

Human Capital Management Dialogue

—Collaboration between the CEO and CHRO Accelerates the Speed of Management—

What should be the approach to management and human resource development to create co-creative talent?

We invited Hiroko Ozawa, who has a deep understanding of human capital management, to hold a dialogue with CEO Hidehito Takahashi and CHRO Nori Imai.

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What Are the Trends and Essence of Human Capital Management?

Ozawa: I believe there are two main approaches Japanese companies take toward their human capital currently.

One approach is companies that are rushing internally, driven by the need for disclosure. With the advent of a human capital boom, companies are trying not to miss out and striving to somehow make an appeal for what they are doing. The obligation to disclose in securities reports has become a significant trigger, and many companies are pondering how to respond.

The other approach is from companies that genuinely understand the essence of the importance of human capital and are seriously working to enhance human capital. Such companies view respect for individuals as the source of a company's competitiveness, and under the commitment of the top management, place human capital at the core of their business. Compared to the former approach, the latter approach seems to be in the minority.

The way of thinking about disclosure also differs between the two approaches. The former companies focus on collecting and organizing data about their human resources, while the latter companies aim to express how important their human capital is in management at the heart of their business strategy. Even just looking at disclosure, such polarization is occurring.

When looking specifically at the efforts of Japanese companies, many seem to focus primarily on enhancing systems. Japanese companies have historically built personnel systems based on lifetime employment. It might make sense to invest a lot of managerial resources in system enhancement, given the assumption of long-term employment. However, times have changed, and it's only natural to think that the mobility of human resources will accelerate further. Just like Western companies, a time will come when Japan will need human capital management that isn't based on the assumption of long-term employment. Incentives will be important in this process. People feel excitement when the achievements of individuals or teams lead to organizational achievements. It's important to think about how to give back to individuals or teams based on organizational achievements. The system that creates excitement and the incentivization of returns from organizational achievements should be considered as a set. Companies with a high amount of excitement, which is different from a club of good friends, are very strong.

Takahashi: I completely agree. Japanese companies have traditionally had a package of the four elements of mass hiring of new graduates, academic elitism, a seniority system, and lifetime employment, and I believe this package led to the stagnation of Japanese companies and the Japanese economy after the bubble burst. I do not think Japan can regain its vitality unless this package is dismantled.

I don't guarantee lifetime employment to new employees. Instead, I tell employees that "I will make sure you become a valuable asset that can be useful in any company." I believe that achieving this is what human capital management is all about. I have experience working in major Japanese companies and top global companies, and I feel that Japanese companies should learn from the human capital management of top global companies. Although many Japanese companies have strongly focused on ensuring transparency in promotions, raises, and maintaining equality, I personally find this approach unsettling. Whether Japanese companies will try to bridge this gap in the future is uncertain. Some companies might try to change, and others might not. However, in the long run, there might be a shakeout.

Imai: The reason human capital management is gaining attention in today's society is due to the arrival of an uncertain era, known as the age of VUCA. From the two speakers today, I have realized that this means that it has become impossible to solve problems by extending existing solutions or making minor adjustments to the status quo. Given this age of VUCA, we are genuinely required to solve problems with diverse team members who have entirely different perspectives and thoughts.

Considering this, it means that it is necessary to think about how to bring out individual abilities and how to form types of teams that are different from those up until now. We might need to consider the diversity of combinations of the good qualities that each individual has, and to consider the division of roles.

Hierarchical command systems based on traditional hierarchies can't solve our problems. We need to genuinely engage with each individual, bringing out their strengths, and if we don't treat people appropriately, management will suffer. I feel that this is becoming the fundamental challenge now.

The Purpose only leads to enhancing corporate value when employees make it a personal concern.

Resonac is trying to integrate the purpose and values into individual behaviors and value judgments, which will be the key to achieving human capital management.

Hiroko Ozawa





As strategies are becoming commodities, the differentiating factors between companies are the management team that executes the plans and the people supporting that management. I see human resource development as the quickest path to maximizing corporate value.

Hidehito Takahashi

Takahashi: The term human capital management seems to have taken on a life of its own, and it is difficult to see the essence of the concept. It is a given that people are important, and the very idea of enhancing growth strategies and the business portfolio has already become a commodity. While every company may have a medium-term management plan and an admirable approach, they are all essentially the same. What differentiates companies is whether they have a management team that can execute those plans and whether they have developed human resources to support that management. In this sense, we view human resource development as the shortest path for maximizing corporate value.

Ozawa: I agree. Among the various forms of management resources, only human capital has a will. Because each person acts based on his or her own will, it takes time and involves difficulty to achieve results as an organization. The sum of each person's will becomes the individuality of an organization, which serves as the source of the organization's competitiveness. In other words, the individuality of an organization is determined by the multiplication of the will of each individual member.

What Kind of Talents Are Needed to Become a “Co-creative Chemical Company?”

Takahashi: We have clearly defined the talents who support the Resonac Group as a “Co-creative Chemical Company.” One is a talent who can work while involving the people around him or her, literally co-creating with them. Another is an autonomous talent who can take the necessary action on their own, rather than waiting for instructions.

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In order to develop such talents, we place importance on four values: “Passionate & Results-Driven,” “Open Minds & Open Connections,” “Agile & Flexible,” and “Solid Vision & Solid Integrity.” Ms. Imai and I continue to tell employees at events such as town-hall

meetings at each business site, “Let’s aim to be people who strongly hold these values and are capable of taking action.”

Furthermore, we are also working to reflect these four values in our personnel evaluations this year. We are in the process of training all managers to be able to measure employees performance on the two focus points of achievement of KPIs and demonstration of the four values, and to incorporate this appropriately in their evaluations. The Company has 23 business units, and I believe that by developing co-creative talents who share common values and can thrive in any business unit, we can avoid the conglomerate discount to some degree. By having the purpose and values as a shared language Companywide, when discussions occur, we can say things such as, “That’s not open-minded,” or “Isn’t agility lacking?” and return to the essence of who we are.

Imai: I believe that autonomy is based on having passion. The will to change society through the power of chemistry, the conviction that the Resonac Group can do it, and the passion to make sure it gets done are important. It is important to extend this passion to other units and other companies, and not just your own unit.

The Resonac Group’s style is to allow people to act freely and autonomously based on their values, with the Purpose as the key and the Values that are the mode of action to achieve the Purpose as the basis of their decisions. We are trying to ensure that this style is first thoroughly implemented as an action of the management team, and then gradually extended to all employees. We hold workshops at each workplace to discuss what the Purpose is at the workplace and what it means to demonstrate our Values, and receive feedback and clarification on how we are evaluated, so that we can make the purpose and values a personal concern and put them into practice. The ability to gain management experience in different businesses based on shared values and a shared language is a strength of the Resonac Group that also fosters employee growth.

Ozawa: Indeed, for chemical manufacturers like the Resonac Group with diverse business domains, it’s easy to imagine they might fall into vertically segmented organizations where each business unit develops its own customs and values and specializes in its own particular area of expertise. I believe that new business opportunities can be created by having a shared language as you have explained, recognizing differences in ways of thinking, and transcending boundaries. We might see a new paradigm if such challenges bear fruit and more people get excited about creating value across business units.

From this discussion, it’s clear that Resonac Group has explicitly defined its purpose and values, and is trying to spread them throughout the company and incorporate them into its human resources system and evaluations. The numerous town-hall meetings and

roundtables that are held and the intent of the management team to communicate directly with all employees are truly commendable.

Many Japanese companies seem to just create and announce a purpose but fail to clarify how they aim to link this purpose with daily business operations and tasks, what kind of people they are looking for, and how to reflect this in actions and decisions, and there seems to be a lack of clear implementation in many cases. It's quite a waste given the time and effort invested. Needless to say, to link the purpose to maximizing corporate value, it is necessary to instill it and link it to business activities. Rather than addressing a stated purpose as an obligation, it won't empower the organization unless employees should see the potential of finding a connection to their own work and have the will to take initiative.

In this respect, the Resonac Group has a well-crafted grand design of purpose and values, and they're addressing everything from individual actions to value judgments. I felt that this is a significant strength.

Collaboration Between the CEO and CHRO Accelerates the Speed of Management

Takahashi: I believe the strength of the Resonac Group is that both the CEO and the CHRO are firmly committed to human resource development and human resource strategies. If there were just one of them, real reform would be a challenge. The reason I can commit to HR to this extent is that we operate the business as a team. Goals related to the portfolio, business reform, and strengthening the management foundation are shared at the management level, and it is possible to delegate things entirely to business unit heads and CXOs.

To return to the topic of human resources and cultural change, I have a rough idea of what awaits me in the future through my accumulated experiences. Of course, while I won't say that everything is correct about my image of the future, we discuss talents with a shared language based on common values, and we aim to build on successes with an excellent team that demonstrates teamwork and maintains a sense of tension. I envision achieving success in 10 years by improving and adjusting our approach year by year. I will never waver from this belief in the future. Decision-making is quick with the CHRO as we share the same objectives. It's common to discuss the next measures with the CHRO on the spot during roundtable discussions with employees.

Imai: Indeed, it's surprising how aligned my vision is with Mr. Takahashi (laughs). Mr. Takahashi is a visionary leader skilled at defining the *why* and the *what*. While I serve as a sounding board for the *why* and *what*, my role is to think about the *how*, and I'm currently implementing the reforms I've always wanted to make and saw as necessary. The human resources domain is evolving at a surprisingly rapid pace. For example, while I sometimes consider the necessary processes for driving change based on adult development theories, in the future, we won't just use psychology but also approaches from neuroscience. Changing a person's mindset and achieving a state in which the purpose and values are fully embodied isn't easy and takes time. Firstly, based on hypotheses and while obtaining feedback, while consistently applying a data-driven improvement cycle as scientifically as possible, I want to achieve a transformation with the participation of everyone through persistent, direct dialogue with employees.

Ozawa: The collaboration between Mr. Takahashi and Ms. Imai, who share the same values and goals, is truly wonderful. Unlike the two of you, I suspect that CEOs and CHROs in not a few Japanese companies lack a common goal setting based on shared business strategies or are unable to collaborate effectively. I believe the teamwork between the CEO and CHRO ensures that the top management's vision reaches all employees. Once town-hall meetings or roundtable discussions are over and employees return to their daily tasks, their actions and words are heavily influenced by the evaluations of their immediate superiors. I think future challenges will involve getting leaders in the field and middle management on board. I urge you both to overcome these challenges with your teamwork skills. I am very much looking forward to your future growth.

For Resonac's human capital management initiatives, please also refer to [Human Capital Management on](#)

[P87](#) and [Human Resource Strategies on](#) [P91](#).

We want to develop co-creative people who can passionately change society through the power of chemistry and involve those around them. We aim to create a company where each individual embodies their own sense of purpose and values by consistently engaging in dialogue with employees.

Nori Imai

