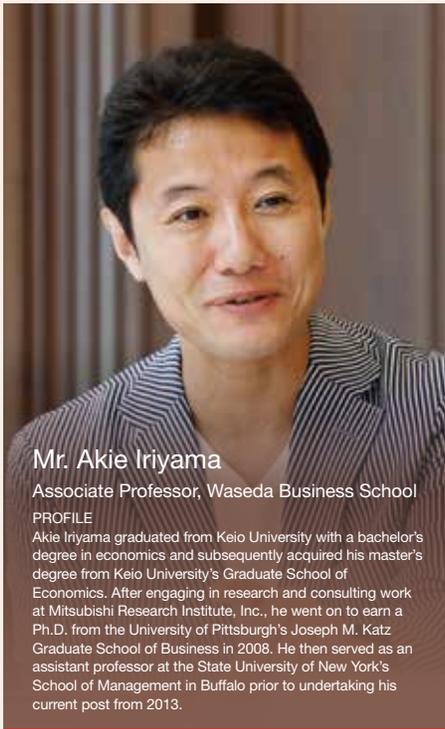


Promotion of Diversity & Inclusion

The Teijin Group has positioned diversity as a priority field in its medium-term management strategy. So, what should we do to be an organization that can unleash the capabilities of diverse human resources to create innovation? We held dialogues with three invited external experts and got valuable suggestions from them on the matter.



Mr. Akie Iriyama

Associate Professor, Waseda Business School
PROFILE

Akie Iriyama graduated from Keio University with a bachelor's degree in economics and subsequently acquired his master's degree from Keio University's Graduate School of Economics. After engaging in research and consulting work at Mitsubishi Research Institute, Inc., he went on to earn a Ph.D. from the University of Pittsburgh's Joseph M. Katz Graduate School of Business in 2008. He then served as an assistant professor at the State University of New York's School of Management in Buffalo prior to undertaking his current post from 2013.



Ms. Etsuko Okajima

President & CEO, ProNova Inc.
PROFILE

After working at Mitsubishi Corporation and McKinsey & Company as well as earning an MBA from Harvard Business School, Etsuko Okajima participated in the establishment of GLOBIS Management Bank in 2002 to become its CEO in 2005. She then went on to establish ProNova Inc. in 2007, which offers corporate growth strategy consulting services. Ms. Okajima provides executive development services as the go-to for over 200 companies' leaders annually.



Ms. Yumiko Murakami

Head of OECD Tokyo Centre
PROFILE

After graduating from Sophia University's Faculty of Foreign Studies, Yumiko Murakami earned an MA from Stanford University and an MBA from Harvard University. She served as a managing director at Goldman Sachs and Credit Suisse prior to undertaking her current post in 2013. Ms. Murakami offers recommendations for making the most of the declining population including with regard to workstyle reform and work-life balance.

Diversity is a Means of Spurring Innovation at Companies

Iriyama

In promoting diversity, the most important thing is to ask yourself why you are doing it. Otherwise, the goal of diversity tends to become diversity itself. It is vital that diversity leads to a means of making the company better or, in other words, that it leads to innovation.

Teijin's medium-term management plan positions diversity as key in strengthening the management base. I think that is a good framework. However, there are also issues. This is a bit harsh, but prompting diversity with the "aim of global excellence" as put forth in the former medium-term management plan does not really hit close to home. That is not

going to get the idea across on the front lines. Innovation emerges from diverse people and perspectives. That is why diversity is vital. Frontline employees need to be convinced of that. In other words, a message that does not "sit well" with people is not going to be conveyed. It is up to top management to have a clear vision that gets employees on board. The head of the company presents the overall direction and directors and management bring it to the worksites. I think that discussions about diversity are not enough, but organization-wide discussions are also needed.

I hear that Teijin's diversity arising from its complex business structure is making it hard to bring together employees with differing views from each business. I also hear that Teijin's advancement of M&As with overseas companies has made it difficult to generate synergies with domestic operations and establish good communication. Tips for

addressing those issues can be drawn from a certain European company. It always sets out its direction for the century ahead and meticulously disseminates this as a vision throughout the entire group. For this as well, getting frontline employees on board is the key. When you think about what to focus on looking way down the road, there is business growth along with social issues beyond that. I think sharing such a vision throughout the organization and bringing together people with differing views can bring about innovation.



recognizing potential. Focusing on the productivity and innovation of selected individuals is key. For Teijin, I think choosing personnel from both the materials and healthcare sides of the business to establish a pipeline between the two will close the gap and make networking easier. I think it is important to accelerate work being done now by having employees cross those boundaries while they are young through personnel exchange with each business. Who is to handle this selection of personnel with purpose? Since criticism comes with the territory, I think the job clearly requires a skilled hand. Namely, management.

To further elaborate, the mindset that personnel transfers diminish employees' standing needs to be changed. Conversely, personnel transfers need to be positive. Unless that is assured, really good people are not going to be selected. This is the idea of open innovation. The venture companies that have introduced this succession plan are all growing, and more major companies are incorporating these venture companies' methods.

Diversity is About a Diversity of Minds, Not Attributes

Okajima

I specialize in succession planning, which entails offering support to companies with organizational development that spurs innovation. As part of that, I also provide support with diversity and inclusion. Teijin has achieved discontinuous growth during its 100-year history and has worked on diversity from early on. But frankly, it seems to me that the opportunities are nowhere near being fully exploited. Like Mr. Iriyama said, to what end is diversity and inclusion being pursued? Women are being treated as symbolic of diversity since they are in the spotlight now. However, women's advancement is just the first arrow—a recipe for minimal growth. Diversity is about a diversity of minds, not attributes.

One way to really leverage diversity is for management to mentor employees, selecting such personnel early on. When it is hard to say which of two candidates is better, choose the woman or non-Japanese for instance. What is important is

Creative Friction is What Sparks Innovation

Murakami

Listening to what Mr. Iriyama and Ms. Okajima have said so far brought to mind the term “creative friction.” Teijin is taking various diversity and inclusion initiatives but there may not be enough friction. While everything is lined up, friction is lacking. Friction is the potential that arises when an array of diverse elements collide. Generating friction gives rise to creativity, which leads to innovation. No matter how much is accomplished with regard to work-life balance, those efforts will not establish an environment leading to innovation. M&As also cause friction, but it is not currently clear whether that is leading to creativity at Teijin. I think Teijin needs to skillfully create friction between materials and healthcare businesses, or between Head Offices and subsidiaries via M&A, and tie that to creativity.

Fundamental systems are needed to enable work-life balance and equal opportunity. Is the human resource system accessible, rather than being based on seniority?

When management approaches employees, is it done in an equitable manner irrespective of age? I think that lifting up younger people and seeing what this type of changing the balance does, brings forth creative friction. Fortunately, the outlook is bright for Teijin's businesses. There is major potential in growth fields. If something was needed, I would say it is more young people. With tons of opportunities to fuse business models and social infrastructure in the chemicals and digital domains, the time has come for Teijin to show its real strength, but the power of youth is what can bring about those chemical reactions. Of course, the overlapping category of women is needed too. Taking a wide approach to diversity and bringing both more women and more younger people into the mix leads to innovation. Shifting the axis of such traditional ways of thinking will bring about friction.



Mechanisms for Follow-Ups and Assessing the Number of Failures is Important

Okajima: Since equality for all is impossible, emphasizing justice rather than equity is what equal opportunity is about.

Murakami: That is a key point at Teijin. I also think it is good for Teijin to have such systems for selecting employees for advancement, including for special positions.

Okajima: Teijin needs lead engineers with special skills. Such individuals may not have management capabilities, but that is fine. It is good to have various options. It is important to instill a mindset of what each person is geared towards considering their life stage.

Iriyama: At a certain company, they are aggressively entrusting younger employees to manage subsidiaries as they



believe staff need to gain management experience to become executives. While it is not always smooth sailing, the company says that following up is vital when things do not work out. This is called "shame-based management," but the company says the experience is very helpful for the future. That is a stepping stone for the next endeavor.

Okajima: Incorporating the number of failures into KPIs—it is only from there that innovation will arise.

Iriyama: It would also be good to incorporate in the assessment system how many times an employee went up to bat, how many times they took on a challenge. Evaluations should count the number of failures as well.

Murakami: That requires supervisors that provide such opportunities, and so evaluation of such particular supervisors is also important. In addition, it is critical that supervisors are good judges of people and have the ability to determine whether a subordinate can handle the next task even if they have previously failed.

Okajima: Supervisors tend to regard people like themselves as being outstanding but they also need to choose people that are different from them. I want them to have the courage to select employees with interesting views and younger employees for opportunities.





(From the left in the front row) External experts: Mr. Akie Iriyama, Ms. Etsuko Okajima, Ms. Yumiko Murakami
 (From the left in the back row) Teijin participants: Noriko Hidaka (Head of Diversity Promotion Office), Nobuyuki Takakura (Chief Social Responsibility Officer), Yasuhiro Hayakawa (Chief Human Resources Officer), Shuichi Osaki (General Manager of CSR Planning & Promotion Department)

Setting Out a Vision and Gaining Frontline Understanding Should Go Hand-in-Hand

Okajima: Systems that have long been upheld sometimes become obstacles for companies. A change of perspective is necessary. The fact is that diversity is uncomfortable.

Murakami: It is good if that causes conflict or, in other words, friction.

Iriyama: I agree. Conflict spurs innovation. But having robust diversity and inclusion mechanisms is important. Another key is having a vision. For example, it is vital that those on the losing side of an argument understand and accept the views of those on the winning side. Having a vision with which people are on board makes that possible. The vision needs to be shared throughout the organization. I think the vision reaches the front lines only when top management has owned it and really conveyed the message within the company.

Murakami: Getting the vision across to people on the front lines is not easy. The first step towards making that possible

is coming up with a general trajectory and a support plan to convey the message from the top to middle management. The more history a company has, the more thorough that process must be. And, it is important for evaluations of management to take into account just how much diversity they have incorporated themselves.

Okajima: The vision and understanding on the front lines must go hand-in-hand. Until recently, not having a vision was alright for Japanese companies where lifetime employment was the mainstay. But from here on out, independent thinking is critical. That is why a vision is necessary. I feel it is difficult when mid-level management does not realize the benefits. The vision is not fully conveyed throughout the organization in the case that management does not own it. For that reason, verbalization is needed to convey the vision. Including the vision in the policy standards and putting it in words is very important. “Owning it” is the catchphrase. I think the bigger the company is, the more critical it is to arm mid-level management with a verbalized version of the vision. Put another way, having diversity and a vision entail “having diverse perspectives but shared values.” I think that is crucial for companies moving forward.

Reflecting on the Dialogues

The Teijin Group has historically had a complex business structure and we have struggled with how to bring together personnel from various areas. As our business has become more global, we have been bringing more non-Japanese employees into the fold and making progress on diversity. However, the dialogues really drive home that to create innovation from now on, we need to develop ways of promoting talent from an array of routes irrespective of their business department, age, and so on. Personnel exchange through the free agent system* has actually worked out well at times with talented staff from other departments being selected to start up new business. Going forward, I want for us to endeavor to create numerous options along these lines.

* A system by which the employees themselves express their desire to develop abilities, gain experience or qualifications and such like by applying for a target business and are granted a transfer if selected.



Yasuhiro Hayakawa
 Chief Human Resources Officer