Management (HCDM), in which both the Company and the individual acknowledge the technology, knowledge, behavior (or adaptability) required by them in roughly one to three years time, and execute management accordingly. It is a system of showing what the individual will want to be doing in 3 years time and what kind of career will be built in 3 years time in a table format, which is freely available for perusal.
- Evaluation linked to the salary system is based on Management By Result (MBR). It is not based on Management By Objective (MBO), as the results are subject to evaluation rather than the process. The evaluation is performed by the manager and the employee on a one-to-one basis. The evaluation results must be signed by the evaluated employee; in other words, the evaluation results must be acceptable to the evaluated employee as well.
- MBR involves the evaluation of two areas: the business performance (game) during the year (i.e. *business target*); and the contribution made towards building the organization (i.e.

contribution target). The contribution target is an extremely important target for the future development of the Company, and leads to preferment and promotion. The remuneration for achieving the business target is one-off.

- The Company conducts an employee survey on a worldwide scale to identify the Company's culture and hospitableness from employees' point of view and the extent to which the employees are satisfied with the personnel system.

III . Basic Ideas Regarding the Personnel Management system

1) Recruitment / Employment / Retirement

Hiring is based on requests for necessary personnel made by each division, which are submitted at the same time as sales targets, etc. in the beginning of the year. As the Company prefers individuals who can immediately demonstrate their abilities, mid-career hiring is prevalent at the moment.

As for the hiring criteria, each division is required to state the skills and experience required to fill the vacant position. Other basic criteria relate to core competency, such as interest in education and sense of understanding client's business. For an instructor position, the ability to do presentations, interest in technology and degree of aspiration will also be taken into account. Not much importance is attached to academic background, age or English proficiency. However, the hiring criteria relating to English proficiency depends on the position, as the individual may immediately be required to make contact with the home country or an overseas client and must therefore have the necessary English skills.

The Company recruits people through recruitment agencies and advertising. When hiring a large number of people, it uses magazine media. Currently, the Company uses Web media in combination with magazine media to boost the number of access. Recruitment through the Web is believed to become the main medium in the future.

As for instructors, the Company is assisted by outside specialist instructors called Partners at certain times of the year when the number of courses increases and in specialist courses. Administrative tasks are performed by temporary staff dispatched by employment agencies. The outside instructors and temporary staffs are treated in the same manner as permanent staff. The desk size is the same and one computer is allocated to each staff. Temporary staffs account for about 6% of all staff members.

The employee turnover rate is extremely low: about 6-7% per year.

2) Personnel Review and Evaluations

(1) Salary & Remuneration System

Wages are based on an annual salary system. Pay is limited to the base salary, and there are no livelihood allowances. The rank starts at J0 (rank of recent school graduates), and goes up to J1, J2, J3 and J4.

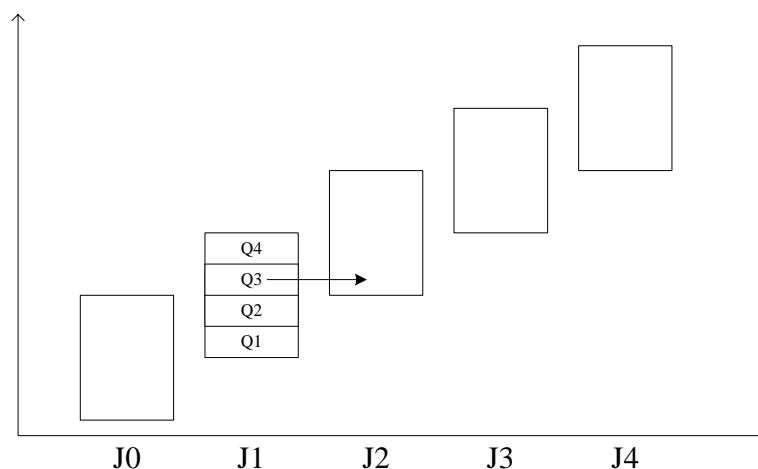
The amount of pay may vary widely within the same rank. Each rank is divided into quarters.

There is no such thing as an across-the-board pay increase. However, there is an arrangement called merit increase, which is a pay rise reflecting the results of personnel rating.

The starting salary, etc. is determined in a manner such that it matches the general market value according to the age and position identified by a salary survey. The Company participates in a salary survey conducted by a consulting firm, and reviews it once every few years. The outline does not change much, however.

Employees know about the quarter to which they belong. They are ranked A, B, C or D depending on the results concerning the achievement of the contribution target, and their promotion and pay rise are decided based on the rank. For example, the evaluation might be the same for two employees, but an employee in the first quarter (Q1) will get a 5% pay rise whereas an employee in the second quarter (Q2) will get a 4% pay rise. Employees in the third quarter (Q3) or above are encouraged to move onto the next rank because the amount of pay rise is limited.

Figure 1 : Merit Increase



The bonus is included in the annual salary, and does not change in amount during the year. Incentives are paid depending on the achievement of the business targets subject to personnel rating. This is done based on absolute evaluation, and the Company does not iron out the differences across the board.

The Company regards incentives as an additional element rather than a component of the base salary.

(2) Target Setting and Evaluation

As the financial year starts in January and ends in December, targets are set between January and March. Target setting, which is done for the purpose of evaluation, is also emphasized as a communication tool. What the Company expects from an employee must be clarified, and the employee must fully discuss with his/her supervisor about his/her career plan. A target is set only if it is acceptable to both of them. The Company sets forth guidelines for formulating the targets, in order to make them quantifiable, measurable, concrete and challenging to the highest degree.

It is important whether the targets reflect the department's targets and ultimately aims to achieve the Company's targets.

Also, if an employee was unable to achieve the set target in the end but should be evaluated for engaging in projects that came up midway outside the scope of the set target, the Company takes this into account during the evaluation. Even if an employee is given a "C" grade with respect to all of the set targets, he/she might be ranked "A" based on the evaluation of other areas. Accordingly, there is no framework to determine the evaluation results based on calculation. Evaluation consists of primary evaluation and secondary evaluation. Once the evaluation is done by the secondary evaluator, the results are fed back to the personnel department. For example, if the primary evaluator gives an A but the secondary evaluator gives a C, the primary and secondary evaluators (who are both managers) discuss with each other and decide on the evaluation. The finalized evaluation results are then fed back to the evaluated employee.

3) Welfare, etc.

(1) Working Hours and Vacations

Working hours are basically between 9:00am to 5:30pm. However, the working hours of employees subject to the discretionary work arrangement are flexible, and the core time is between 10:00am to 3:00pm.

Non-working days include public holidays and paid leave, and long vacations include the year-

end/New-Year holidays and Golden Week.

(2) Welfare

Allowance is limited to transportation allowance. There is no housing allowance. However, employees who are required to relocate due to the Company's request are compensated for the relocation costs.

Welfare facilities such as rest houses and foreign language classes are outsourced to welfare service providers.

(3) Education and Training

Education and training mainly consist of on-the-job-training (OJT). Some employees receive education and training by attending the Company's training program implemented to other companies. English is not a mandatory skill at this point. However, employees who are expected to communicate in English with the head office, etc. in the future are given English training. Currently, the training is done in the form of e-Learning.

IV . Issues in Personnel Management and Directions for Solving Them

Due to the difference between labor supply and demand, necessary human resources cannot be acquired when needed. We would like to acquire human resources according to such needs. Also, employee development is an issue that should be addressed in the future.

Hewlett-Packard Japan Ltd.

I . Corporate profile

Business Category:	Service
Workforce:	3,000 (as of January 1, 2002)
Location:	3-29-21 Takaido-higashi, Suginami-ku, Tokyo 168-8585
Founding Year:	1999
Capital:	10 billion yen
Parent company:	Hewlett-Packard Company
Foreign Capital Percentage:	100%
Business Areas:	Developing, manufacturing, import, marketing, lease & rental and support of computers, computer systems, computer peripherals and software

II . Main Points in the Personnel Management Scheme

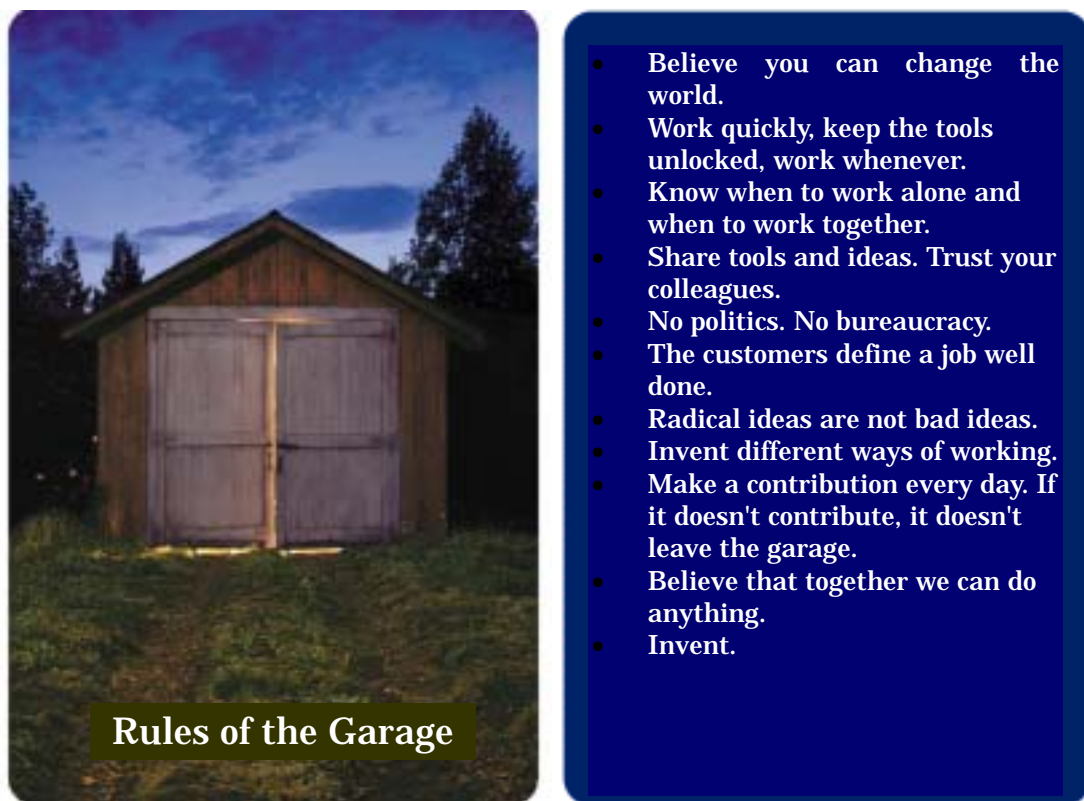
- At Hewlett-Packard Japan (HP Japan), the core of personnel management is based on principles designated as the “Rules of the Garage” which is shared globally within the group.
- From 1985 to 1990, the Company changed its salary system significantly from a conventional seniority based system to a job based system. Globalization of personnel management system took off after the spin off of the measurement business in 1999.
- In 1992, HP Japan introduced an internal recruitment program which is also referred to as an open bidding system for jobs within the Company. This is based on the principle of “career self-reliance” meaning everyone should drive their own development path.
- HP Japan focuses on providing training opportunities for managers as they are responsible for evaluating their staff and determining salary which are usually the responsibility of human resources in most Japanese companies. The managers are expected to recognize the important role they play in personnel management.

III . Basic Ideas Regarding the Personnel Management System

1) Basic Concept of Personnel Management

“Rules of the Garage” (Figure 2) are the core of the Company's philosophy worldwide, and the driver of everything the Company does.

Figure 2 : Rules of the Garage



2) Recruitment / Employment / Retirement

The Company hired about 150 students in (FY) 2001 and have been recruiting around 200 students each year. These positions were mainly in sales, SE or support business.

The Company also regularly recruits mid-career workers who can perform immediately, especially as SEs and support staff. The number ranges from several tens of people at the minimum up to 200 to 300 at the maximum. This number varies according to the needs for the year.

HP Japan sets the following standards of candidates for the recruitment process. The Company especially places high emphasis on the applicants' skills, independency and initiative and firmly believe that "Employees must take charge in attaining the skills required in the Company."

A certain level of English proficiency is required especially for managers to perform their tasks.

Desired Attributes

- Ability to inventive
- Communication skills
- Independence
- Initiative
- Ability to meet the target
- Analytical thinking
- Agility
- Ability to adapt to changes

HP Japan as well as the US headquarters does not have the concept of life-time employment at all. In the past, HP was a company renowned for ensuring long-term employment and committing to "job security" in the US. However, in line with the changing environment, the policy was shifted to provide "employment security." Currently, the Company adopts the concept of "competitive reality" in which the Company flexibly meets changes in the competitive environment.

3) Wages

(1) Basic Concept for Salary

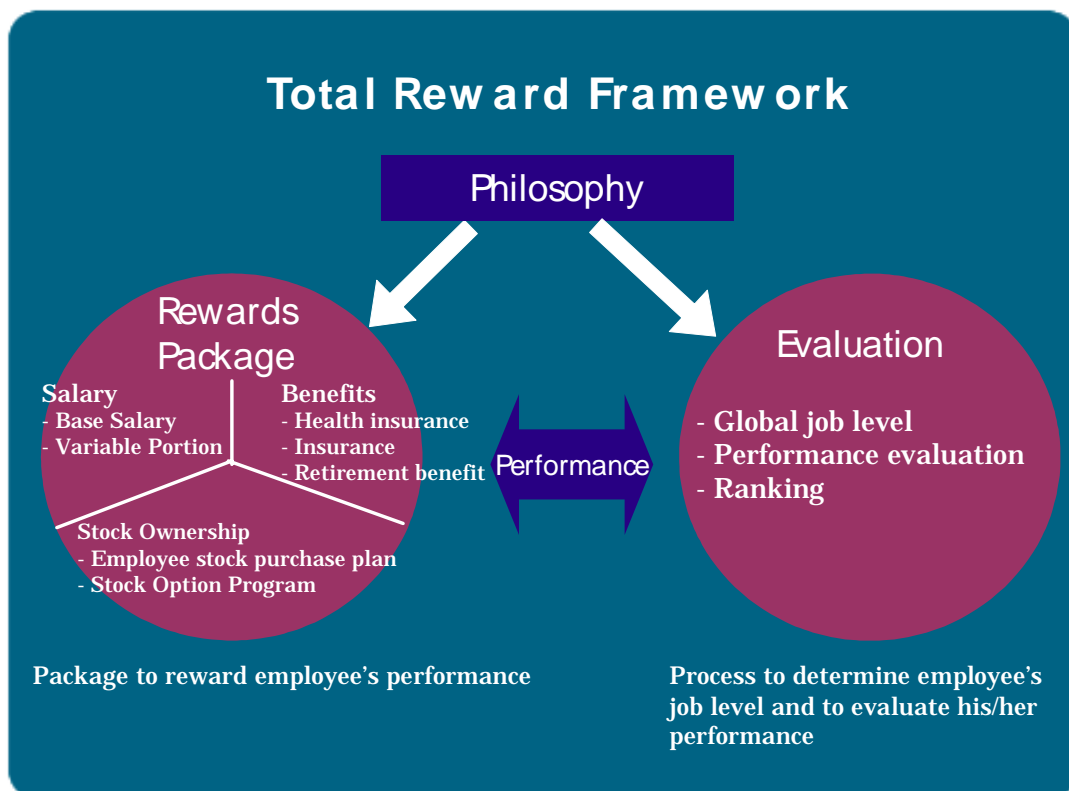
HP Japan determines salary based on the following three aspects.

- **Market Driven:**
Salary is determined based on market valuation of the job.
- **Pay For Performance:**
Individuals who achieved higher performance will be paid more than the others.
- **Fairness:**

Treat everyone fairly as much as possible. Therefore, the system is disclosed as much as possible.

The salary structure is shown below as “Total Rewards Package” (Figure 3) which consists of base salary, short term performance bonus, long term stock incentive plan, special performance bonus and benefits. “Total rewards” is designed to motivate individual employees, business units and the Company as a whole to pursue higher performance as well as to reward results and share success of the company. The total package is also designed to be equivalent to competitors in the industry.

Figure 3 : Total Rewards Package



(2) Salary System

HP Japan sets job levels (Figure 4) in each job category such as sales, SE and support. Job levels are assigned based on comparison with competitors, assessment of internal responsibility and contribution to the Company. Every employee belongs to a specific job level according to his/her position and salary is determined within the respective salary range (Figure 5) according to individual evaluations. Annual compensation for staff is determined as monthly salary x 18 months (12 month: as monthly salary, 6 month: as bonus).

Employees with jobs other than sales will receive 7 to 8% of their annual compensation as bonus based on overall corporate performance.

Figure 4 : Job Levels

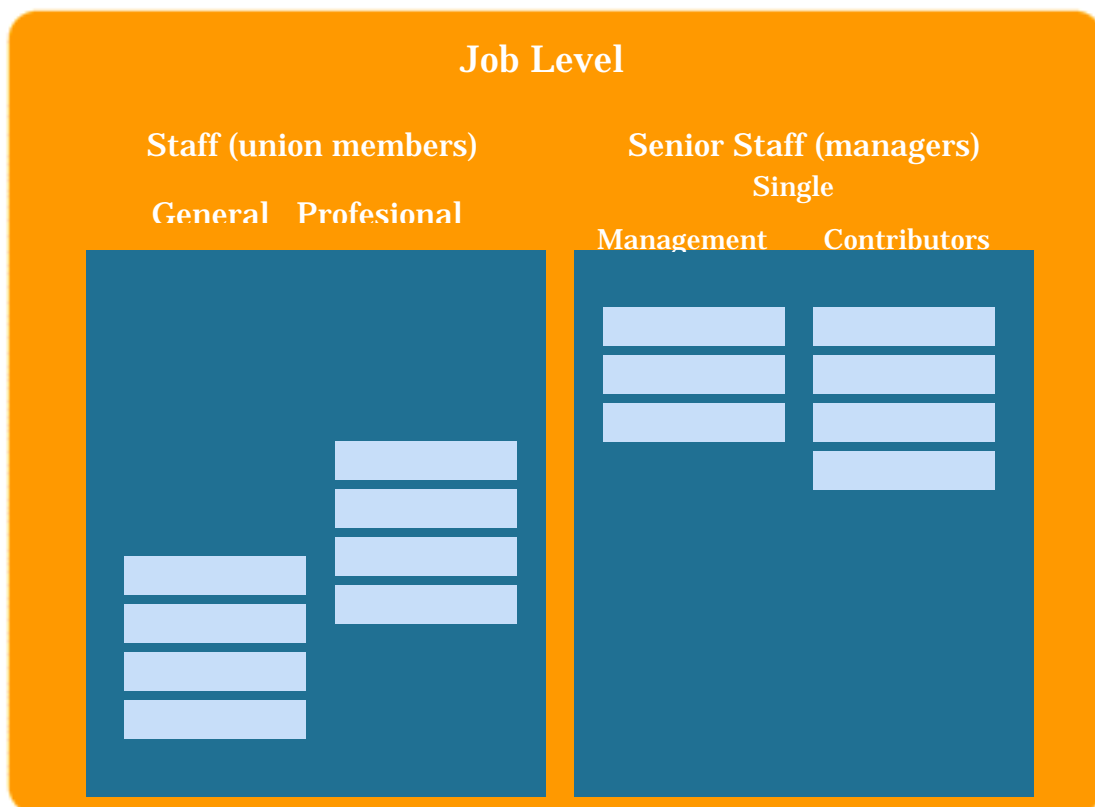
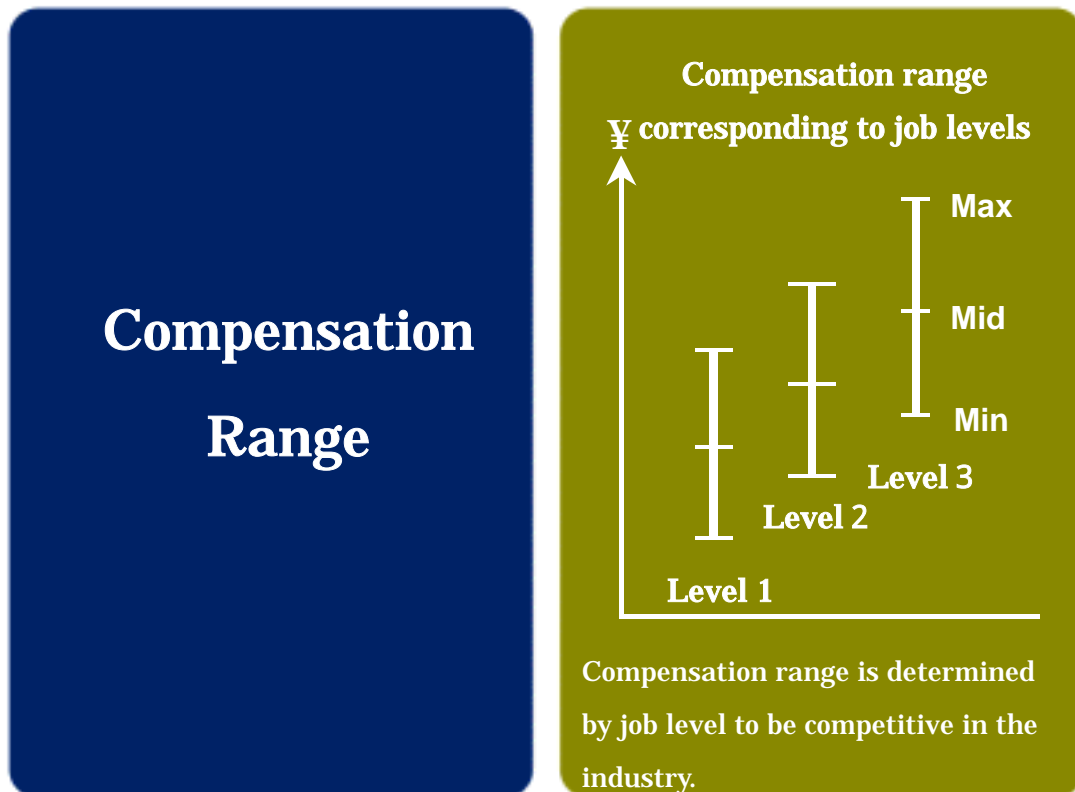


Figure 5 : Compensation Range



(3) Incentive Program

- Sales incentive program

Sales incentive program only applies to sales staff. In this program, 80% of the annual wage is fixed and 20% is variable which is reflected in the semi-annual bonus payments.

Sales incentive is contingent to 3 factors which are the achievement against individual objectives, team objectives and individual strategic targets. Those objectives are set in the beginning of each year.

(4) Other Allowances

Family allowance and housing allowance were abolished in 2000. At the same time, age scale was removed from the salary system and salary was moved towards the global system which is completely based on performance.

4) Personnel Review / Evaluation

(1) Features of the Salary System and Reasons for Reform

Although HP Japan currently has the salary system described as Figure 6, the past structure was heavily based on seniority. During the period from 1985 to 1990, the Company made a large move to a salary system based on jobs. Introduction of the common global salary structure began in 1999 with the spin off of the measurement business. In the year 2000, the Company introduced Total Rewards Package as mentioned in the previous section and abolished all aspects unique to Japan such as seniority based evaluations, family allowances and housing allowances. These actions completed the transformation to a common global compensation system.

Figure 6 : Key Features of the Salary System

- No element regarding age or experience
- Salary is completely based on performance
- No program based on certifications or degrees held by the individual
- No titles such as general manager or section manager
- No allowances that are not based on performance such as family or housing allowances
- Performance is evaluated on the achievement of preset targets
- Feedback in appraisal interview
- Direct managers determine individual compensation
- Each individual is responsible for his/her development path

(2) Overview of the System

As included in the features listed above, all salary is based on performance. The integrated cycle is shown in Figure 7. Individual targets are set for each employee that takes divisional targets into account. The direct supervisor evaluates performance and awards a relative score of one to five within the division and the result is reflected in salary.

This is a common global system in which the manager plays an important role as an evaluator.

Figure 7 : Performance Management



(3) Other Programs – “Internal Recruitment Program”

In 1992, HP Japan introduced an internal recruitment program which is also referred to as an open bidding system for jobs in the Company and this became the basic approach for the Company. This is based on the principle of “career self-reliance” meaning everyone should drive their own development path.

For example, with approval from the division head, a divisional manager seeking a candidate can post the details of the job on the intranet including information such as job description, terms and rewards.

This information can be accessed by all employees and anyone with more than one year of experience with the Company as well as with more than one year from the last application is eligible to apply.

If an application is received, the manager who posted the job must contact all applicants within two weeks and arrange interviews. This is similar to recruitment interviews and the division has the full authority to make decisions. When the manager judged an applicant as adequate for the job, he/she is accepted after the approval from the general manager responsible for the recruiting. The whole process is not revealed to the manager or the division head of the applicant.

If the application was unsuccessful, applicants are informed directly or via the human resource department and the information is not disclosed to anyone else, however, if the application was successful, applicants as well as his/her manager and division head are notified. This is the first time that the supervisor learns of the transfer and the process must be conducted without delay and completed within a month.

The internal recruitment program is considered as a measure to properly allocate human resources within the organization as well as a part of the total plan of personnel development. Employees also benefit from the opportunity to design their career and skill development. As the program bridges the gap between the needs of the Company and individuals effectively, applicants are increasing every year (Figure 8). The program has become a global system since 2000.

Figure 8 : Internal Recruitment Program(FY 1999)

No. of jobs posted	Applications	Transfers
317	474	159

5) Benefits

The company has the usual social security programs but other amenities such as company housing or sports facilities are not provided.

6) Training and Development

HP Japan focuses on providing training opportunities for managers as they are responsible for evaluating their staff and determining salary which are usually the responsibility of human resources in most Japanese companies. The managers are expected to recognize the important role they play in personnel management. There are three major programs. The first program is to learn the basic role of management. The second is to learn how to evaluate staff performance and make salary decisions while the third program is a practical training that uses case studies of successful managers. All managers must allocate two days for each program, a total of six days within one to two years.

Senior managers can receive training focusing on how to improve the performance of their staff and to acquire leadership skills. These programs are offered based on discussions with their supervisors.

Every year, each employee receives a development plan created by their managers which sets out OJT and other appropriate training programs. Currently, the Company is conducting practical training based on the spirit of the “Rules of the Garage” to each individual to create individuals who can act independently with confidence.

IV . Issues in Personnel Management and Directions for Solving Them

The current issue is to ensure that every employee understands the new system and to effectively leverage the system’s full potential. The company plans to make every effort to manage the system in a more fair and transparent manner.

V . The Differences in Personnel Management between the Home Country and Japan

A full review of the “education” is necessary for Japanese companies to succeed in global competition. Historically, Japanese corporations had relied on its strength in advanced technology and high quality products for success. However, they are usually not very effective in negotiating with foreign companies. In addition to English language skills, future education in Japan should focus on the goal of creating independent individuals which include developing lifestyles and values that doing something different from the others is not bad.

Currently, employee relations in Japan are not ideal. Although it may still be difficult in Japan, relations between companies and employees or relations between management and employees should be more equal instead of being one-sided where employees just passively wait for orders. It should be a more competitive relation in which employees take initiative in demanding satisfying jobs that meet their career goals and companies provide such opportunities.

Sun Microsystems K.K.

I . Corporate profile

Business Category:	Service
Workforce:	Approx. 1,400
Location:	SBS Tower 410-1Youga, Setagaya-ku, Tokyo 158-8633
Founding Year:	1986
Capital:	1.6 billion yen
Parent company:	Sun Microsystems, Inc.
Foreign Capital Percentage:	100%
Business Areas:	Sales of computer systems, software and related equipment that form the foundations of network computing and various services including maintenance and education.

II . Main Points in the Personnel Management Scheme

- At the time of the Company's inception, there was no room to provide for the training of recent school graduates and the Company therefore had no alternative but to rely on the recruitment of experienced individuals. In recent years, however, the Company has shifted its stance to mainly focus on the recruitment of recent school graduates based on the judgment that it would be impossible to meet the needs for human resources just by mid-career recruits amid the Company's rapid growth in the past two or three years.
- The Performance Management System, which is a global scheme, forms the core of performance evaluation. The System is based on two approaches: work evaluation, and competency evaluation.
- In the past, the Company had a system that placed substantial importance on the employee's service period as a requirement for promotion, and it was mistakenly believed to be giving priority to the "age" timeline over performance and ability. This system incurred the risk of undermining employees' morale as it was stuck with the idea of "equality of outcome" and gave limited prospects for promotion for employees who have not reached a certain age. Therefore, the Company introduced a new system in July 2001, resulting in the establishment of a promotion system based on the performance-based grading principle.

- In view of the growth of personnel who will form the core of the Company in the future, recent school graduate recruits are required to undergo a long-term training program, for a period of 5 months. The training program covers a wide range of fields, including but not limited to the understanding of technical aspects, product aspects and corporate culture. Furthermore, recent school graduate recruits are required to undergo training even after they are assigned to a fulltime post, such a coaching.

III . Basic Ideas Regarding the Personnel Management System

The globally-implemented Performance Management System (describe later) is based on ability- and performance-based grading principles.

1) Recruitment / Employment / Retirement

(1) Recruitment of Recent School Graduates

Historically, SUN concentrated on mid-career recruitment for a long time. In recent years, however, the Company has been making efforts in recruiting recent school graduates.

At the time of the Company's inception, there was no room to train recent school graduates and thus the Company had no choice but to rely on the recruitment of experienced individuals. However, the recruitment of experienced individuals inevitably forces the Company to compete with other companies if a certain number of talented individuals need to be hired, as there are not many of them in the first place, due to limited novelty in the Japanese labor market. For these reasons, in recent years, the Company has shifted its stance to mainly focus on the recruitment of recent school graduates based on the judgment that it would be impossible to meet the needs for human resources just by mid-career recruits amid the Company's rapid growth in the past two or three years.

The Company's shift towards the recruitment of recent school graduates is partly attributable to the massive number of applications sent from students at so-called famous and highly-respected schools, in line with the greater acknowledgement and recognition of the Company's name SUN by the general public in the Internet age.

As for the breakdown of employees by job category, most employees used to be engineers back in the day. Now, those in the sales division account for about a third and engineers account for the remaining two thirds of the workforce.

In regard to the number of recent school graduate recruits, the Company launched a massive recruitment drive in FY2000, resulting in the recruitment of 67 individuals, followed by the

recruitment of 189 and 115 individuals in FY2001 and FY2002, respectively. The increase in the number of recent school graduate recruits in recent years is prominent considering that in the preceding years, the Company had hired 30 individuals at most, or just a few individuals in slow years. Recent school graduate recruits are expected to be the personnel who will form the core of the Company. In contrast with experienced individuals, who are subject to demand in concrete terms and are required to make accomplishments in a short period, recent school graduate recruits are expected by the Company to undergo training for a period of 5 years or so. Hence, recent school graduate recruits are treated more favorably than mid-career recruits in that they are given opportunities to acquire skills, and they are required to contribute to the Company's future progress.

However, recent school graduate recruits are not treated favorably in terms of pay raise, promotion or other aspects. As evaluation is performed purely with respect to the employee's performance, mid-career recruits who have been hired for their experience tend to earn a higher wage.

(2) Mid-career Recruitment

The Company hires individuals through the Web, employment agencies and referral by employees. The Company resorts to headhunting companies in some cases, when it needs an individual to fill a senior management post or an individual with special skills.

The Company expects mid-career recruits to have adaptability more than anything else. Individuals who insist too much on doing things their own way are avoided, as the way of getting the job done varies from company to company. The ability to flexibly adapt to the situation is required.

English skills are generally required, and the extent to which they are necessary depends on the workplace. However, the lack of English skills on the sales front does not mean that the job cannot be done. English is not used when interacting with customers. Nevertheless, various documents exchanged inside the Company are often written in English, meaning that the employee's inability to read them will inevitably affect his/her job performance. In that sense, the Company is endeavoring to make employees understand that English skills are necessary to a certain extent, even in the sales division, without taking an "English-only" approach.

On the other hand, some divisions require employees to have considerable English skills due to the need to frequently communicate with the head office in the United States.

(3) Re-employment

The Company is distinctive and unique in that many people who migrate to another company end up coming back. The Company believes that it is attributable to the American culture being passed

on to Japan. The issue here is the re-employed individual's position.

In cases where the individual comes back within a year of leaving, there is little problem because he/she returns to the division and the position to which he/she was previously assigned. In cases where the individual comes back a few years later, with more skills and experience, the Company must be careful not to generate a sense of unfairness when judging the individual differently to employees who have been dedicated to the Company.

2) Performance Evaluation

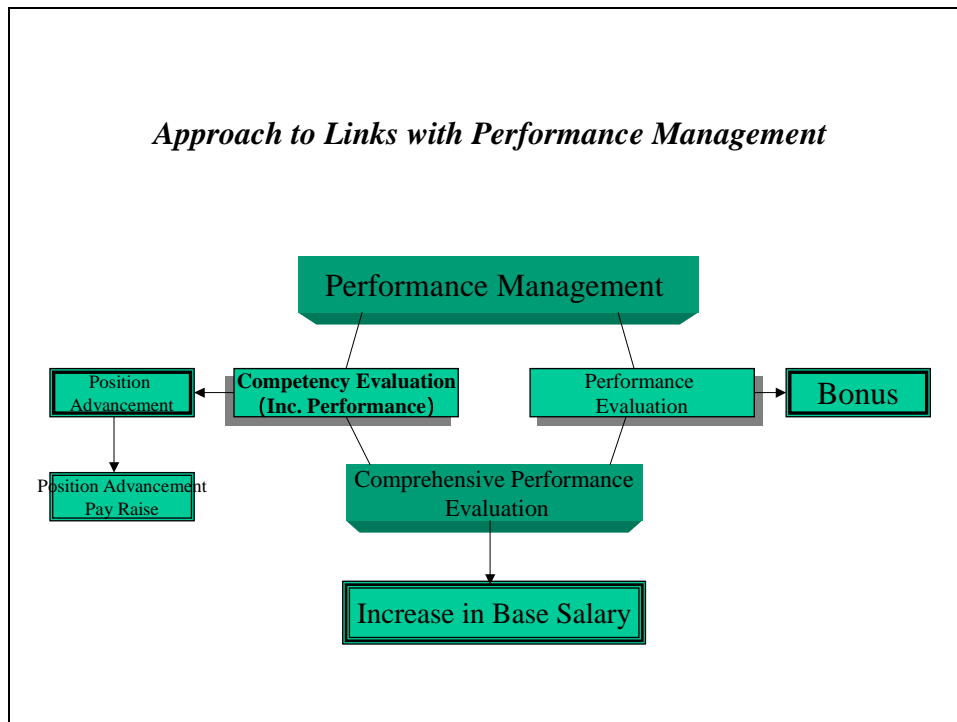
The Performance Management System (Figure 9), which is a global scheme, forms the core of performance evaluation.

The System is based on two approaches: work evaluation; and competency evaluation, which focuses on leadership ability, problem-solving ability, communication ability, etc.

As for work evaluation, a target is set for work based on discussion between the supervisor and the subordinate, and the work is evaluated according to the target fulfillment results. Competency evaluation is performed with reference to the fulfillment results of targets relating to the experience in abilities and the improvement and development of abilities. Work evaluation serves as the criteria for determining the bonus, which changes with performance, whereas competency evaluation is linked with promotion. The combination of these two constitute comprehensive performance evaluation, and are linked with pay raise to determine the employee's base salary for the year.

SUN is distinctive in that it adopts an evaluation standard called the Global 3-Tier Performance Rating System. By evaluation, employees are divided into three ranks, which are linked to pay raise and performance-based bonus: the highest rank is "Category 1 (Supervisor)"; the middle rank is "Category 2 (Standard)"; and the bottom rank is "Category 3 (Underperforming)." If an employee is given a "Category 3 (Underperforming)" rating, he/she receives no performance-based bonus or pay raise, and is required to create a performance improvement plan with his/her supervisor and endeavor to improve performance.

Figure 9 : Performance Management System



3) Promotion

In the past, SUN had a system that placed substantial importance on the employee’s service period as a requirement for promotion, and it was mistakenly believed to be giving priority to the “age” timeline over performance and ability. This system incurred the risk of undermining employees’ morale as it was stuck with the idea of “equality of outcome” and gave limited prospects for promotion for employees who have not reached a certain age.

To overcome this, the Company introduced a new system in July 2001. It switched to a system that properly evaluates performance, allowing the promotion of an employee with good performance even if he/she is a recent school graduate, and rejecting the promotion of a poorly-performing employee regardless of whether he/she has been in the same position for two or three years.

Specifically, the Company used to have a rule that an ordinary employee cannot move onto a higher job rank unless he/she has been in the current rank for two years. When this rule is applied to recent school graduate recruits, there are 5 stages for them to go through before they reach the so-called section management level in Japan (deputy manager), meaning that it takes at least 10 years to achieve that rank. The Company had a guideline that an employee who joined the Company at the

age of 22 will be at least 32 years old by the time he/she assumes a post at the section management level. The Company regarded that it might undermine the motivation of talented employees, and thus introduced a system in which an employee can, theoretically, assume a deputy manager post within 3 years –a rapid shortening of the 10-year period.

In the new system, employees who perform well will be evaluated highly regardless of whether they are recent school graduate recruits or mid-career recruits. However, some divisions are still having difficulties in breaking away from the old system, which is a challenging issue. The Company's issue for the future is to implement the new system in practice to motivate employees.

4) Wages

(1) Overview of the System

SUN's wage system consists of the base salary, allowances, seasonal bonus, performance-based bonus and incentives.

(2) Base Salary and Seasonal Bonus

By design, the base salary in each job rank may go down to 80% or go up to 120%. The Company multiplies the base salary decided based on comprehensive performance evaluation in the Performance Management System, in principle, by 18 and pays the monthly salary (12 times) and the seasonal bonuses in summer (3 times) and winter (3 times).

The base salary multiplied by 18 is referred to as the basic annual salary.

(3) Performance-based Bonus

i) Ordinary Employees other than Salespersons and SEs

Performance-based bonus is calculated by multiplying the basic annual salary by a certain type of coefficient, which is decided based on the Company's performance and the individual's performance. The coefficient accounting for the Company's performance is set at 0 if no more than 80% of the target for sales, profits, etc. have been achieved, and at 2 if at least 140% of such target has been achieved. The coefficient accounting for the individual's performance is set between 0% and 22% depending on the extent to which the job target has been accomplished.

In other words, if the Company achieves at least 140% of the target and the individual's performance earns the highest rating, assuming that his/her basic annual salary is 5 million yen, he/she will be paid a performance-based bonus of 2.2 million yen [= 5 million yen × 2 (Company's performance) × 22% (individual's performance)].

On the other hand, if the Company cannot fulfill 80% of the target, or if the individual's performance rating is 0, he/she will not be paid a bonus.

ii) Management-level Employees other than Salespersons and SEs

Based on the Corporate Bonus Plan, the performance of SUN Group as a whole is reflected. The coefficient accounting for the Company's performance is set between 0 and 2, whereas the coefficient accounting for the individual's performance is set between 0 and 24%. The bonus is decided by multiplying these two by the target basic annual salary.

For example, if the Company's performance is 2 and the individual's performance is 24%, the bonus paid is a performance-based bonus of 48% of the target basic annual salary. On the other hand, if either the Company's performance or the individual's performance is 0, the performance-based bonus will be zero as well.

(4) Incentives

i) Sales Staff

With respect to the sales division, the Company sets the biggest fluctuation band for incentives. Incentives account for 30% of the target-fulfillment annual salary (monthly base salary + fixed bonus + incentives). This 30% portion changes between 0 and 300% depending on the performance.

In other words, if an employee on a target-fulfillment annual salary of 10 million yen completely fails to fulfill his/her target, the fluctuation rate is 0 and he/she will not be able to get 30% of his/her annual salary i.e. 3 million yen.

In contrast, if an employee on a target-fulfillment annual salary of 10 million yen fulfils his/her target by 170% or more, the incentives portion 3 million yen is multiplied by a fluctuation rate of 300% and he/she will be able to get 16 million yen in annual salary.

ii) SE Staff

Although the fluctuation rate is not as large as in the sales division, incentives account for 20% of the target-fulfillment annual salary (monthly base salary + fixed bonus + incentives). This 20% portion changes between 0 and 300% depending on the performance.

Put differently, if an employee on a target-fulfillment annual salary of 10 million yen totally fails to fulfill his/her target, the fluctuation rate is 0 and he/she will not be able to get 20% of his/her annual salary i.e. 2 million yen.

On the other hand, if an employee on a target-fulfillment annual salary of 10 million yen fulfills his/her target by 200% or more, the incentives portion 2 million yen is multiplied by a fluctuation rate of 300% and he/she will be able to get 14 million yen in annual salary.

(5) Allowances

Family Allowance: Paid monthly in the following amount to an employee who is the head of the household, depending on the number of dependants in the family.

Number of Dependants	Amount of Allowance (Monthly Amount)

None	Not paid
1 dependant	20,000 yen
2 dependants	25,000 yen
3 or more dependants	25,000 yen plus 3,000 yen for each subsequent dependant

Housing Allowance: Paid monthly in the following amount depending on whether the employee is the head of the household and whether there are any dependants.

Without dependants:	Employee is head of household	= 22,000 yen
	Employee is not head of household	= 15,000 yen
With dependants:	Employee is head of household	= 30,000 yen
	Employee is not head of household	= 15,000 yen

Sales Allowance: Paid to sales staff.

Social Insurance Allowance: The same amount as the out-of-pocket premium of health insurance (nursing care insurance), employees' pension insurance and employment insurance is paid as social insurance allowance.

Commuting Allowance: The price of a one-month pass for commuting by public transport is paid as commuting allowance.

5) Working Hours and Work Pattern

Flexitime System Available: Regular number of working hours: 7.5 hours

Standard Working Time: 9:00 ~ 17:30

Days Off: Two days per week (Saturdays and Sundays) and national holidays

Year-end and New Year holidays (from December 30 to January 5)

Number of days off per year: 120 days (actual data in 2000)

Holiday Annual Leave with Pay: 12 days in the second year of joining Company. One day is added for every subsequent year until the total number of days reaches 23. The number of days given in the year of joining the Company is decided according to the time at which the employee joined.

Leave for Illness or Injury: Separate to the annual leave with pay, 10 days leave is allowed per year for going to hospital, etc. due to illness or injury. The number of days given in the year of joining the Company is decided according to the time at which the employee joined.

Summer Holidays: Three days at any time between July 1 to August 31

Maternity leave, leave for funeral or wedding attendance, leave for relocation and other days off

6) Benefits

Club Activities: Activities for employees to mingle with each other through sports and hobbies (e.g. baseball, golf, fishing, skiing, etc.)

Sports Club: Corporate member of Central Sports Club (Youga only) and XAX

Healthier (Health Promotion Center): Facilities, sports gym, conference room and accommodation facilities owned and operated by health insurance society.

Rest houses: Izumigo Best Club, leased holiday houses, petit hotels and condominiums
(Location: Yatsugatake, Tateshina, Izu Kogen, Azumino, Toba and Naeba)
Laforet Club: Hotel, cottage and golf course (Location: Shuzenji, Yamanakako, Goura, Tokyo, Biwako, Nasu, Zao, Shirakawa, Ito, Naka-karuizawa, Hakuba Happo and Nanki Shirahama)
Rest Houses of Health Insurance Society: Owned-and-operated rest houses

(Location: Echigo Yuzawa, Kazusaichinomiya Kaihin and Izusan Spa)

Partner Rest Houses: In addition to the above owned-and-operated rest houses, the health insurance society opens partner rest house based on contract with facilities nationwide and overseas (Hawaii).

Travel Subsidies: Subsidies are available from the health insurance society if an employee uses an inn (Japanese-style inn, hotel, Western-style inn, etc.) affiliated with Kinki Nippon Tourist, Japan Travel Bureau (JTB), Nippon Travel Agency, Tobu Travel, Meitetsu World Travel, etc.

Magic Kingdom Club: Discount tickets available for Tokyo Disneyland

Health insurance: Member of Tokyo Denshikenpo.

Medical Examination: A medical examination is performed once a year.

Group Term Insurance (Life insurance paid by Company): An insurance plan that pays benefits to surviving family members in the event of an employee's death.

Medical Expenses Insurance: Insurance covering out-of-pocket accommodation charges incurred when hospitalized due to illness or injury, technical fees associated with advanced, state-of-the-art medical treatment (intravascular surgery of brain, electromagnetic heat therapy, etc.) and costs for employing a care provider.

Compensation Scheme for Industrial Accidents not required by Law: An insurance plan that pays benefits if an employee's death or disability is caused by an accident during work or in the course of commuting, in addition to the benefit paid under the government's workers' accident compensation insurance.

Group Long-term Disability Insurance: A Company-paid insurance, in which an employee is paid 60% of the current monthly salary (standard monthly

remuneration) if he/she suffers illness or injury, in or out of Japan, and cannot work from a medical perspective. The employee's income is continually compensated as long as the employee is unable to work, even after his/her retirement from SUN.

Group Life Insurance and Property & Liability Insurance: Premiums for life insurance and property & liability insurance plans purchased on an individual basis can be paid by deduction from his/her salary.

Overseas Travel Personal Accident Insurance: An insurance against employee's death during overseas business trips, etc.

7) Education, Training and Skill development

The Company puts more efforts in training programs for recent school graduate recruits than mid-career recruits. In FY2001, the Company rolled out an extensive 5-month training program, covering a wide range of fields, including but not limited to the understanding of technical aspects, product aspects and corporate culture. Furthermore, each recent school graduate recruit is coached by his/her senior on a one-on-one basis, once they are assigned to a fulltime post.

In consideration of these conditions, recent school graduate recruits are expected by the Company to mature quickly. On the other hand, they are required to evolve into personnel who will be able to support the Company in the future. In the training program, they are given intensive guidance on presentations, etc. Also, coaching itself generates synergy effects, as it gives the coach a good training opportunity as well.

As for other education schemes, SUN University provides "management training," holds "target management workshops," addresses "communication skills" and executes training for mastering other highly advanced skills, while the Personnel Training Center engages in the practical training of those in the sales division and SEs.

IV . Issues in Personnel Management and Directions for Solving Them

The immediate challenge is to how to run the personnel management system. It is the Company's destiny that operations in SUN Japan are not self-contained, as some divisions cover the U.S. and the U.K. Accordingly, the evaluation system must be applied in a more global and fairer manner.

In that sense, the Company is still in the transition phase. As the Company underwent rapid growth, it does not have a grip of how to apply the evaluation system by division.

This is exemplified by a simple term like "leadership." As each division consists of individuals who have different, varied experiences, the definition depends on the individual. In the future, the definition of ability requirements should be standardized when evaluating leadership, and other factors should be considered and applied by those working on the front line. This is believed to help promote autonomous management and autonomous employees.