

The new competition rule

A primary core concept that points out the direction of the recent revolution in human resources, otherwise known as the change to a “results-based principle” (a concept in human resource management wherein employees are assessed and receive raises and promotions based on their real performance) is the trend towards individual management. It has been said that the particular feature of Japanese-style human resource management is egalitarianism and standardization based on the element of seniority, indicating that companies have been managing their employees as a group based on this seniority element. Replacing this tradition is a movement in which companies are considering looking at differences in the value of their employees and the way they work for the company in individual respects, rather than a group-based sense on seniority principles. In other words, a movement that brings the evaluation of individuals into account. In regards to this, companies are in a transition of switching over from the existing competitive rule (evaluation rule) that emphasizes seniority to a new competitive rule with a “results-based” emphasis.

The core mechanism for evaluation established in this new competitive rule structure is the goal management system, which is being adopted by approximately 60% of all companies. Furthermore, regardless of whether or not they adopt a goal management system, approximately 80% of companies indicate that “division managers (or equivalent positions) are given business goals,” and approximately 90% of management-level positions “provide subordinates with business goals in addition to performing work.” (“Survey of the Actual Condition of Activity in Accordance with Merit-based Principles and Results-based Principles,” Fuji Research Institute Corporation

(1998)). When looking at this present situation, from an operational point of view the goal management system may already be the standardized evaluation system, regardless of whether or not it is called the goal management system.

According to the Japan Institute of Labour’s “Survey of Human Resource Management and Educational Training Investment in the Age of a Performance-based Principle (2000),” among companies reporting that the results-based principle is emphasized for setting individual goals, “financial related indicators (including sales ratios and other indicators)” (or outcomes) are not the only things that matter, with that ratio standing at around 40%, and the remaining 60% dominated by non-financial related indicators (see Table 3-1).

In addition, indicators for assessing the potential for latent competitive strengths, such as “improvements in individual tasks” (50.8%), “development of individual ability” (27.3%), “fostering of subordinates” (21.1%) and other long term perspectives are emphasized to a particular extent, and goal setting is conducted through a combined consideration of “outcomes,” “process” and “the long-term fostering of human resources.”

Clarification of goals

However, in order for this competitive rule to function as a “fair competitive rule that will be accepted by employees and bring about employees’ motivation for work,” assignments, appropriate skill goals and outcome goals must first be clearly set, based on existing corporate planning and departmental goals. Secondly, in order to build a foundation for “clearly setting appropriate outcome goals and skill goals” it is necessary to improve an assessor’s evaluation skills and maintain an appropriate evaluation process.

3-1 Individual goals emphasized as part of goal management (multiple answers)

(%)

Section (number of companies)	Financial related indicators (outcomes)			Customer satisfaction	Process			Fostering of human resources		
	Sales	Profits	Profit ratio		Developing products, services, customer base	Costs	Improvement in individual tasks	Fostering of subordinates	Developing individual ability	Motivation to work and attitude
374 companies	43.0	38.0	24.9	19.3	20.3	31.6	50.8	21.1	27.3	10.2
	105.9			19.3	102.7			58.6		
	[37.0]			[6.7]	[35.8]			[20.5]		

Note: Values indicated in [] set the value of all indicated answers at 100, and calculate the percentage value of explanations from respective viewpoints.

Source: Compiled from "Survey of Human Resource Management and Educational Training Investment in the Age of a Performance-based Principle" The Japan Institute of Labour (2000).