

Vodafone Japan

I . Corporate profile

Business Category:	Information and communications (mobile communications)
Workforce:	30 (of which 8 are Japanese staff)
Founding Year:	The Tokyo office was established as Vodafone's Japanese branch, based on the business alliance accord between Japan Telecom, which launched mobile phone services nationwide, and the former AirTouch Communications, Inc. (currently Vodafone) in 1990. (Japanese subsidiary is unregistered.)
Parent company:	Vodafone Group plc (United Kingdom)
Nationality:	Mobile phone service

NOTE: This information was current in September 2001 when Vodafone was a minority shareholder in Japan Telecom and J-Phone. In November 2001 Vodafone acquired control of both companies through a majority shareholding. The Vodafone Japan office has become the Vodafone Asia Region office. The majority of staff covered by this report work in either Japan Telecom or J-Phone. Vodafone is working closely with the HR staff in these subsidiaries to develop a new Personnel Management Scheme, which is consistent with Vodafone's global policies, Japanese law and Japanese market practice. It is too early to report details of the new scheme at this stage.

II . Main Points in the Personnel Management Scheme

- Vodafone Group is the world's biggest mobile phone business group, and is a multinational corporation group with bases in 28 countries worldwide. In Japan, the group is actively engaged in sales activities, including its investment in Japan Telecom Co. Ltd. and J-PHONE Co., Ltd. in the amount of more than 1 trillion yen. Vodafone Japan is the Group's base in Japan.
- Vodafone's Vision is to be the World's mobile communications leader. The company Values are Passion for our customers, Passion for our people, Passion for results and Passion for the world around us. The Vision and Values are integrated into every aspect of the Personnel Management System.
- Through headhunting companies, the Company recruits individuals who are able to immediately demonstrate their abilities. Wage policy is set at the headquarters in England, and the Company calls it the Market Reference Zone (MRZ).
- MRZ is decided on an annual basis with reference to the market rate, which is determined by

participating in a wage survey conducted by a consulting firm.

- Personnel review is performed based on the criteria decided by the headquarters. For employees of USA origin the bonus decided may vary, from 7% to 82%.
- Separately to the normal bonus, the Company has an accomplishment-based remuneration adjustment to annual salary called “the merit budget.” Employees who have performed well are given a “merit” increase and remunerated accordingly. The merit budget in the previous fiscal year was set at 4.9% of the prospective wage of all employees. As the amount of pay may vary even among merited persons, this system highly motivates employees.

III . Basic Ideas Regarding the Personnel Management System

1) Recruitment

(1) Frequency and Means of Recruitment

Vodafone firstly advertises positions internally over the Intranet to fill vacant positions in the local subsidiary (Japanese subsidiary). This is because Vodafone Group, which has bases around the world, has no national boundaries, and quite a few employees ask to be relocated to another office in search of more possibilities.

If no applications are received or no suitable candidates are found through advertising on the Intranet, Vodafone outsources the recruiting task to headhunting companies. If a reasonable and suitable candidate is found after screening candidates by examining their papers and/or based on the judgment of headhunting companies, he/she is interviewed 2 or 3 times by a Vodafone manager and the final decision on recruitment is made.

In addition to the use of the Intranet and headhunting companies, recruitment is also done over the Internet on a constant basis. Vodafone had previously resorted to newspaper advertisements, etc., which requires a few weeks even for making an appointment. Now, recruitment through the media is limited to the Internet, as the entire process –from screening candidates by examining their papers to appointing them– can be instantly done over the Internet.

(2) Wage Arrangement

Vodafone sets the standard wage at each workplace based on its unique wage system called the Market Reference Zone (MRZ). Vodafone participates in a wage survey conducted by a consulting firm each year, and acquires information on the market rate of wages in each workplace and trends in the labor market. For senior staff the headquarters in England decides the MRZ and applies it to bases worldwide after studying the company’s performance, trends among rival companies, the labor conditions and trends in local subsidiaries based on this information.

MRZ serves as the foundation of the Vodafone Group’s wage system at times other than recruitment as well, such as wage assessment in personnel review.

2) Personnel Review and Bonus System

(1) Personnel Review System

Vodafone uses a unique performance measurement system that quantifies the targets, and evaluates the extent to which the targets have been fulfilled in mid-year and year-end. The evaluation is decided by rating an employee at 6 levels according to the extent to which he/she has fulfilled the target.

With respect to Japan and other overseas local subsidiaries, an important factor is the extent to which they are working with the understanding of the headquarters’ views.

(2) Bonus System

i) Team Award

Vodafone’s bonus program is called a “Team Award”. The team award is set forth as an award given to an employee for the performance of the Business Unit to which he/she belongs, and varies in amount according to the accomplishments.

Vodafone adopts a system called “Broad-banding” to categorize the jobs into 5 bands and decide the percentage of the team award with respect to the base salary.

Figure 1 : Team Award

Band	Job	Team Award
Band A	Customer care staff, engineer and secretary	7%
Band B	Specialist	11%
Band C	Senior specialist, mid-level manager	18%
Band D	Director-level job	31%
Band E	Executive	41%

The team award is a bonus allocated when the target has been fulfilled 100%. Thus, if the target has not been fully fulfilled, the amount is reduced according to evaluation, whereas if the target has been more than fulfilled, the amount is increased. The rate of increase/decrease is set between 0% and 200%.

For example, if an employee in Band A belongs to a Business Unit that has exceeded its target by 15% the employee will be able to get a team award of 14%, which is two times 7%.

The team award is paid twice a year to employees in Bands A through C, and once a year to those in Bands D and E.

ii) Merit Budget

Vodafone adopts an award system called the “Merit Budget” to boost its employees’ motivation. This is a system in which the manager secures a budget, qualifies employees who have performed well for higher merits and pays awards accordingly.

The merit budget in FY2000 was set at 4.9% of the total salary paid to all employees who were qualified for higher merits. This Figure is decided in consideration of the Company’s financial status and performance, general economic factors, wage composition at rival companies, etc.

As for the merit budget, employees with better performance are paid a larger amount, while those with poorer performance are paid less (or zero).

iii) Other Award Systems

Vodafone introduces the following award systems in addition to the above.

a. Sign-on bonus

This is a system of paying a certain amount in full upon recruitment. The aim is to boost the new employee’s motivation.

b. Retention Bonus

When paying an award, half of the total amount is paid after 1 year, and the remaining half after 2 years under this system. The aim is to keep talented employees.

c. Stock Option System

3) Issues

Vodafone has 3 issues relating to recruitment.

- (1) Vodafone uses consulting firms and headhunting companies to recruit highly capable individuals. This costs too much.
- (2) In some cases, Vodafone recruits individuals from other companies by offering high wages. Such wage arrangement could frustrate existing employees, who might leave the company because of the resulting sense of unfairness.
- (3) Recruitment of a highly capable individual on the condition of exceptional treatment undermines the existing employees’ motivation and morale.

Vodafone takes the following measures to tackle these issues.

- 1) Vodafone participates in the wage survey of a consulting firm on a continual basis to

identify the trends in the labor market and adjusts salaries of existing employees through the merit budget to maintain equitable treatment of all employees.

- 2) Strives to listen to employees' opinions at all times
- 3) Takes advantage of best practice of other companies discovered by participating in the wage survey in order to improve its system.

Furthermore, Vodafone has the following targets in regard to personnel management.

Aim to be a diverse, international company that suits its status as an enterprise operating in 28 countries worldwide.

Be a company that carefully listens to employees' opinions, complaints and criticisms.

Be a company that values and takes care of people more than anything else.