
The Personnel Management Cases of Foreign-affiliated Companies

4 . U.S. Companies
(Finance, Services, Distribution)

2002

The Japan Institute of Labour

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(4) U.S. Companies (Finance, Services, Distribution)

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American Express International, Inc. (Japan)

I . Corporate profile

Business Category:	Lease / finance
Workforce:	800 (of which approximately 200 are temporary contracted employees)
Location:	4-30-16 Ogikubo, Suginami-ku, Tokyo 167-0051
Founding Year:	1954
Capital:	-
Parent company:	American Express Company
Foreign Capital Percentage:	-
Business Areas:	General financial company dealing with credit cards, travelers' checks, securities, international finance, insurance etc.

II . Main Points in the Personnel Management Scheme

- American Express International, Inc. (hereinafter called AMEX) has introduced a personnel system that places the concept of "competency" at its foundation, which is a common, global concept that can be understood beyond races or cultures.
- With the introduction of the concept of "competency," AMEX successfully established the "Job Posting System," its internal staff recruitment system, on a global scale and thus realized a global personnel sharing scheme.
- AMEX has introduced a job grading system based on the "Broadband System," which is composed of several job bands. A different job grade system founded on the Hay system was applied in previous times, in which jobs were categorized in 12 grades, ranging from a non-managerial position to a manager position, save for the position of new school graduates for a certain period of time after they join the company. Currently, only three job bands are set in place in total, with a manager position at the highest.
- On the subject of wages, AMEX has introduced a job-based pay system. As indexes to show the salary levels for different jobs, the "Market Reference Zone" is set in place for each job, which is derived from market research and indicates the salary level (based on annual salary) applied in other companies for identical jobs. Thanks to this new system, AMEX employees are now able to know in what level their salary and wages are placed in the market, relative to their job positions. In the background of the introduction of this system, which might, depending on how it is managed, cause personnel to leave AMEX, lies its judgment that it is essential for the company's business development to have employees recognize their value in

the labor market.

- At AMEX, a common, global job performance evaluation system has been introduced that consists of an employee awareness survey called the "Employee Survey" and a competency evaluation.

III . Basic Ideas Regarding the Personnel Management System

1) Basic Concept of Personnel Management (New System)

At the beginning of the 1990's, AMEX was faced with a serious management crisis of seeing its market share in the credit card business diminished considerably by its competitors, which was a business area that had occupied the dominant portion of AMEX's sales proceeds.

Being on a path to attaining its goal of becoming a general financial conglomerate, AMEX was obliged, due to the decline in its sales in the United States where the largest percentage of its worldwide sales had been taking place, to shift its management strategy down to bedrock and was also required, with respect to its personnel structure, to reduce its employee size from 110,000 to 70,000 worldwide (Figure 1: Background for Introduction of Competency Concept).

As AMEX had applied the personnel policies unique to each country of operation up to that time, it was extremely difficult to transfer or promote employees across national borders or sections. This large-scale reduction in its employee size, however, did not allow each country or section to exclusively keep its personnel to itself. In short, AMEX was placed under the pressure of necessity to consider "personnel sharing" on a global scale so as to maintain its business scale at the same level as before.

Consequently, AMEX took actions to develop the "Job Posting System," "Performance Management Process" etc. to make them the cornerstones of its "personnel sharing" by placing the concept of "competency," which had already been researched as a policy of the next generation, at the foundation of its personnel system.

Figure 1 : Background for Introduction of Competency Concept

- | |
|---|
| <ul style="list-style-type: none">- Limitation of the single-brand strategy- Decline in the market share- High cost structure- Prolongation of product development periods |
|---|

i) Competency

Since 1996, AMEX has positioned the concept of "competency" (Figure 2) as its global concept

and placed it at the foundation of its overall personnel system, ranging from the compensation system and personnel review to recruitment and position assignment.

While there exist some differences between countries with respect to labor laws, customs or cultures, the introduction of a global personnel system, with the concept of "competency" placed at its core, has facilitated AMEX to transfer or promote employees across national borders or sections, thus enabling it to make great progress towards its goal of "personnel sharing."

Figure 2 : American Express Leadership Competency

<i>American Express Leadership Competency</i>
<ul style="list-style-type: none"> - Individual behavioral characteristics that are linked to excellent performance (actual behaviors) - Individual behavioral characteristics that are in line with the business objective, requirements in the course of job execution and the Basic Philosophy (Figure 3) - Four leadership categories (Thought / Result / Relationship / Change People) - From 36 competencies to 13 competencies

Figure 3 : Basic Philosophy

<i>Customer's standpoint viewed as the top priority</i>
<i>Uncompromising pursuit of quality</i>
<i>Respect and esteem for employees</i>
<i>Ethical and moral behaviors</i>
<i>Teamwork spirit at all levels</i>
<i>Good citizenship that contributes to society</i>

ii) Job Posting System

The "Job Posting System" is an internal staff recruitment system that is administered in accordance with worldwide rules. While internal staff recruitment had already existed before as the foundation of Amex's personnel system, it is since 1996 that a whole series of procedures starting from the job posting stage to the interview and recruitment stage have been established as a fully global system.

Job postings are released to employees under the global Job Description on in-company bulletin

boards and/or on the Web.

2) Recruitment / Employment / Retirement

(1) Hiring of New School Graduates

AMEX has conducted no periodic recruitment of New school graduates since the mid 90's. This, however, does not mean that it has completely shut its gate on any New school graduate because it occasionally does hire some on a non-scheduled basis when they meet its recruitment requirements.

(2) Hiring of Mid-Career Workers

The number of employees at AMEX, with temporary contracted employees included, stood at approximately 1,500 when the figure peaked in 1992, but it is now down to roughly half that. In consideration of personnel revitalization, however, it has hired at least approximately 30 experienced workers annually in recent years.

(3) Recruitment

Regular recruitment is conducted through newspapers or on the Web. Employment agencies and head hunting companies are also occasionally used in the case of recruitment for manager-level or higher positions.

(4) Competency-Based Interview

As the competency factor is positioned as the minimum essential requirement in personnel evaluation at AMEX, each individual is evaluated in terms of his/her competency at the time of interview for transfer or hiring by way of the "Competency-Based Interview."

In an interview for transfer, the company used to ask an employee questions such as "What do you think of such and such?" and "How would you tend to act in such and such a case?" During a Competency-Based Interview, on the other hand, an employee is asked in a detailed manner, "What kinds of successful experience do you have?" and "What kinds of actions have you taken in order to achieve that successful experience?"

While this new interview formula has caused the interview period to become considerably longer than before, it is deemed to be the most effective means to evaluate competency; therefore, evaluation of skills and/or experience of a prospective worker is conducted only after he/she goes through such an interview.

(5) Re-employment

As with regular hiring, no limitation is set for re-employment at AMEX. As the basis of judgment always rests with whether or not the company needs a prospective re-employee, those who retire

according to an early retirement option may also be considered for re-employment.

3) Wages

(1) Job Band System

Having already applied a job grading system, AMEX changed it to a broadband system called the "Job Band System" in 1995, in which the previously-existing 12 job grades, with the manager class at the highest, have been merged into three bands (refer to Figure 4).

It is not that the salary level is fixed for each job band but what is called a "Market Reference Zone" has been set for each job as is hereinafter described.

Figure 4 : Job Band System

Non-managerial positions	Grades 1 to 5	1 band
Supervisors	Grades 6 to 8	1 band
Managers	Grades 9 to 12	1 band

(2) Market Reference Zone

At AMEX, a "Market Reference Zone" is set for each job. A "Market Reference Zone" shows how much a certain job is valued in the market in terms of salary, which is determined on the basis of research on salaries paid by other companies for the same job. The "Market Reference Zone" thus obtained is revealed either annually or when an employee is transferred as a consequence of "Job Posting." The fact that wages are now designated in relation to the "Market Reference Zones" that are linked to market standards, as opposed to the past when wages were determined depending on where an employee was situated within the company in terms of his/her job, prompted employees to change their awareness regarding their wages.

Once employees come to know their salary level in the market, however, some complaints might be generated among them and there might occasionally be a personnel outflow as a result. In the background of AMEX's decision to make "Market Reference Zones" open to its employees is its judgment that it is essential for the company to have its employees recognize, by tying the "Job Band System" with the "Market Reference Zones," the link between their salaries and market standards, so as to expand its business successfully.

(3) Bonuses

Based on performance evaluations that are determined at the end of each business year, employees receive bonuses in June and December of the following year. Those in the position of Section Manager or above receive an incentive payment in spring, in accordance with their respective performance.

4) Personnel Evaluation and Pay Raise

After the "Goal Achievement Evaluation" and the "Competency Level Evaluation" are each conducted separately, the rate of pay raise, which is to be applied at the time of periodic pay raise, will be determined on the basis of the combination of both evaluation results.

(1) Goal Achievement Evaluation

The Goal Achievement Evaluation is conducted at the end of every business year, in which the degree of achievement by each employee is measured against his/her own goal that has been set at the beginning of the said business year based on applicable superordinate goals (annual goals set for his/her supervisors) in such a manner that it should unquestionably match the three categories of "What to do for employees," "What to do for customers" and "What to do for shareholders."

While the percentages allocated to these three categories differ depending on the job or position, they are generally 25:25:50. The evaluation process takes a two-tier form in which the direct supervisor of an employee first conducts the evaluation and, subsequently, a more senior supervisor further scrutinizes the evaluation results and gives an approval. Prior to such evaluations by their supervisors, each employee is required to submit his/her self-evaluation. It is an established practice that, after final evaluation results are determined, the employee and his/her supervisor have a meeting to discuss the grounds for such evaluation or the gap between that and his/her self-evaluation, or a development plan etc.

(2) Employee Survey

With respect to the category of "What has been done for employees," importance is attached to results of the "Employee Survey," which is conducted simultaneously worldwide via the Web etc. The "Employee Survey" is conducted each year between the end of August and the beginning of September and consists of approximately 100 questions grouped in 12 categories (refer to Figure 5), of which results are used as the basis of personnel evaluation: the weightier the responsibility an employee is assigned, the more emphasized such results are.

Figure 5 : Main Questions of "Employee Survey"

Customers / Clients
Quality
People
Diversity
Teamwork
Good citizenship

Integrity
Meritocracy
Manager Effectiveness
Job Itself (job)
Employee Development
Employee Satisfaction

(3) Competency Level Evaluation

For the purpose of evaluating competency, a reference criteria list has been established so that one could see "Which rating applies when such and such action is taken in the course of duties." Based on this list, employees are evaluated similarly as with the Goal Achievement Evaluation.

5) Education and Training / Skill Development

While AMEX lays much stress on employee training in general, particular importance is attached to training for managerial level employees. Such examples include "Driving High Performers," a coaching program intended for supervisors to prompt employees working under them who show particularly good performance to exert even higher capacity, and "Practical Situational Leadership (PSL)," a situational management program to train employees so that they could identify, using a special method, the degree of another employee's preparation or proficiency in a given duty and accordingly change methods of supervising.

As regards English training, AMEX hires four full-time instructors and lets its employees take a course on the condition that it is necessary in relation to their work. Such courses, however, are not intended to teach English for general educational purposes but for the sole purpose of having employees acquire skills and knowledge necessary for their work. Course programs are developed on the company's own in accordance with business needs.

IV . Issues in Personnel Management and Directions for Solving Them

Exactly how much contribution AMEX's system based on the concept of competency makes to its business results is still yet to be demonstrated in a specific and definite fashion. While this is no doubt a reasonable scheme, it is meaningless if it has no relation to the actual business; for that reason, it will be necessary to inquire into this point in the future. The issue facing AMEX is what sorts of methods should be applied to examine it. For the present, feedback from line managers is used as a main factor for that purpose. AMEX believes that there is still much to be contemplated on this issue and various experiments will have to be conducted.

Frank Russell Company, Ltd.

I . Corporate profile

Business Category:	Finance (Investment management)
Workforce:	70
Location:	Place Canada 3-37, Akasaka 7-chome, Minato-ku, Tokyo
Founding Year:	Opened Japan office in 1986, established as a company in 1987
Capital:	400 million yen
Parent company:	Frank Russell Company (Frank Russell Company owns Frank Russell Japan Co., Ltd. which owns Frank Russell Company, Ltd.)
Foreign Capital Percentage:	100%
Business Areas:	Investment consulting, investment management and asset management

II . Main Points in the Personnel Management Scheme

- Frank Russell Japan Co., Ltd. which opened a Japanese office in 1986 and Frank Russell Investments (Japan), Ltd., incorporated in 1999 as Frank Russell Japan Co., Ltd.'s wholly owned subsidiary, were integrated in July 2002 and renamed Frank Russell Company, Ltd. (Russell). Frank Russell Japan Co., Ltd. is a pioneer among foreign companies in Japan to provide consulting services on pension fund management. After 13 years of operation in Japan, Frank Russell Japan Co., Ltd. established Frank Russell Investments (Japan), Ltd. which focused on investment management. The company has aggressively expanded its operation in the last two to three years and recruitment in accordance with the expansion was conducted through human resource consulting firms. Frank Russell Company, Ltd., the integrated company, will continue this approach.
- With the mission of Frank Russell group, "Improving Financial Security for People," Russell's commitment for this year is to promote TQC (Transparency, Quickness and Communication) in all aspects of business including training and development.
- The employees have slightly over four years of experience with Russell on average which is a relatively short period. In addition, divisions are highly specialized making it a priority for the company to develop relationships among employees and coordination across divisions. Therefore, the company emphasizes enhancing communication among its employees.
- At "Employee Quarterly Communication" conducted each quarter, the president gives a presentation directly to the employees on the outlook of the business and the direction for the company. This provides an opportunity to hold a two-way communication on important

information in an informal atmosphere with the entire organization.

- The company also has a program in which relatively new employees are nominated from divisions to participate in team project that makes proposal to the company. This project fosters networks and teamwork crossing divisional borders. Several team proposals for improvement have been accepted, playing a role in enhancing TQC.
- From February 2002, the company has been holding “Brownbag Seminar” two to three times a month. Seminars are held over lunch time and an employee gives a lecture on finance or consulting to his/her colleagues providing an opportunity to gain professional knowledge of other divisions. Expertise which tends to be concentrated within a small group of employees is shared throughout the company and the seminars facilitate active communications within the company.
- In addition to paid holidays, the company provides other benefits such as sick leave and sabbaticals which allow two months leave with every ten years of employment.
- The parent company has a unique personnel system that was ranked 11th in “the top 100 companies for employees” in Fortune Magazines (2002 January issue).

III . Basic Ideas Regarding the Personnel Management

1) Recruitment

(1) System

Russell has significantly increased its employees according to the rapid business expansion in recent years. In the past, job openings were advertised through mass media such as newspapers and recruitment magazines. However, using human resource consulting companies proved to be the most effective method in finding the necessary people who can immediately fill highly specialized positions and Russell rarely advertises through mass media currently.

On the other hand, Russell still posts job openings on some media including websites to gain additional exposure and publicity in order to increase awareness and enhance its corporate image.

(2) Recruitment Standards

English proficiency is important not only to communicate with US parent company but also to become an active member of the global company. However, applicants will not be hired only on their excellent English skills if they do not have the abilities necessary for the position. The company places more priority on capability to fill the position immediately rather than English since language skills improve with daily use.

In the recruitment process, experience and skills are judged in the interviews and certifications such as analyst association membership are required for certain positions.

(3) Wages

Wages are determined by factors such as responsibility associated with the position, experience and skills of the employee that are identified in interviews, as well as the salary level within the industry.

2) Personnel Review and Evaluation

(1) MBO System

Russell has its MBO system and objectives are set in each division in January which is the beginning of the fiscal year, in accordance with the objectives of US parent company and the corporate objectives of Russell in Japan. Individual objectives are determined by appropriating divisional objectives to responsibilities for each position. Achievements including self-evaluations against individual objectives are discussed and evaluated in the interview with the supervisor at the end of November. The result is used to determine the personnel evaluation.

Communication is one of the matters on which Russel places great importance for implementing the MBO system. For example, there are a number of meetings with the supervisor throughout the year in addition to the November interview to discuss issues such as new objectives, targets achieved, resetting targets and progress.

(2) Pay Raises

In addition to the annual raise, wage will be increased if the person is promoted during the year. The system has no aspect of seniority system and raises are not automatically awarded at a fixed rate every year. Instead, wage is solely determined based on personnel evaluation.

3) Work Schedule and Leaves

(1) Flexitime

Russell introduced flexitime system to improve efficiency. Core time is between 11:00 to 15:00.

(2) Paid Holidays

Paid holidays at Russell are as follows.

Figure 6 : Paid Holiday System

Yearly paid holidays	15 days for the first year. Maximum 25 days. Holidays earned but not taken during the previous year can be carried over.
Sick leave	8 days per year. Holidays earned but not taken during the previous year can be carried over.
Sabbatical leave	2 months per 10 years. Sabbatical leave can be taken in segments.

(3) Other Benefits

i) Recreational Facilities

Russell does not own recreational facilities but uses a professional outsourcing service to provide necessary facilities for its employees. Though the company only has 70 employees, their requirements are diverse and professional outsourcing service offers the best employee satisfaction since they can provide a wide range of facilities and services to meet individual needs.

On the other hand, the US parent company is equipped with various facilities such as athletic gyms and is recognized as “an excellent company to work for” by economic magazines. This policy regarding employee benefits are recognized in the Japanese organization as well and the company plans to extend its offerings in accordance with its business growth.

ii) Group Insurance

All employees are covered by an insurance program wholly subsidized by Russell. The coverage includes life insurance and income protection insurance in case of accidents or long term illness.

iii) Allowances

Figure 7 Allowances

Transportation	Wholly subsidized
Social security	In addition to the compulsory employer's contribution, the company pays a portion of the employee's contribution as an additional allowance.
Retirement benefits	Defined contribution pension plan(*) and retirement payment (one off)

When Defined Contribution Pension Act came into effect in 2001, Russell was the pioneer in the industry to obtain approval from Ministry of Health, Labor and Welfare in June 2002 and introduced defined contribution pension plan in July 2002.

4) Training & Development

(1) OJT

In addition to the orientation provided upon entry, each division trains their new employees on the job. Employees also have the opportunity such as "Weekly Meeting" to gain skills and knowledge necessary in their divisions.

As an additional training opportunity, Russell employees actively participate in many seminars held under the initiative of the industry.

(2) Brownbag Seminar

Russell started an in-house seminar called Brownbag Seminar at lunch time in February 2001 in order to share information and vitalize communication across divisions. Brownbag is a typical American lunch bag containing a sandwich seen at schools and workplaces. The seminar was named after this lunch bag as anyone can join with his/her lunch.

Brownbag Seminars, open to all employees, has two courses; course A (Basic) and course B (Advanced). Employees act as instructors, giving lectures on their specialties for about an hour. There are around 20 to 25 participants for each seminar and the contents are available on the intranet for those who were unavailable to attend.

Brownbag Seminar has been quite effective in building better communication networks in the company as well as enhancing employee motivation.

(3) Support for Acquiring Qualifications

Russell encourages its employees to acquire certificates/licenses necessary for operations and the company has a program to assist employees achieve qualifications. The program aims to enhance

professional skill of each employee and the efficiency of the operation. Subsidies include tuition, examination fees, initial membership fees and annual membership fees. Currently, Russell employees hold in total approximately 120 qualifications such as membership in the Security Analysts Association of Japan.

IV . Issues in Personnel Management and Directions for Solving Them

Since Russell rapidly expanded its business in the last few years, the priority is to introduce a strong structure to the organization without sacrificing flexibility. Training programs including “Employee Quarterly Communication,” MBO and Brownbag Seminar that emphasize communication reflect the company’s commitment. Although these programs are relatively new to the company, they will be continuously reviewed and enhanced.

The focus will shift from large scale recruiting to developing and improving the skills and knowledge of the employees. By focusing on training, Russell will gain highly capable employees who can flexibly manage further business expansions including new business development. The company believes this is the key in building a more robust organization.

GAP Japan

I . Corporate profile

Business Category:	Wholesaling and retailing (garments)
Workforce:	6,000
Location:	Aoyama Sunlight Building, 6-5-55 Minami-Aoyama, Minato-Ku, Tokyo, Japan 107-0062
Founding Year:	1995
Capital:	Ten million (10,000,000) yen
Parent company:	GAP Inc. (San Bruno and San Francisco, California)
Foreign Capital Percentage:	100%
Business Areas:	Production and sales of garments

II . Main Points in the Personnel Management Scheme

- GAP Japan was founded in December 1994 as a 100% subsidiary of GAP Inc. Since the opening of its first store in the Sukiya-bashi area of Ginza, Tokyo, in September 1995, GAP Japan has expanded to having 126 stores nationwide with a total workforce of 6,000 (as of December 2001). GAP Inc., with its headquarters located in San Francisco, has approximately 140,000 employees and stores in the United States, Canada, the United Kingdom, Japan, Germany and France. The total number of its stores worldwide reaches approximately 3,000.
- The percentage of permanent employees is only roughly 10% of the total workforce and the remaining 90% or so is accounted for by contracted workers. Almost all of the contracted workers are given the title of Sales Associate and are engaged in sales operations in storefronts along with other sales-related operations.
- The management of each store consists of a Store Manager, Associate Manager(s) and Manager(s) in Training or MIT, who are all permanent employees of the company. MIT placement is conducted through promotion of Sales Associates with outstanding performance, external employment of experienced workers, recruitment of entry-level, recent school graduates etc. An internship system is applied in the case of recruitment of recent school graduates, which makes it possible for Managers to avoid ill-suited placement by selecting personnel in the course of internship.
- In the year before last, the company abolished the age-based mandatory retirement system as part of the revision of its Employment Regulations. The Regulations now simply prescribe, "An employee who has been employed for three years or longer and reaches the age of 60 may

submit his/her intention to retire on the basis of age."

III . Basic Ideas Regarding the Personnel Management system

1) Recruitment / Employment / Retirement

The management of each store consists of a Store Manager, Associate Manager(s) and Manager(s) in Training or MIT. Those who are in the position of MIT or higher are all permanent employees of the company.

Sales Associates, who are engaged in sales operations in storefronts and also other sales-related operations, are all contracted workers. There are both full-time workers (those who work for 30 hours or more per week) and part-time workers (those who work for less than 20 hours per week), but the majority of Sales Associates are part-time workers.

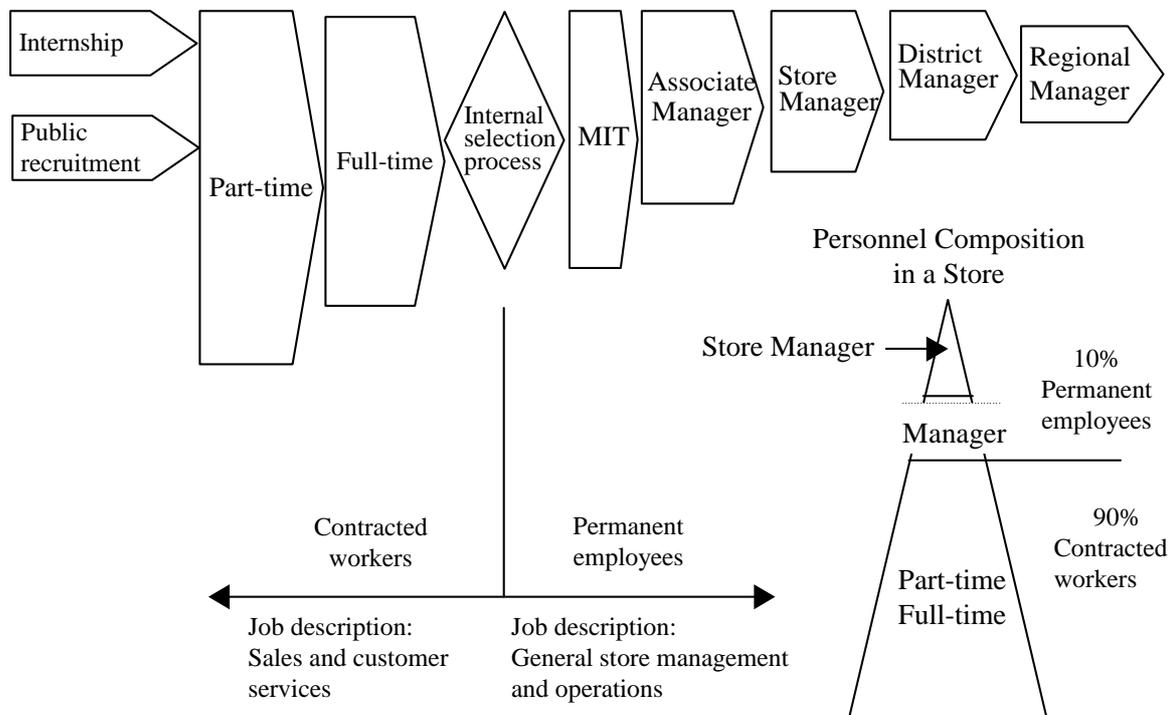
In placing MITs, the company sometimes promotes Sales Associates with outstanding performance and other times hires external, experienced workers or recruits recent school graduates. In the early years of the company's operation, almost all of the personnel that it hired were mid-career workers. The company still has no system of recruiting recent school graduates on a regular basis as it intends to conduct such recruitment on a case by case basis whenever any vacant position arises.

At GAP Japan, careers start from being hired as a part-time worker to being selected to acquire a full-time position. Full-time Sales Associates thus selected may eventually be further promoted to become permanent employees of the company by going through a selection process (on a "selection day"). After being assigned a position of Manager in Training, they undergo a training program for a period of six months to one year. This program mostly consists of skill development training and OJT. Upon finishing this program, almost 100% of them will become Associate Managers. One out of five or six Associate Managers will later be promoted to the position of Store Manager. Subsequently, one out of 10 Store Managers will become a District Manager. Further on, one out of five or six District Managers will be selected to assume a position of Regional Manager. The company used to hire mid-career, experienced workers to fill positions of MIT. It also recruited entry-level, recent school graduates and actually hired approximately 30 to 40 of them last year and the year before. From now on, however, the company is intending to stop recruiting recent school graduates and to mainly promote contracted workers instead.

Contracted workers who work as Sales Associates are housewives, so-called "freeters" (a word coined in Japan to refer to those who make a life-style choice not to work as permanent employees) and students. The company is currently focused on an internship program for students so that it could eventually hire them as permanent employees after they go through the internship and work on a part-time basis. This process enables the company to avoid personnel misplacement because it is

Managers working in storefronts who make placement decisions, as opposed to placement based on across-the-board decisions by the Personnel Department.

Figure 8 : Personnel Acquisitions and Promotions



(Sources: Prepared on the basis of documents provided by GAP Japan)

In addition, the company also abolished its age-based mandatory retirement system when it revised its Employment Regulations in the year before last. The current Regulations simply prescribe, "An employee who has been employed for three years or longer and reaches the age of 60 may submit his/her intention to retire on the basis of age." In reality, the oldest Manager is in his/her 50's but there are personnel at the age of 73 to 74 among Sales Associates.

2) Personnel Review and Evaluations

(1) Class (Position)

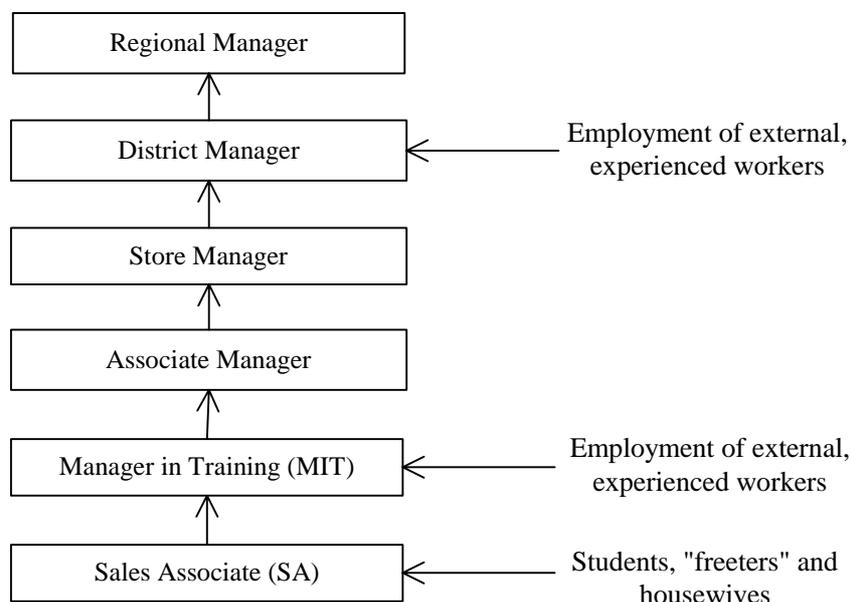
There are roughly five Associate Managers for one Store Manager. Above Store Managers, there are District Managers who are responsible for supervising approximately 20 stores each. Furthermore, there are Regional Managers who rank higher than District Managers : currently, two Regional Managers are placed in Japan.

With regards to promotions, 40% of 150 new Associate Managers in 2000 acquired that position

through the internal promotion process (the previous figure was 95% in 2001) while 100% of new Store Managers acquire that position through the internal promotion process.

In the meantime, employees could also face demotion. This occurs when the company decides to temporarily place a certain employee back to his/her previous job grade upon concluding that the employee was promoted prematurely. In this case, his/her salary level is overlapped with the post-promotion level and therefore remains unchanged. This is an arrangement that is intended to relieve responsibilities of employees who become overwhelmed by the weight of those responsibilities.

Figure 9 : Job Grade Transition in the Promotion Route



(2) Evaluation System

The following three points are given particular consideration in a personnel evaluation system at GAP Japan.

i) Business Objectives

Business objectives are determined in what is called a cascade-down method that is implemented on the initiative of the top management in accordance with the organizational strata and chain of command. All objectives to be set in this process are focused on three areas, namely, "People," "Operational Excellence" and "Brand," no matter which organizational level they are directed to. At the beginning of every business year, company-wide goals are presented in all of the aforementioned three focus areas, and goals of the International Division and those of the Japanese branch are also presented subsequently. In the end, these goals will lead all the way down to objective setting for individual employees. On top of that, the company also requires that

final objectives to be set for individual employees should be based on the idea of "SMART," which stands for Specific, Measurable, Achievable, Realistic and Time-line.

ii) Interpersonal Relationship Ability Objectives

As personnel search and development are important issues in maintenance and expansion of an organization, employees at a Manager level or higher are required to set an objective that zooms in on the development of workers working under them. As those employees who do not have any workers working under them are also expected to deliver positive impacts on the skill development of their colleagues and business partners by, for instance, influencing them by example, this evaluation point does apply to all employees of the company.

iii) Skill Development Objectives

Skill development objectives are to be set for each employee in the light of the list of his/her competences, called "Success Factors," prepared on the basis of his/her self-evaluation. Success Factors are 11 separate elements extracted from behaviors or thinking patterns that are common to personnel who are, for the most part, engaged in a significant position in the top management.

Success Factors:

- Make efforts to bring about results.
- Focus on customers.
- Take maximum advantage of business opportunities.
- Plan business strategies.
- Think from a global perspective.
- Be innovative.
- Encourage operational excellence.
- Develop teamwork and partnership.
- Engage in personnel development.
- Respect other people's opinions and act with sincerity.
- Perform technical skills.

Employees develop their skills based on these Success Factors. This currently applies to those in a position of District Manager or higher, in order to discern what strengths and weaknesses they each have by making a 360-degree (full circle) evaluation figure and observing it from top to bottom and left to right.

It should be noted, however, that this is conducted for skill development purposes only and is therefore not directly linked to the wage system.

(3) Wage System

Wage increases for each employee are determined in consideration of comparisons between other staff in the applicable department, wage standards in the external job market, patterns in past wage revisions for the employee, etc. Average rate of wage increases and revenue sources for wage increases in the whole company are both determined by taking into account economic trends etc. of each country of operation, and concerted adjustments are made so that wages are to be paid within the scope of these factors.

Base wages are, in principle, never reduced but an incentive system is set in place in which employees at a Manager level are paid an incentive in the amount not exceeding 20% of their base wages when sales proceeds of their store, not of an individual employee working there, successfully attain an objective.

3) Training System

Upon joining the company, part-time workers learn about basic customer service activities in accordance with a training program applied to all GAP stores worldwide. They include listening to customer needs through greetings to them, services related to fitting room use, greetings at the cashier etc.

Those who are promoted to become permanent employees immediately start a training program called MDP (applied when a full-time contracted worker becomes a permanent employee in the position of Manager). District Managers, upon acquiring the position, get trained in the United States. The rest of personnel training is basically conducted within a cycle of OJT and performance management.

IV . Issues in Personnel Management and Directions for Solving Them

As a rapidly growing company, GAP Japan is having a difficult time in securing personnel. A company needs different types of personnel depending on the stage of its development. It goes through an initial phase, a rapid growth phase and then a phase in which it enhances internal circumstances while slowing the speed of growth, and different types of personnel are needed in each of these phases. It would be best if existing personnel could change according to the stage of the company's development. As, however, this is impossible in reality, the company is left with little choice but to replace personnel. In this regard, the employee turnover rate etc. may occasionally become higher as a result.

As the external labor market is relatively underdeveloped in Japan, the formation of some emotional entanglements is inevitable as a final result of such employee turnover. We believe that if the external labor market was well-functioning, both sides would mutually be able to deal with it

more easily.

As a business model like ours is quite rare in Japan, our demand for personnel cannot be adequately filled. In the United States or Europe, taking the position of District Manager as an example (the Tokyo area is divided into six regions), there are a large number of retail stores applying a similar business model and, accordingly, there is an ample supply of human resources. As a result, direct sales operations in a store set up in these countries are conducted with a very small number of permanent employees while approximately 60 part-time workers are in storefronts. As, on the other hand, many comparable companies in Japan authorize sales to distributors, no job category exists that is identical to that of our District Managers although some job categories may appear to be the same. Therefore, there is nobody who is experienced in this line of work. What could occur as a consequence is that, for example, all District Managers who were hired as mid-career, experienced workers are no longer in that job one year later.

Nippon Polaroid K.K.

I . Corporate profile

Business Category:	Wholesale / Retail (Precision machinery)
Workforce:	163
Location:	30 Mori Building, 3-2-2, Toranomom Minato-ku, Tokyo
Founding Year:	1960
Capital:	230.4 million yen
Parent company:	Polaroid Corp.
Foreign Capital Percentage:	100%
Business Areas:	Import and marketing of instant cameras, instant film and accessories. Digital printers, scanners, slide printing equipment and other related goods

II . Main Points in the Personnel Management Scheme

- After the launch of the instant film in 1948, the US Polaroid Corp. began setting up local subsidiaries around the world. Nippon Polaroid K.K. was established in 1960 as the fourth overseas subsidiary and has focused mainly on import and marketing of instant cameras, instant film and film accessories.
- The personnel management system including the wage system of Nippon Polaroid K.K. (Polaroid) is based on merit. The system also emphasizes activities such as the supervisor's support and coordination between divisions to enhance the capabilities of the entire organization in achieving the objectives. In order for the system to function effectively, the Company has adopted measures for employee development including self-reporting programs and interviews.
- These are based on the principle that in order to create a corporate culture, i.e., a continuously developing organization, not only establishing a system but also promoting understanding of the system among employees are critical.

III . Basic Ideas Regarding the Personnel Management System

The personnel management system at Nippon Polaroid K.K. (Polaroid) is a merit-based system. The system include flexible recruitment that takes qualifications and capabilities into account, a more demanding wage system that reflects business performance for senior managers and Management by Objectives (MBO) that is positioned as a system for setting corporate objectives.

On the other hand, the system places an importance on activities for achieving objectives such as supervisor's support and coordination between divisions. The system, however, is not just a "demanding" one. It also includes measures to assure the cooperation within and between divisions as well as programs to ensure that the system is understood by every employee in order for the personnel management system to function effectively.

This is because in addition to implementing an effective program, the Company believes that each employee must truly understand the system to realize the corporate culture of creating a continuously developing organization.

1) Recruitment and Retirement

There are no periodic recruitment activities. Basically, the Company recruits qualified people according to the need of the organization for new personnel. "Employment criteria" are based on qualifications and capability required for the job and the Company recruits both recent school graduates and mid-career workers. There is no fixed employment criteria such as age and academic degrees.

For example, as regards language skills, English proficiency is not essential for domestic sales positions but necessary for positions in marketing, logistics, accounting and human resources to communicate with US headquarters. Even for sales positions, English proficiency is essential for senior managers. With regard to age, the Company considers age as necessary. For example, a person aged 40s is considered to be unsuitable for an entry-level position.

Selection is conducted in three stages: selection by resume, primary interview and final interview. Resumes are used to select about 10 applicants who have basic qualification necessary for the job. The primary interview is conducted by the division concerned to judge whether the applicants are appropriate for the job and the number of candidates is narrowed down. Then, the final decision is made after a final interview with a HR manager. Most of the new employees this year were mid-career workers. The company has been recruiting about 10 people annually for the past few years.

Recruitment is advertised on various channels such as the Internet and newspapers depending on the budget and effectiveness. The company uses headhunting companies for a professional position that requires highly-specialized expertise or management positions.

Approximately 10 to 20 people leave the Company every year. In 1999, the Company provided an early retirement program and outplacement services for those who applied to the program.

2) Wage System

The company's wage system is a more demanding one for senior managers because of two reasons. One reason is that the heavier the responsibility becomes, the greater the change in the compensation according to business performance becomes. The other reason is that there are no upper or lower limits for performance-based portion in the compensation for directors and managers.

Division managers and above are on annual salary system while section managers and below receive monthly salaries, performance-based compensation, bonus and allowances. As for the performance-based compensation, a maximum of 25% of this performance based compensation is linked to business performance.

The percentage of performance-based compensation increases according to the responsibility and can range from 10% for a lower-level position to about 80% at the maximum. For example, for a position with a total monthly salary of 1,800,000 yen (basic salary of 1,000,000 yen and a performance-based compensation of 800,000 yen), 25% of the performance-based compensation which is 200,000 yen (25% of 800,000 yen) is variable based on business performance. Bonuses for section managers and below also varies according business performance and differences may be about four times of the total monthly salary at the maximum. Factors such as the level of difficulty in achieving the objective are considered for evaluation of salaries but bonuses are based solely on actual achievement.

There are no upper or lower limits for the portion of performance based compensation and while it increases for good performance, it can be close to zero for disappointing results in a few years. The system is strongly linked to business performance for senior managers since division manager and above are on annual salary system which means that a large portion of their compensation is based on performance.

Salary levels are competitive or slightly higher than those of other foreign-affiliated companies and Japanese companies.

3) Objectives and Personnel Review

Polaroid's MBO is a system that determines objectives for sales, cost, profit and new customer development for the entire company as well as for each division. As a unique characteristic, the system adopted at Polaroid closely links corporate and divisional objectives with individual reviews.

Since MBO is a tool to achieve business objectives, activities to achieve objectives and correlation within and between divisions such as supervisor's support and coordination between divisions are considered as important. Also for determining promotions, the necessity of the position in achieving objectives and the correlation between the candidates' performance appraisals and developments are important factors.

(1) Emphasis on Activities to Achieve Objectives

Figure 10 shows the relation between organization objectives, individual objectives and appraisal of achievements.

The core of Polaroid's personnel review system is MBO. As a feature unique to the Company, the system is not used only for setting organizational and individual objectives and evaluating performance but also used effectively to promote awareness and create a consensus within the organization about objectives setting, and ensure specific actions to be taken to achieve objectives.

For example, the employee and his/her supervisor communicate any differences they may have on their understanding of the current situation and create a consensus when setting organizational and individual objectives in the beginning of the year. The support committed and provided by the supervisor and actions agreed upon in the midterm review is also clearly recorded in the document. These activities and organizational performance are evaluated and analyzed at yearend and used to define organizational objectives, strategy and annual plans for the next year.

By emphasizing the activities for achieving the objectives, the Company succeeds in setting realistic objectives, clarifying roles for the employee and his/her supervisor and nurturing a strong team spirit including good human relations. All of these factors are considered to contribute to creating a beneficial cycle for achieving objectives. Figure 10 summarizes the Company's approach to MBO.

(2) Emphasis on Correlation Within and Between Divisions

At Polaroid, emphasis is placed on correlation within and between divisions as well as activities to achieve objectives. In setting objectives, managers must give a presentation at the board members' meeting and ask for a review about their proposed objectives, actions to achieve objectives, coordination with other divisions and supervisor's support. As for a manager's objectives, along with support and guidance to subordinates, correlative factors for achieving objectives such as coordination and assistance are especially considered as important. Board members may instruct to revise the plan if necessary.

Figure 11 is an example of the individual objectives form for non-managerial level. The organizational objectives must be stated in the column above the individual objectives. This clearly indicates that the Company places strong emphasis on correlation between organizational and individual objectives.

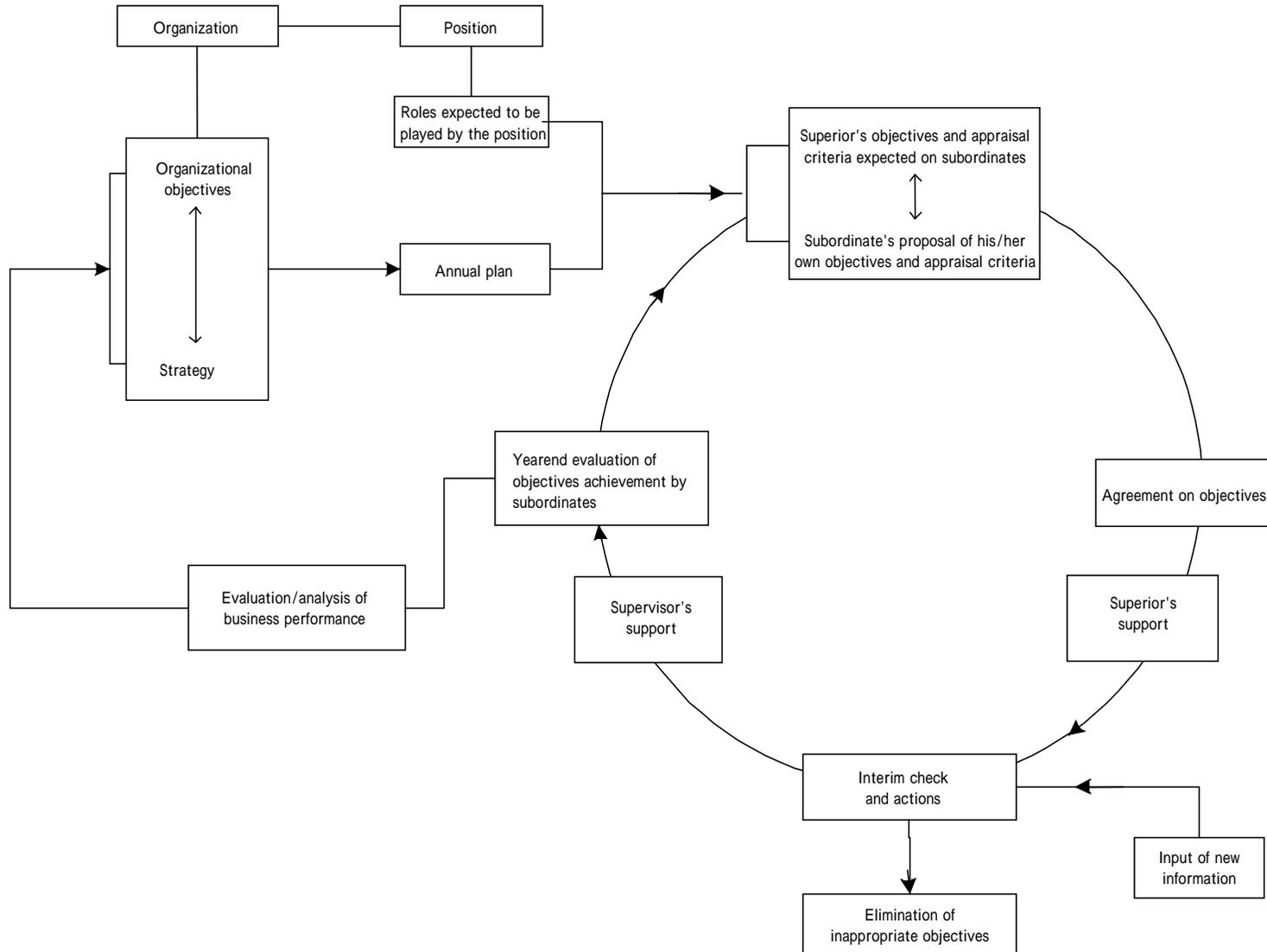
Results and appraisals (by the employee, first and second) are filled in the objectives management sheet at yearend. Also, individual objectives management sheets are electronically stored every year and used as basic information for examining promotions.

Evaluations including the first and second appraisals are kept strictly confidential but provided as feedback to each employee. If the employee is not satisfied with the appraisal, he/she can file a complaint with the human resource department which will arrange another interview with the

supervisor under the observation of HR manager.

Format of the objectives management form provided by the Company is not compulsory and can be changed freely. This is one aspect that shows a characteristic of a foreign-affiliated company that places an importance on pragmatism and flexibility.

Figure 10 : Flow of Organizational and Individual Objectives Setting to Their Evaluation/Achievement



(Source : Material supplied by Nippon Polaroid K.K.)

Figure 11 : Example of Individual Objectives Form (Non-managerial Level)

Year 2002 Individual Objectives

Organizational Objectives

Department:
Name:
Obj. Setting Date:

Operational objectives	Level of achievement / due	Results (filled on yymmdd)
1		
2		
3		
4		
5		
Personal development objectives	Level of achievement / due	Results (filled in on yymmdd)
1		
2		

Supervisor	Date	Signature	Comments

(Source : Material provided by Nippon Polaroid K.K.)

(3) Correlation between Promotions and Performance Appraisal and Position Necessity

Promotions are approved at the board meeting using the information from the division recommendation nominating the employee and appraisal of the human resource department. Promotion recommendations are reviewed at the human resource departments on two points; a) “Is the job or position necessary for the Company?” and b) “Is the candidate qualified for the position?” The review focuses not to have common errors of emphasizing age, academic degrees and gender.

Criterion of "position necessity" aims to prevent from creating positions such as “deputy” or “acting” which are not essential for the Company to achieve its objectives. Criterion of "qualified candidates" aims to ensure that the candidate’s capability, behavior and past performance meet the requirements for the new position.

For example, if a candidate with poor sales performance is nominated with excellent appraisals on capability and behavior, the human resource department checks in detail from the viewpoint if the appraisal has both reliability and validity.

(4) Self Report and Interviews

Every few years, each employee is requested to submit a self report. In addition, individual interviews are held with each employee every year. Employees can select someone (including female staff) they feel are easy to talk to within the human resource department. The human resource staff records the comments from the interview and this information is used to facilitate communication by asking if the dissatisfaction raised last year was resolved.

Interviews to gather information on the views of employees enable to collect important basic information not only to understand the current situation of the organization but also to extract issues and take appropriate measures. For example, when the Company was forced to downsize in 1999 and introduced a voluntary early retirement program, the number of applicants could be forecasted to a certain degree by the information from the interviews.

4) Benefits

The company provides all legal welfare programs including health insurance, pension plan, employment insurance, workmen's accident compensation insurance and nursing care insurance. Polaroid is a member of a health insurance association and also has contracts with private services such as resort houses and exercise clubs that provide cultural, educational or recreational facilities at reasonable prices. Current benefits are considered sufficient if not outstanding.

The company holds a monthly meeting with Polaroid labor union. In addition, union officials may visit the human resource department at any time and many opportunities are provided to exchange information including management information. Therefore, negotiations of wages such as yearly pay raises or bonuses are possible without serious confrontation between labor and management sides.

5) Training and Skill Development

Although there is no standard training program for new employees, the Company provides orientation to explain the organization, products, structure of the headquarters, industry and business ethics. Employees are sent to US headquarters for training when necessary.

Training programs for manager are conducted in which managers and human resource department personnel lodge together. The atmosphere of the training is relaxed and participants can freely discuss subjects such as concerns about his/her subordinates on several occasions after curriculum sessions, such as free-time after dinner.

IV . Issues in Personnel Management and Directions for Solving Them

1) Relation with the Parent Company

Nippon Polaroid has operational autonomy to a great degree within the Polaroid group. Therefore, from the startup of the Japanese subsidiary, the personnel system was designed freely and without restriction imposed by the parent company. In fact, the system adopted in Japan is more merit-based than that of the US headquarters.

On the other hand, basic policies and framework of the management must be discussed with US headquarters. Budget or management objectives, however, are very much negotiable and not

unconditionally enforced.

At first, yearly objectives are set internally by Nippon Polaroid by referring to the results of the previous year by each divisions and employees. Then the overall framework of Nippon Polaroid is discussed with US headquarters. In the course of examining the feasibility of US headquarters' requirements for Nippon Polaroid, objectives of each division and employee are set again and compiled, after which objectives for each division and employee are finalized along with objectives for Nippon Polaroid.

The matter concerned most between the Company and US headquarters is the annual budget for personnel cost. The company has committed to keep the ratio of the general and administrative expenses including personnel cost within the range of 10% or so (not more than 20%) of the sales. Because of the current recession and the resulting slow sales, maintaining the adequate level of personnel cost is not easy, and temporary staff services or similar services are used to keep the cost within the budget. There are about 20 temporary staff at the moment. In addition, while supply rather exceeds demand in the overall labor market in Japan, not so many of capable people seem to be seeking a job.

2) Information Gathering

The company does not feel any disadvantage of being a foreign-affiliated company in terms of information gathering. The company has an extensive network including human resource departments of Japanese companies, Keidanren and consultants. As for the relation with universities which are necessary for recruiting recent school graduates, employees who are the graduates of those universities take the role of liaisons and therefore, the Company does not find significant disadvantages in this area as well.

PwC Consulting Co., Ltd.

I . Corporate profile

Business Category:	Management consultant
Workforce:	Approx. 1,600
Location:	Yebisu Garden Place Tower 14F, 4-20-3 Yebisu, Shibuya-ku, Tokyo 150-6014
Founding Year:	1984
Capital:	100 million yen
Parent company:	PricewaterhouseCoopers (U.S.)
Foreign Capital Percentage:	PricewaterhouseCoopers, 100%
Business Areas:	Management consultation services

II . Main Points in the Personnel Management Scheme

- PwC Consulting Co., Ltd. is the Japanese subsidiary of the management consulting division of PricewaterhouseCoopers, which has branches worldwide. The Japanese subsidiary changed its name to the current company name following the renaming of the consulting division to PwC Consulting™. The Company provides comprehensive consultation services to create value and achieve success for businesses.
- The organization of PwC Consulting consists of industry-specific operations divisions, with service segments that are broadly divided into strategy, process and technology—the so-called matrix-type organization. Project teams consist of personnel who have the necessary skills for the project, and consultation services are offered by integrating the expertise of each individual. The size of the project teams varies widely: from a couple of members to more than a hundred. Each project team is headed by a project manager, who is authorized to formulate and execute a project plan, determine the project remuneration, manage and develop members' skills, and manage the personnel.
- PwC Consulting's personnel evaluation and career development system is based on a framework shared worldwide called the Global Capabilities Framework (GCF). The evaluation results based

on GCF are disclosed on an in-house database, which can be accessed by all employees. Seniority-based personnel review and allowances including retirement allowances and overtime pay have been totally eliminated. The class to which an employee belongs (position) is determined based on GCF-compliant skill evaluation, and his/her base annual salary is decided according to the class. Performance-based pay (bonus) is determined according to the annual performance of the operations division to which the employee belongs and his/her individual contribution, based on the base annual salary.

III . Basic Ideas Regarding the Personnel Management System

1) Recruitment

In the past few years, PwC Consulting has been actively engaged in recruiting activities, on the scale of recruiting a total of 400 to 450 recent school graduates and experienced individuals per year. As of July 2001, the workforce posted a year-on-year increase of approx. 30%. In the total workforce, the ratio of the number of recent school graduate recruits to experienced recruits is approx. 1:1.

The employee turnover rate is approx. 10%. Considering that the average employee turnover rate in the consulting industry is approx. 25% and approx. 20% in the United States and Japan, respectively, the employee retention rate is high at PwC consulting. This is the fruit of PwC Consulting's efforts in developing an "easy-to-work" environment.

(1) Recruitment of Recent School Graduates

The Company recruits 200 recent school graduates per year. It is joined by new recruits 4 times a year, in April, August, November and February (FY2001). The February entry is for graduates of foreign universities, whereas entry at other times of the year is for graduates of Japanese universities. This arrangement allows candidates to choose the timing of joining the Company. Those who wish to join the Company in August or November (which results in a long interval between graduating university and joining the Company), the Company requires prospective employees to submit a report and gives other assignments, while providing financial support to prospective employees in the form of research grants. The marking results of the reports are fed back to them at a later date.

The Company sustains the quality of training entry-level employees at a high level by having recent school graduates join the Company at different times of the year, and by limiting the number of new recruits to 50 or so at a time.

(2) Recruitment of Experienced Individuals

The Company recruits experienced individuals throughout the year, using recruiting advertisements in newspapers and magazines, referral from employees, job-search websites and temp agencies.

As for the selection criteria of experienced individuals, recruitment is limited to those who are expected to be able to demonstrate their abilities immediately, or candidates for manager or higher positions.

Upon recruitment, the Company focuses on experience and skills more than anything else, and does not focus particularly on language skills, qualifications or consulting experience.

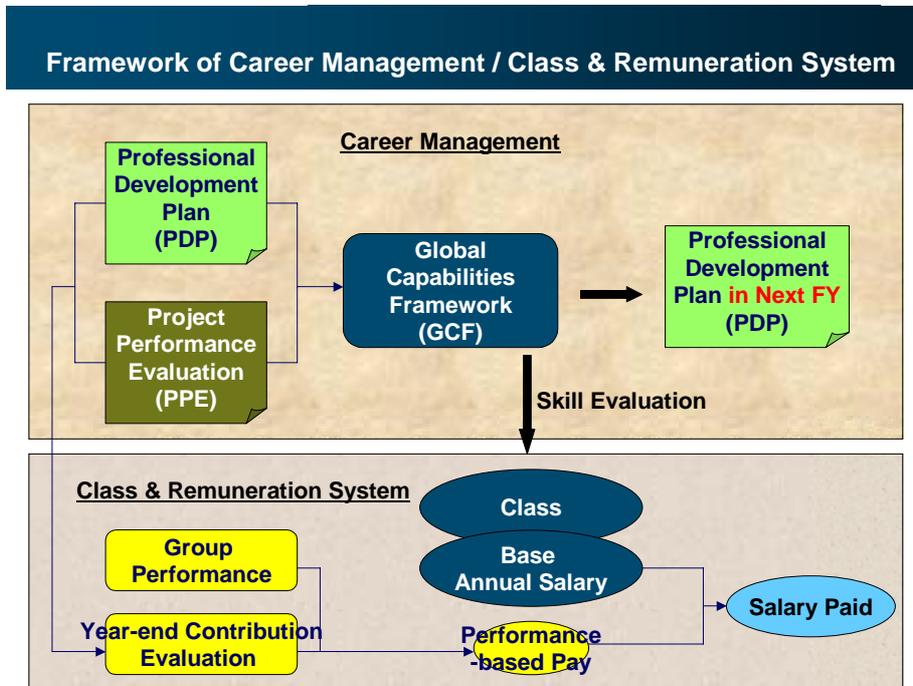
As for the selection process, candidates are screened based on the examination of their documents. Then, they are required to have an interview with a consultant who is at least in the manager class, for the purpose of determining whether or not they have the skills and experience required to perform the actual jobs. This is followed by a final interview with the personnel department, based on which the recruitment decision is made. It takes about 3 weeks from the screening of candidates based on the examination of their documents to the decision on their recruitment (informal appointment), provided that the process runs smoothly.

2) Personnel Evaluation and Remuneration System

The class (position) and salary of consultants are completely based on their skills as consultants (ability-based grading principle). Performance-based pay (bonus) reflects the group's performance and the individual's contribution in the fiscal year (accomplishment-based grading principle). Therefore, it is extremely important at PwC Consulting how the consultant improves his/her skills and manages his/her career.

Figure 12 shows the relationship between career management, evaluation system, and promotion & remuneration system at PwC Consulting.

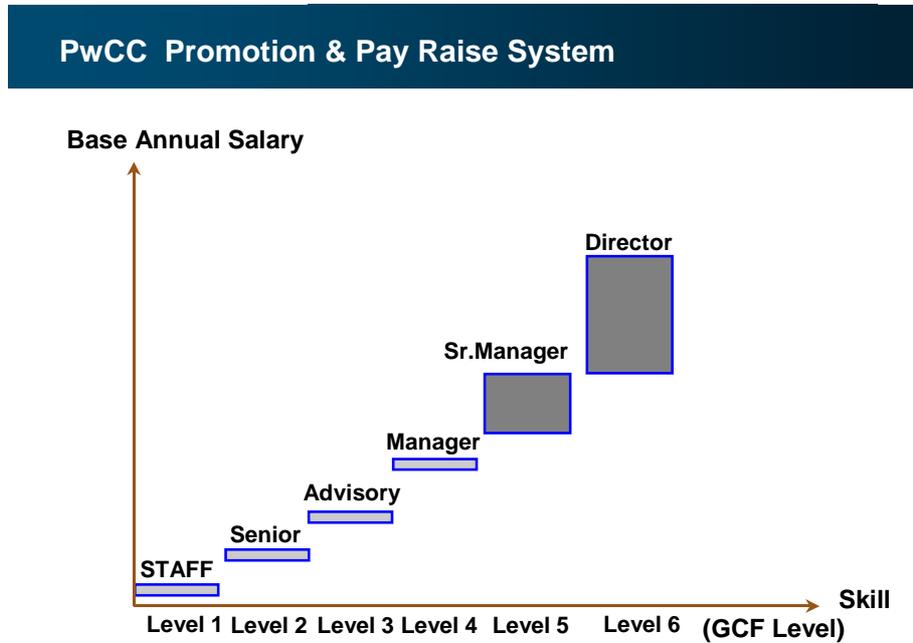
Figure 12 : Structure of Career Management / Class and Remuneration System



(1) Class (Position)

As shown in Figure 13, there are 6 classes (position). For each class, the base annual salary is set forth in amount. The class to which the consultant belongs is decided based on skills, as shown in the horizontal axis in Figure 13. No seniority factors are taken into account. Therefore, it is important that the consultant’s skills are evaluated in an objective and fair manner to the greatest extent possible.

Figure 13 : Promotion and Pay Raise System

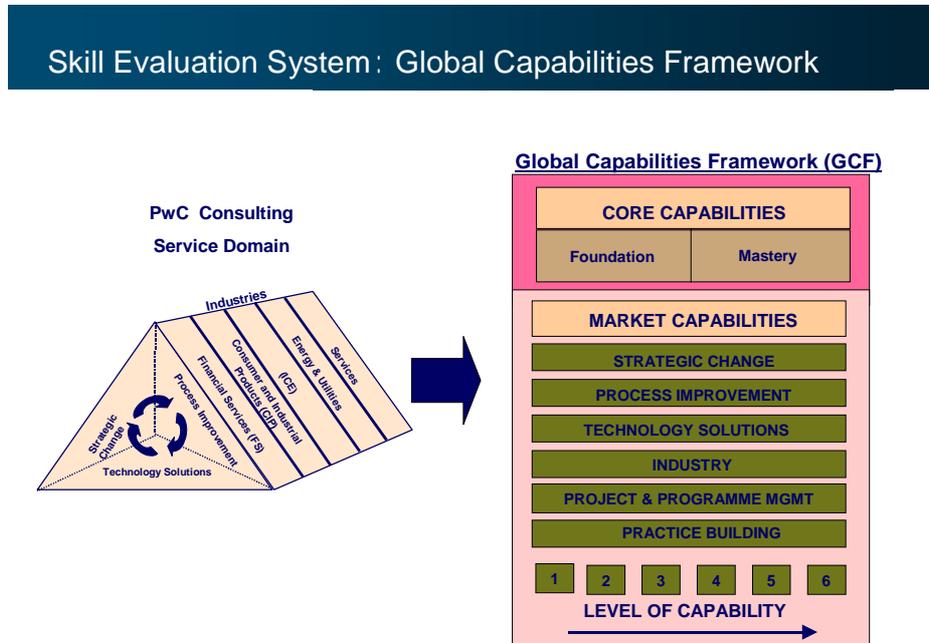


(2) Evaluation System

i) Skill Evaluation (Global Capabilities Framework)

PwC Consulting introduces a skill evaluation system called the Global Capabilities Framework (GCF). Consultants not only in Japan but also those worldwide engaged in management consultation services of PricewaterhouseCoopers are evaluated based on GCF with respect to their skills.

Figure 14 : Skill Evaluation System: "Global Capabilities Framework"



GCF is based on a global practice model called the “prism,” which indicates the priority market aimed at generating PwC Consulting’s superiority and represents the content of the consultation services being offered (refer to Figure 14). Skills are defined in GCF based on how high a level the employee is capable of achieving when implementing and offering consultation services.

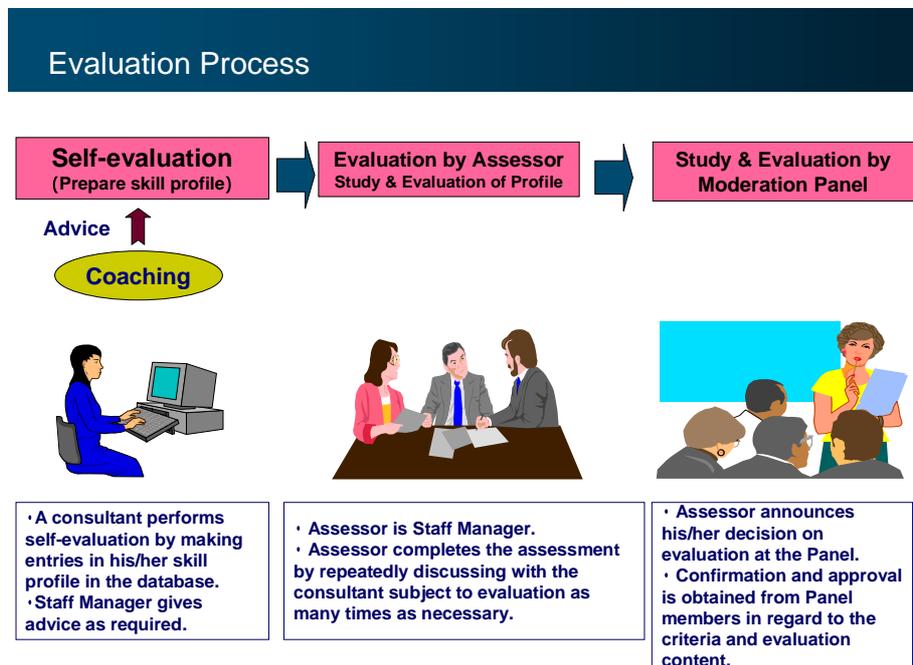
Firstly, GCF broadly divides the consultant’s skills into Core Capabilities and Market Capabilities. Core Capabilities refer to business skills that form the core when performing consultation work, and a total of 16 skill items are set forth, including communication ability, leadership, creativity and innovativeness. Core Capabilities are evaluated at two levels: Foundation and Mastery. On the other hand, Market Capabilities refer to the practical abilities required in consultation work, and 6 skill areas are set forth. Market Capabilities are evaluated at 6 levels, from Level 1 to Level 6. For the skills set forth in terms of Core Capabilities and Market Capabilities, detailed skill requirements are set in concrete terms with respect to each level. This enables objective evaluation, and serves as a concrete target management tool for consultants for skill development.

ii) Skill Evaluation Process

Skills evaluation is performed annually at the end of the fiscal year, between April and June. The evaluation process starts with the self-evaluation of an employee. The evaluation is performed with the Staff Manager (described later) as the assessor. The skill level is studied, discussed and finalized at a skill evaluation committee called the Moderation Panel, which consists of Staff Managers. For an employee to earn a rating of Level 4 or higher in terms of Market Capabilities, it is mandatory to obtain the final approval of a partner in the industry operations division to which the employee belongs.

As a matter of course, the results of skill evaluation are fully disclosed on a database, including the description of each consultant's self-evaluation and the comments by the assessor. This enables transparent and objective evaluation.

Figure 15 : Evaluation Process



iii) Contribution Evaluation

Contribution evaluation is performed at the year-end. The individual's contribution made to projects, the Company and the team (regardless of domestic or foreign) during the fiscal year is evaluated at 5 levels. Evaluation is performed by the Staff Manager, and is decided with the approval of a partner in the industry operations division to which the consultant belongs. The results of contribution evaluation are reflected in the performance-based pay (bonus) in the fiscal year.

iv) Career Assistance System

PwC Consulting has the following systems to help consultants fulfill their respective career plans through projects and training programs.

a. Preparation and Implementation of Professional Development Plan (PDP)

A consultant prepares his/her own Professional Development Plan at the beginning of the fiscal year. The consultant is required to make a one-year plan and a three-year plan for improving his/her skills (skills defined in GCF described earlier). It involves not only setting mere numerical targets, but also formulating a concrete action plan, describing what kind of projects he/she will focus on and what kind of training programs he/she will undergo. The fulfillment status of the plan is checked at the year-end counseling session, to serve as a stepping-stone for next year's plan.

b. Staff Manager

PwC Consulting has been expanding in terms of company size every year, in line with the growth of its business. Accordingly, it is becoming increasingly important to: make all employees share information across the board, including but not limited to the Company's management policies; facilitate communication among employees; and improve the skills of all consultants. The Staff Manager system was established under such demanding circumstances. It is a system in which a senior consultant is assigned to look after a consultant in the same skill area on a one-on-one basis.

The roles of the Staff Manager are as follows.

Figure 16 : Roles of Staff Manager



c. Career Counseling

A consultant prepares a Professional Development Plan in the beginning of the fiscal year (July), and formulates a career plan and an action plan for the year as well as the next 3 years, with the Staff Manager's advice. The Plan is reviewed at the time of year-end evaluation, and is to be reflected in the Plan for the following year. Career counseling is performed whenever necessary throughout the year, regardless of whether it is the beginning or the end of the fiscal year.

(3) Remuneration System

The salary is purely based on an annual salary system, and is paid according to the base annual salary. The base annual salary is set with respect to each class, proportionate to the skill level. Fixed pay accounts for 70% of the base annual salary, of which a twelfth is paid monthly. The remaining 30% is performance-based pay, the so-called bonus. The evaluation for performance-based pay is decided

according to the team's performance, and the individual's contribution to the Company and the team.

For example, an employee on a base annual salary of 10 million yen will receive a monthly pay of 583,000 yen (twelfth of 7 million yen, which is 70% of the base annual salary). The remaining 30% corresponds to performance-based pay, which depends on the team's performance and the individual's contribution. Therefore, the employee's annual salary can vary between 7 million yen (minimum) and infinity (maximum), at least theoretically.

For reflecting the team's performance and the individual's contribution in performance-based pay, the Company sets two options: A and B. Option A is a high-risk, high-return pattern: if the fulfillment rate of the team's performance and the individual's contribution exceeds 100%, the pay is calculated by tripling the portion in excess; alternatively, if it falls short of 100%, the pay is calculated by multiplying the deficient portion by -1.5. Option B is a low-risk, low-return pattern: if the fulfillment rate exceeds 100%, the pay is calculated by multiplying the excess portion by 1.5; conversely, if it falls short of 100%, the pay is calculated by multiplying the deficient portion by -0.75.

An employee may choose either option at the beginning of the fiscal year. Option A is automatically applied to managers and others who assume a higher position.

3) Training Program System

All consultants are instructed to allocate 5 % of their prescribed annual working hours to skill development as a target. Skills in this context refer to abilities that are directly linked to the service content of PwC Consulting, and indicate skills and abilities required for offering value to clients and fulfilling targets.

PwC Consulting's head office building in Tokyo accommodates a training center for this purpose. It runs numerous training courses, some of which are held by lecturers from outside the Company. In addition to these, employees can undergo training courses outside the Company.

Toys "R" Us-Japan, Ltd.

I . Corporate profile

Business Category:	Retail (children's goods such as toys)
Workforce:	Approximately 6,000 (of which approximately 1,000 are permanent employees)
Location:	Solid Square Nishi-Kan, 580 Horikawa-cho, Saiwai-ku, Kawasaki City, Kanagawa Prefecture, Japan
Founding Year:	1989
Capital:	6.03395 billion yen
Parent company:	TRU, Inc. * After the beginning of over-the-counter trading of Toys "R" Us-Japan shares on the Japanese market (JASDAQ) in April 2000, TRU, Inc. ceased to be its parent company and is now its licensor and shareholder. * After the beginning of over-the-counter trading of its shares on the Japanese market, Toys "R" Us-Japan <i>de facto</i> became a Japanese company.
Foreign Capital Percentage:	47.77%
Business Areas:	Retail store chain operation to sell various categories of children's goods such as toys, childcare products, children's clothes, stationery, school materials and sporting goods.

II . Main Points in the Personnel Management Scheme

- Toys "R" Us-Japan, Ltd. was founded in 1989 as a result of the joint venture between Toys R Us Inc. of the United States and McDonald's Japan. The first Toys "R" Us store in Japan was opened in Arakawaoki (Ibaraki Prefecture) in December 1991 and the number of stores in Japan successfully reached 100 in the year 2000. As of March 2002, the company retains a total of 120 stores all over Japan with a workforce of approximately 6,000 consisting of 1,000 permanent employees along with part-time employees and temporary staff.
- The basic principle in the company's personnel management lies with the merit system in which individual-specific elements are excluded and the value of one's job position is evaluated and

counted based on the applicable "job grade."

- The company is currently experiencing a rapid increase in the number of employees in its Store Operations Division as a result of the expansion of its operation scale, and it is also its frequent practice to transfer employees between stores that operate under a variety of different locational conditions. Therefore, the company is paying attention to reducing burdens of employees who are being transferred to another store by, for example, providing them with company-subsidized housing, and to enriching its benefits package that is available nationwide regardless of the location. As well, its long term disability insurance plan contains features that are characteristic of foreign-affiliated companies, with which the company effectively provides more generous compensation in the case of an accident than a Japanese company would.
- In designing its personnel management system, Toys "R" Us-Japan was not, since the very beginning of its expansion into the Japanese market, restricted much by the system applied by Toys "R" Us Inc. of the United States. For that reason, its personnel management system has been designed in consideration of Japanese practices and customs, with aspects of both systems blended in. Among other things, the boundary of its management discretion is not overridden since its shares began to be traded on the over-the-counter market.
- By organizing seminars in universities and conducting steady recruitment efforts utilizing IT but also focusing on each recruitee's personality, the company is in the process of successfully improving its brand recognition and alleviating the hesitation among recruitees towards working for a foreign-affiliated company.

III . Basic Ideas Regarding the Personnel Management system

The basic principle in the personnel management of Toys "R" Us-Japan, Ltd. (hereinafter referred to as 'Toys "R" Us') lies with the merit system in which individual-specific elements are excluded and the value of one's job position is evaluated and counted based on the applicable " job grade."

Toys "R" Us is currently experiencing a rapid increase in the number of employees in its Store Operations Division as a result of the expansion of its operation scale, and it is also its frequent practice to transfer employees between stores that operate under a variety of different locational conditions. Therefore, Toys "R" Us is paying attention to reducing burdens of employees who are being transferred to another store by, for example, providing them with company-subsidized housing, and to enriching its benefits package that is available nationwide regardless of the location. Its personnel management system also has unique features in its simplified job contents for the work in the Store Operations Division as well as in its human resources development and growth programs, all of which are intended to expedite the development of management-level employees in each store.

1) Merit System

The basic principle of the personnel management system of Toys "R" Us (TRU-J Personnel Management System) rests with the "merit system in which the value of one's job position is counted as the main point of consideration, as opposed to one's age, educational background or gender, and performance expected from each employee as well as his/her competence to repeatedly achieve such performance is evaluated, linked to his/her skill development and also reflected in his/her treatment."

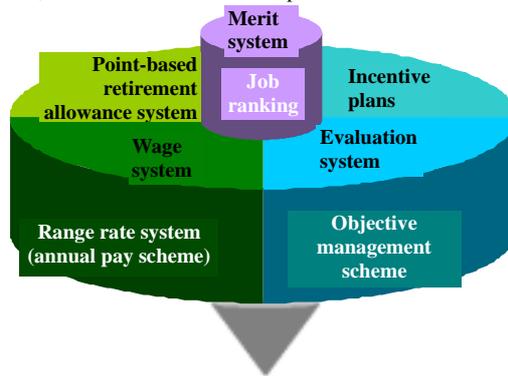
The structure of this personnel management system consists of the rules and regulations that are based on the company's management philosophy, personnel and wage system, benefits package, human resources development and training programs etc.

The personnel and wage system is composed of the evaluation system based on an objective management scheme, a wage system based on range rates and an annual pay scheme, a point-based retirement allowance system, and incentive plans, all of which are founded on the merit system based on the " job grading " that functions as criteria for evaluating and counting the value of one's job contribution.

Figure 17 : Outline of the Personnel and Wage System of Toys “R” Us (TRU-J Personnel Management System)

TRU-J Personnel Management System

The basic principle of our personnel system rests with the merit system in which the value of one's job position is counted as the main point of consideration, as opposed to one's age, educational background or gender, and performance expected from each employee as well as his/her competence to repeatedly achieve such performance is evaluated, linked to his/her skill development and also reflected in his/her treatment.



- "Merit" here means an employee's competence to repeatedly achieve performance expected from him/her.
- Each performance achieved by an employee will be reflected in his/her treatment on the basis of his/her "job rank," as opposed to his/her age, educational background or gender.

(Source : Data provided by Toys "R" Us)

2) Personnel and Wage System

(1) Defining the "Value of One's Job Position" on the Basis of Job grading

The evaluation system of Toys "R" Us is based wholly on the job grading that shows the "value of one's job position." In other words, the underlying principle is to consider what kind of job each employee engages in and to reflect performance, which is achieved on the basis of such job contents, in his/her treatment.

The job grading consists of 10 grades and no individual-specific element, such as age, educational background and gender, is considered in job position evaluation, *i.e.*, in giving a grade to a specific job position. For instance, one can say that "the value of the job position of Sales Manager is graded 9" but cannot say that "Mr. xxx, who is the Sales Manager, is graded N."

As job contents vary between different divisions and departments, job position evaluation is conducted by the Human Resources and General Affairs Department with reference to "Job Analysis

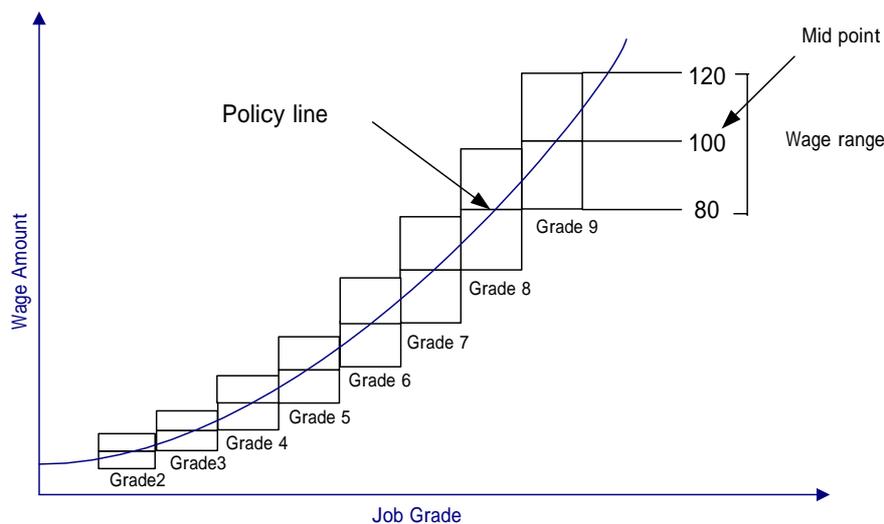
Reports" as it is considered necessary to evaluate the value of different job positions in a cross-sectional manner. What are described in a Job Analysis Report include the scope of work to be managed within the applicable job position, principal role therein, performance expected, required skills and/or qualifications etc., and each division submits Reports to the Human Resources and General Affairs Department. Subsequently, the Human Resources and General Affairs Department gives a grade to each job position existing in each division by conducting comparative evaluations across the company. The job gradings in all the divisions and departments of the company are made open to all of its employees.

Job positions and grades thereof are revised in response to changes in the management conditions etc. In the normal course, such reviews are conducted on roughly a three-year cycle.

(2) Evaluation Based on the Wage System and Objective Management Scheme

Its wage system is based on the range rates set on the basis of job grades, and no concept of periodic pay raise or periodic increase in pay-scale amounts is adopted. More specifically, a mid point is set for wages to be paid within each job grade and wages within an identical job grade may vary within the range of plus or minus 20%.

Figure 18 : Job Grades And Wages (Range Rates)



(Source : Data provided by Toys "R" Us)

Pay raise is implemented once a year in April. The percentage of pay raise within an identical job grade (job position) is indicated explicitly by the 15 pay raise matrices that are formed by three zones within each wage range and five evaluation grades. In short, the company adopts a method called the merit increase method: the lower the zone that an employee is placed in, the higher the percentage of his/her pay raise becomes in comparison with other employees even if they are both placed in the same evaluation grade, and vice versa.

Figure 19 : Pay Raise Percentage Table Based On Pay Raise Matrices (Sample)

		Performance Evaluation Grade				
		(Lower)-----				----- (Higher)
		CU	BE	ME	AE	CO
Zone within Job based pay		0%	0%	2%	4%	6%
		0%	1%	3%	5%	7%
		0%	2%	4%	6%	8%

Note 1: If the range rate of an employee is currently placed in Zone II and his/her Performance Evaluation Grade is ME, the percentage of his/her pay raise is 3% as shown in the cell where Zone II and ME meet.

Note 2: Percentages of pay raise shown in the above table are samples only and differ from the figures that are actually used.

(Source : Prepared based on the data provided by Toys "R" Us)

While the percentage of pay raise due to promotion or position advancement (job grade increase) is determined on a case by case basis according to the placement of the employee within the applicable wage range prior to the promotion, the lower the zone he/she has been placed in, the higher the percentage of pay raise becomes, as is the case with the pay raise percentage within an identical job grade. As this wage system is based on the job grading, there are indeed some cases, especially in the Store Operations Division, in which a younger-aged employee earns higher wages than an older-aged employee, for example, in comparison between those hired in their mid career and new college graduates. This, however, has not raised any particular problem because employees join the company upon understanding and being satisfied with such a system.

Qualifications for promotion or position advancement are specifically set in the case of lower job

grades. For instance, an employee becomes qualified for advancement from Grade 2 to Grade 3 when he/she scores 4 or higher in a 5-point job evaluation twice. As position advancement takes place within the framework of differed range rates, an employee cannot be promoted, even though he/she qualifies, if there exists no position to advance to. Such cases, however, rarely occur now as the number of positions is currently increasing as a result of the expanding operation scale of the company.

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While there are promotion opportunities, demotion is also a possibility. An employee will be demoted when he/she is considered, as a result of a performance evaluation, to have failed to fulfill his/her job requirements and no improvement can be expected from him/her. When demotion is considered, however, an employee will be given instructions for improvement along with ample time and chances necessary to achieve such improvement, and judgment will be made on the basis of results from his/her efforts for improvement.

(3) Recruitment

Permanent employees are hired separately for the two job categories. One is recruitment in the Staff Function to hire staff to work in the company's headquarters in Tokyo or either of its two distribution centers located within Japan, and the other is in the Store Operations Division. The company's basic practice is to hire workers in their mid career in the Staff Function and new college graduates in the Store Operations Division.

Recently, some companies whose main business is to operate stores, such as those in the restaurant industry, have applied an employment method in which part-time employees or temporary workers who show particularly high competence are promoted to the position of store manager or permanent employee. However, the method applied at Toys "R" Us is to hire store managers as permanent employees at the stage of initial recruitment.

This is based on the company's judgment that because it is its common practice to transfer store

managers quite frequently between stores that operate under a variety of different locational conditions, which does not suit part-time employees or temporary staff who are more inclined to stay in their own region, it is more reasonable for the company to hire store managers as permanent employees in the first place on the premise that they will be transferred to different stores nationwide.

Personnel rotations between the Staff Function and Store Operations Division are also implemented, though not so frequently.

(4) Incentive Bonus and Point-Based Retirement Allowance System

The incentive bonus system is a system in which, for the purpose of boosting motivation among employees through the payment of performance-based additional wages, the company provides a special bonus to employees in accordance with company-wide and/or individual performance. Management-level employees are eligible for such a bonus, *i.e.*, those in Grade 4 or higher in the Staff Function and those in Grade 2 or higher in the Store Operations Division. While employees in Grade 2 in the Staff Function are not considered to be at the management level as they have normally no employees working under them, employees in Grade 2 or higher in the Store Operations Division are deemed to be management-level employees because they do supervise part-time employees and temporary staff.

Under the point-based retirement allowance system, the retirement allowance for an employee is not calculated on the basis of his/her wage level at the time of retirement or the number of his/her service years but, instead, the accumulated number of points that are obtained by converting his/her job grade during employment. As an employee who has worked for many years in a position with a higher value of job contents can receive a retirement allowance in the amount commensurable with his/her service, it is decidedly a quite reasonable system. The calculation method is simple as well: points per year are obtained by multiplying by 10 the figure of job grade that each employee is placed in the course of the applicable year; annual points thus obtained are accumulated each year from the time of hiring until retirement; and the amount of retirement allowance is, in principle, calculated by multiplying the per-point value by the total number of points accumulated over the course of employment.

3) *Benefits Package*

Toys "R" Us has set in place all the benefits that it is legally obliged to offer to its employees, such as

health insurance, welfare pension, employment insurance, workers' accident compensation insurance and nursing care insurance, and, on top of that, its own benefits program that is not stipulated by law. In the background of the application of its own benefits program lie such facts as the rapid increase in the number of employees in the Store Operations Division as a result of its expanding operation scale and the high frequency of employee transfers between stores that operate under a variety of different locational conditions.

Consistent with the circumstances described above, the company has established a means of reducing burdens of employees who are being transferred to another store by, for example, providing them with company-subsidized housing, and also a benefits package that is available nationwide regardless of the location. As well, its long term disability insurance plan contains features that are characteristic of foreign-affiliated companies, with which the company effectively provides more generous compensation in the case of an accident than a Japanese company would.

Figure 20 : List of Non-Statutory Benefits Programs

Program	Program Contents	Features
Housing	Company-subsidized housing	<ol style="list-style-type: none"> 1. When transferred to a store outside of commuting distance, an employee may use a company-rented housing 2. A substantial part of the rent and common service fees is paid by the company
Health and other insurances	GLTD (group long term disability) insurance * for all employees	<ol style="list-style-type: none"> 1. When an employee becomes sick or injured, his/her income is compensated for 2. In the case of job-related injury or sickness, an employee is compensated at the company's expense until retirement age (60 years old) 3. Non-job-related injury or sickness is also compensated for but only for up to 25 months

Program	Program Contents	Features
	<p>Comprehensive group benefit term insurance</p> <p>* for all employees</p>	<ol style="list-style-type: none"> 1. The purpose of the insurance is to secure funds to compensate for surviving family members of a deceased employee 2. An insurance benefit is paid to the surviving family members at the time of death of the insured (employee) 3. Insurance premiums are paid by the company and insurance benefits are to be paid entirely to surviving family members
	<p>Optional health and life insurances managed jointly with other insurers</p>	<ol style="list-style-type: none"> 1. Policy contents are identical to those applied by each other insurer 2. Group discounts may apply to some policies 3. Insurance premiums are deducted from wages
Condolences or congratulations	<p>Solatium for condolences or congratulations</p> <p>Leave for condolences or congratulations</p>	<ol style="list-style-type: none"> 1. To be paid at the time of condolences or congratulations, childbirth or death (proof required) 2. An employee must apply in person
Awards for long-term service	<p>Commemorative gifts</p> <p>Entitlement to special vacation (in the case of 10-year consecutive service)</p>	To be granted after the first, second, fifth and tenth year of consecutive service
Cultural, educational and recreational activities	<p>Access to facilities of the Health Insurance Association of Department Stores in the Kanto Region etc.</p>	<ol style="list-style-type: none"> 1. Available for the insureds and their dependents (also available for non-insureds for separate fees) 2. Resort facilities etc. can be used at discounted fees
	<p>Benefits enrichment plan (for stores in regions not belonging to the above Association)</p>	<ol style="list-style-type: none"> 1. Membership-based program available for employees and their cohabiting families 2. A broad range of choices and reasonable usage fees 3. Procedures are out-sourced (for more convenience)
Asset development	<p>Asset development programs (general, housing and pension)</p>	In accordance with the worker's property accumulation savings programs

Program	Program Contents	Features
	Employee Shareholder Association	<ol style="list-style-type: none"> 1. The Employee Shareholder Association purchases and accumulates shares of Toys "R" Us-Japan, Ltd. every month in the pre-determined amount 2. Purchase costs are deducted from wages after a desired number of lots (between 1 to 30) to be purchased every month is specified (1,000 yen per lot; at the time of bonus payment, lots are purchased at triple the normal number) 3. Financial incentives are paid by the company 4. There is no guarantee on the principal ㇿ
Family benefit	Gifts on the World Children's Day and Day of Toys (May 5)	Every child under the age of 15 of employees and temporary contracted employees receives a 10,000-yen Toys "R" Us gift certificate on May 5 every year

(Source: Prepared based on the data provided by Toys "R" Us)

(1) Securing of Housing and Benefits Enrichment Plan

Employees in the Store Operations Division are provided with company-subsidized housing for which a substantial part of the rent and common service fees are covered by the company. As employees in the Store Operations Division of Toys "R" Us are transferred quite frequently, *i.e.*, once every year or two years, and its stores operate under a variety of different locational conditions, the company makes efforts to reduce its employees' moving-related burdens that arise as a result of transfer. Housing thus provided are apartments etc. rented by the company, and the company does not actually own any housing facilities.

In the opinion of Toys "R" Us, there are two reasons for the necessity of employee transfer. Firstly, the company currently needs, in opening new stores, to secure employees who can work as core staff, such as store manager and assistant manager, for the new stores, and secondly, it wants its employees to gain experience working in different stores that operate under a variety of circumstances as, for instance, a store in the suburban areas of a city other than Tokyo and a store in the center of Tokyo have totally different locational conditions.

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different locational conditions.

The benefits enrichment plan allows employees to make use of cultural, educational and recreational activities, such as resort facilities, gyms and English schools, at discounted fees. Due to its nationwide store operation, the company utilizes, in addition to programs of the Health Insurance Association of Department Stores in the Kanto Region, private nationwide outsourcing services so that employees can have access to similar services after being transferred.

(2) Group Long Term Disability Insurance

Under the coverage of the group long term disability (GLTD) insurance, an employee's income is compensated for without any condition until retirement age (60 years old) at the company's expenses in the case of job-related injury or sickness and, in the case of non-job-related injury or sickness, 80% of the employee's monthly income is also compensated for for up to 25 months. If an employee pays a small amount of insurance premiums, 80% of his/her monthly income can also be compensated for until retirement age of 60 years in the case of non-job-related injury or sickness, as with job-related injury or sickness (optional).

In the United States, where public health insurance does not exist, it is relatively common for companies, especially major ones, to provide health insurance or disability insurance.

It is safe to conclude that the company's compensation scheme for its employee who becomes unable to work due to an accident etc. is more generous than that generally adopted by Japanese companies.

(3) Employee Shareholder Association and Stock Option Program

What is characteristic about the Employee Shareholder Association at Toys "R" Us is that it does not purchase shares of Toys "R" Us Inc. of the United States but those of Toys "R" Us-Japan, Ltd. traded on the over-the-counter market of JASDAQ.

It is also the case with the company's stock option program as it is linked, pursuant to the Commercial Law of Japan, with the share price of Toys "R" Us-Japan. While Toys "R" Us of the United States makes its stock option program available to part-time employees who work on hourly rates, which is a common practice among American companies, Toys "R" Us-Japan restricts, in principle, the program application to employees in Grade 5 or higher only. This is based on the company's notion that it is ill-advised to apply the program to those employees who are scarcely occupied with management responsibility.

4) Human Resources Development and Training Programs

Currently being in the process of expanding its operation scale, Toys "R" Us positions human resources development and training as one of its issues of priority. The distinctive features of the company's efforts in this area are that, for the purpose of achieving human resources development needs in the Store Operations Division, in which most of its employees work, in a steady and speedy manner, its human resources development is structured to enable the development of manager engaging in store operation by simplifying the job contents in the Store Operations Division through focusing them only on sales and customer services and by forming their curriculum into a manual.

(1) Structure That Enables the Development of Manager in the Store Operations Division

As Toys "R" Us hires all of its manager in the Store Operations Division (store managers) as permanent employees, it is essential for the company to train even new college graduates or non-recent college graduates who are not experienced in the product distribution industry so that they will be readily competent to work in their given position. Its efforts include the development of a curriculum, mainly based on OJT (On the Job Training), to train new employees within three months after they join the company so that they will become able to work in a management-level position in store operation and, in order for them to acquire minimum required work skills within a short period of time, the focusing of job contents in the Store Operations Division only on sales and customer services to make them simpler and easier to form them into a manual.

Sales-related information in each store is managed collectively by the utilization of information technology etc. by the Merchandise Division, a division independent of the Store Operations Division. In accordance with sales volumes, the Merchandise Division takes charge of a variety of operations ranging from stocking products to stock management, ordering and store layouts. Thanks to such role-sharing between the divisions and the chain-store system based on direct management of all the stores under basically the same conditions, the Store Operations Division can focus on sales and customer services, including the supervision of part-time employees and temporary staff, product displays and cashier management.

(2) Curriculum That Combines OJT and Group Training

Training for new employees is principally based on OJT in each store so that they can learn required skills firsthand because the main part of their job lies with sales and customer services, including the supervision of part-time employees and temporary staff. As they must also familiarize themselves with an array of knowledge, such as technical terms, the company has developed a text with which they can acquire necessary knowledge within three months (11 weeks).

Based on this text, the combination of self-learning, OJT, group training called "classroom training" and exams is set in place, all of which collectively form a curriculum that takes into account the balance between practical skills, such as communication skills, and knowledge.

IV . Issues in Personnel Management and Directions for Solving Them

In designing its personnel management system, Toys "R" Us-Japan was not, since the very beginning of its expansion into the Japanese market, restricted much by the system applied by Toys "R" Us Inc. of the United States. For that reason, its personnel management system has been designed in consideration of Japanese practices and customs, with aspects of both systems blended in. Among other things, the boundary of its management discretion is not overridden since its shares began to be traded on the over-the-counter market.

As well, by organizing seminars in universities and conducting steady recruitment efforts utilizing IT but also focusing on each recruitee's personality, the company is in the process of successfully improving its brand recognition and alleviating the hesitation among recruittees towards working for a foreign-affiliated company.

(1) Relationship with Toys "R" Us of the United States

In designing its personnel management system, Toys "R" Us did not, since the very beginning of its expansion into the Japanese market, need any approval from Toys "R" Us of the United States regarding minute details of the system. Such a corporate culture has enabled the company to create a personnel management system that blends in both aspects, applying Japanese practices and customs, such as solatium payment for condolences or congratulations and a subsidized-housing program, while instituting a work environment that is founded on the merit system and hence friendly to female

employees as well.

Particularly, Toys "R" Us of the United States ceased to be the parent company of Toys "R" Us-Japan after the latter's shares started to be traded on the over-the-counter market in April 2000 and, accordingly, the relationship between them is now basically only a contractual relationship between licensor and licensee. Therefore, the boundary of the management discretion of Toys "R" Us-Japan is not overridden.

(2) Improvement of Brand Recognition and Alleviation of the Hesitation Among Recruits

Due to its identity as a foreign-affiliated company, it was essential for Toys "R" Us-Japan to improve its brand recognition and alleviate the hesitation among recruits when it started operating in Japan. Although the issue of brand recognition among students etc. lingered until approximately 1996 due to the fact that the company's operation was mainly restricted to suburban areas, it has been gradually resolved in recent years as it launched store operations in urban areas as well.

Since the beginning of its operation in Japan, the company has been continually conducting steady recruitment activities by, for example, making "courtesy visits" to student placement offices of various universities and organizing seminars on campuses. Thanks to such efforts, the hesitation on the part of universities in recommending students to foreign-affiliated companies, including Toys "R" Us, has been increasingly alleviated.

The company currently hires 150 to 160 employees per year in the Store Operations Division alone but no issue has surfaced so far in terms of the demand-supply gap in personnel, with non-recent college graduates included, due to the not-so-favorable conditions of the Japanese economy as a whole. Considering the impact from the falling birthrate and possibility of fluctuation in the economic conditions, the company asserts that it will continue its recruitment activities in the future.

(3) Positioning of IT Utilization in Recruitment

While the application procedure at the initial stage of recruitment is outsourced, organization of seminars or information sessions etc. is never left to consultants but is managed directly by the responsible department within the company.

As well, 90% of information requests and applications at the initial stage are passed through the other Internet service set up on the homepage of Toys "R" Us and communications are mostly done via mobile phone-based e-mail and rarely by phone. The company, however, always meets with prospective

employees for an interview during the selection process and has no intention of hiring without ever meeting them face-to-face. This is based on its emphasis on the personality of each employee as customer service is the key component of the work in the Store Operations Division.

(4) Efforts Towards Competency and Work Process Evaluation

Personnel evaluation at Toys "R" Us is somewhat void of long-term perspectives in human resources development because its objective management scheme is basically exerted only once a year. To address this matter, the company is examining the possibility of reflecting an employee's competency and work process in evaluation results.