

Human Resource Strategies | Roundtable Discussion with OSG Employees



The future of a new human resources strategy envisioned by OSG, supporting the challenges and growth of our employees.

The title “Beyond the Limit” of OSG’s Medium-Term Management Plan expresses the Group’s determination to transform our mindset and move beyond limits in order to become a Group that can respond to any changes in the carbon-neutral era. OSG will focus on fostering human resources and building a corporate culture that values the willingness to take on challenges. Under “Beyond the Limit Stage 2,” we will promote human capital reforms and take a three-pillar approach to measures for the future. We brought the heads of each division together for a frank exchange of opinions, from their respective standpoints, on OSG’s human resource strategy for the future.

Three priority themes for human capital development:

- Personnel, evaluation, and compensation systems: boost the motivation of employees and allow them to demonstrate their abilities
- Hiring and employee placement: strategically assign personnel
- Training programs: strengthen development of executives and leaders

How do each of you view the current personnel and performance evaluation system?

Agata: Aiming to achieve the goals of the Medium-Term Management Plan, OSG has set forth the human resource ideals of “personnel resilient to change” and “personnel who continue to take on challenges and grow” as its core values. The current evaluation and compensation system has not changed in its basic structure for more than 20 years, and the emphasis is still on equitable evaluation. However, in light of the aforementioned ideals of human resources, the Human Resources & General Affairs Department would like to evaluate not only those who have achieved results by taking on challenges, but also those

who have failed in taking on challenges, so that we can encourage their willingness to take on challenges without fear of failure. First, we will review the current evaluation system and reform it so that challenges taken on and results achieved can be properly evaluated.

Chikada: In the Sales Division, results are easily expressed in figures, and I feel that more and more young people have a strong desire to receive appropriate recognition when they are able to produce results. The demand for fair evaluation of what they are doing is actually increasing.

Masuda: Although the number of development projects per person is one of the evaluation criteria in the Design and Development Division, it is sometimes difficult for employees to

maintain motivation because of the difficulty differentiating between individual evaluations. I think it is especially important to motivate younger employees, and I believe that OSG will be even better if we can provide not only evaluation and rewards, but also an environment that is easy to work in, rewarding to work at, and driven by the sense of accomplishment that comes from it.

Iwashiro: Given that the Machine Manufacturing Division, as an organization, is quite large, I feel that it is difficult to have to evaluate employees on a relative basis, and also that it is difficult to link the diverse individual job descriptions of operations, production management, and manufacturing technology to the evaluation system (OSG’s evaluation items: Seven Human Resource Criteria). Furthermore, there may be different ways of conceptualizing and perceiving evaluation criteria, due to differences in the business processes of each of our multiple factories. I recognize this as an issue because I believe that employees’ satisfaction with their evaluations affects their motivation.

Seven Human Resource Criteria for OSG employees

- Global outlook
- Conceptualization
- Leadership
- Innovation
- Spirit of challenge
- Communication
- Followership

Watanabe: In the Global Sales Division, which is responsible for supporting our Group companies, the fact that the performance of the country one is in charge of has improved does not necessarily mean that this is reflected in one’s evaluation. Basically, we judge by the kind of support provided to one’s Group company on a day-to-day basis.

Kamino: I was assigned to an overseas Group company in the past. Employees seconded from Japan are evaluated by the local subsidiary’s leaders, and their compensation is determined by the head office in Japan based on that evaluation using uniform standards. On the other hand, each Group company has its own evaluation system regarding the evaluation of local employees hired in that country. When I was appointed as a leader in an overseas Group company, we also introduced and implemented Japanese sales evaluation criteria for sales staff in order to improve their awareness of achieving quotas.

Masuda: I worked for a Group company as well, which was in the U.S. Each employee there set KPIs once a quarter, and whether or not they achieved their goals affected their evaluations.

Agata: It is very valuable to have this chance to hear the opinions of each division about the evaluation and compensation system. I personally believe that the evaluation system should provide clear explanations and feedback on each employee’s evaluation and ought to allow the Company to point out the path that each employee should pursue. Based on the current framework of the evaluation and compensation system, the Human Resources & General Affairs Department plans to review detailed evaluation criteria while respecting the evaluations of each division, in order to accurately reflect employee performance in these evaluations.

With regard to management evaluations, we will also maintain the framework in which the Personnel Committee carries out deliberation and decision-making.

In order to increase employee motivation and enable them to demonstrate their abilities, OSG’s policy is to actively promote young, capable employees to management positions, while also supporting a variety of work styles among our older employees. What do you each think about the evaluation system for younger employees and the roles of older employees?

Agata: As for the Human Resources Division, we are looking for young employees with a positive attitude and a strong desire to take on challenges. I believe that a high level of motivation to take steps independently is important at work, and such employees will naturally be evaluated on their performance. Furthermore, I feel that such forward-looking human resources will have many opportunities for career advancement.

Harada: I have a clear definition of my criteria for leadership, and in fact, there are a certain number of younger employees who fit this definition, which has three aspects: to be able to identify issues on one’s own, to formulate possible solutions, and to involve others in implementing them. However, even if there currently are young employees who meet that definition, there is no way to evaluate them as desired, due to the barriers of age and relative evaluations. If there were a personnel system that could evaluate such employees and give them feedback without being restricted by age or other factors, I believe it would better support our motivated young workers.

Iwashiro: At manufacturing work sites, while there is a need for human resources who are skilled in manufacturing and who acquire technical know-how and hone their technical skills, there is also a need for leaders who involve the entire organization and organize the work site. In terms of young employees, we are looking for people who possess the qualities to go overseas, who openly accept manufacturing concepts that are not bound by the framework of a single factory, and who proactively bring that back to their own workplaces.

Chikada: We live in a rapidly changing society, which means that, in our day-to-day sales activities, it is now difficult to utilize human resources if we only focus on gaining experience. As this society is becoming increasingly digitalized, younger employees are overwhelmingly more adept at dealing with the digital field than we are. I believe it is also necessary to keenly assess each individual’s abilities and evaluate them correctly so that they can play an active role in positions of responsibility.

Tsujimura: At the RD Center, most leaders at the assistant manager level are in their early 30s. I feel that there are many talented young employees, regardless of their position. As a result, I have the impression that the transfer of technology and know-how has been smooth. Recently, however, I have seen some young employees leaving the Company, so I would like to see a system where OSG can provide a good road map for talented young employees who are active in the Company, as Mr. Harada mentioned earlier. I have heard that some excellent employees actually change jobs because of salary, so one

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strategy would be to review OSG's approach, for example, by devising a new system where age is not so heavily involved in the salary structure.

Masuda: There are certainly cases of excellent young employees leaving. However, whether young employees are competent or not, or whether they quit or not, I think depends on how we, the division heads, treat our team members, what kind of vision we convey to them, and how we lead them. Team members observe their leaders, and, how many of us are the kind of leaders that others would want to be like? I believe that one of our important roles is to spark the fire in the hearts of our team members.

Agata: I would like to increase the number of older employees with the kind of awareness that Mr. Masuda describes. For example, even if they step down from a leadership position, I would hope that they remain aware that one of their roles is to use their past experience to support other employees and to

nurture younger employees with the OSG ethos. However, in order to do so, their roles must be clarified and, I believe that a new system is needed to ensure that this is reflected in evaluations. The reason being is that this will motivate older employees and, in turn, help all generations of employees demonstrate their abilities.

Chikada: In the Sales Division, some employees continue to be in charge of their clients even after retiring as a manager, but since older employees are assets with a wealth of knowledge, experience, and personal connections, we launched the GIGS Sales Group, a sales organization that leverages their abundant skills to tap into new clients. We have started having them take on roles that make the most of their individual abilities, for example, to engage in sales activities that leverage their expertise, or to support younger sales staff in various ways, such as offering experience, knowledge, and personal connections.

Iwashiro: As for "communicating," I think it is also necessary to create an environment in which we, as leaders, can speak up easily. The Machine Manufacturing Division is a particularly large organization, and while there is a tendency for the distance between rank-and-file employees and managers to stretch, I feel that if we can lower the hurdles to "speaking up" and show that there is a climate in which opinions are properly accepted, it will inevitably lead to a flatter organization.

Tsujimura: To be honest, I have just recently realized that the quality of communication drops off quite a bit when taking on new challenges, such as new projects. We see situations where information is not shared, or miscommunications occur, perhaps because there is not enough time to spare while tackling something unfamiliar. Therefore, I feel that we, as leaders, need to understand that this is the situation and we should create the necessary space for communication. I realize that communication is very important when OSG is about to enter a new field, or undergo a change, and I believe that stimulating communication will lead to OSG's growth.

Harada: The reality is that it is quite difficult to create a foundational environment that achieves "communicating" and "listening." I actually had such a discussion with the division leadership today, and surprisingly, members of the division seem to think there is a high hurdle to talking to division heads and managers. One of the reasons is that we "look busy." When I heard this comment, I thought, "It's probably right." While leaders are recommending "communication," they themselves are not in a position to accept it. Now that we are aware of this issue, I would like to continue to discuss it among our leaders.

Watanabe: How to embody this OSG concept of "communicating" and "listening" is the biggest issue that division heads must grapple with. It is important not to simply fall back on conventional communicating and listening.

Agata: I have also attended workshops and seminars on management and leadership training, and have been told that, as far as the role of a leader in an organization, it is to clearly see the team members and the work environment of the division he or she is in charge of, to listen to these members, and to spend half of our work time on this. Mr. Iwashiro, you conduct your own one-on-one interviews with team members, don't you?

Iwashiro: Yes, I have 30-minute interviews, one-on-one, with section chiefs, group leaders, and team leaders. I feel that leaders

setting aside time to meet team members is in itself a way to improve employee engagement.

Agata: Although one-on-one meetings are not yet a Company program, I think it is one form of "communicating" and "listening."

Kamino: This has been very informative to hear what you all have to say. I was aware of having conversations and communication both with leaders and rank-and-file employees, but I now feel the importance and benefit of one-on-one communication, and I would like to make use of it when thinking about how to approach team members.

Watanabe: In terms of communication with Group companies overseas, the Global Sales Department holds monthly roundtable discussions with Group companies in 10 countries. We decide on a theme and share opinions in English. I believe that this is the first step to not only improving communication and language skills, but also to providing an opportunity to learn about the culture and customs of each country, and to deepen our communication based on mutual understanding. I believe that "communicating" and "listening" are very good things, but I also think it is important for leaders to be able to draw out "communication" from team members so that "communicating" does not just become one-way talking.

Agata: Today, I have been able to hear each division's thoughts, initiatives, and challenges regarding human resource development and strategies, which support the growth of OSG. It has been very meaningful to receive opinions from various perspectives on personnel exchanges between divisions in pursuit of overall optimization, and, as the head of the Human Resources Division, I have gained new insights. I would like to use this as an opportunity to seek out more communication and to build a vibrant organization together with all of you. I look forward to working with you more.

Other participants: We look forward to it as well.

Practicing a specific OSG style of "communicating" and "listening" that transcends organizational and generational boundaries

OSG aims to be an open organization that emphasizes communication. What are you focusing on to achieve this?

Agata: For the past two to three years, OSG has been using the words "communicating" and "listening" with a very particular meaning in its communications. In particular, leaders must be able to "listen" during their communication with team members. This style of "listening" means not only the ability to hear what others have to say, but also the ability to pay attention while eliciting what they have to say. Since such open communication is the foundation for creating an organizational culture, I believe that OSG must connect this to providing opportunities for training and the exchange of opinions among leaders. Do you feel that you are able to "communicate" and "listen" in each of your divisions?

Masuda: Maybe the more that people think they are able to, the less they are actually doing so. The only way to ensure that these OSG thoughts and ideas permeate throughout all of the Company is for each division to firmly take on the task and repeatedly communicate these thoughts and ideas. When I was

taking part in a meeting in the U.S., a colleague once told me, "If you don't share your opinion, there is no point in you being here." This really struck me. It taught me that speaking up is what it means to be present and it is what demonstrates value. Since the culture and corporate climate in the U.S. and Japan are different, I feel that overseas work experience is effective for understanding firsthand that common sense in Japan is not common sense outside Japan, and I think it would be good if many employees were rotated into such opportunities.

Chikada: For some time now, OSG has had a culture of consciously addressing the president and board members with the common Japanese suffix "-san," rather than by their titles. Now, and as the generations change, I hope that this level culture and corporate climate will not fade away. Which is why it is extremely important to practice the aforementioned style of OSG "communicating" and "listening." For example, by greeting each team member in the morning every day, although it may be a small thing, we can notice changes in their emotions, physical condition, and so on based on their facial expressions. I think that these single interactions are the seeds of communication.