

# The challenge of building a globalised workforce

## Developing Japan's human capital



**Australian Government**  
**Australian Trade Commission**



**Australia**  
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## Report Methodology

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This report is based on research of Japan's human capital needs by the Japanese Government Cabinet Office, the Ministry of Economy, Trade and Industry (METI), the Ministry of Education, Culture, Sports, Science and Technology (MEXT), the Ministry of Health, Labour and Welfare (MHLW), The Japan Institute for Labour Policy and Training (JILPT), business and management federations, research institutes and some 120 media reports released between June 2010 and January 2011.

Austrade also conducted interviews with human resource departments of 27 major companies committed to developing globally-literate human capital. Additionally several in-depth interviews were held with leading management consultants and recruitment companies.

In order to encourage candour regarding their current and future HR strategies, interviews were conducted on the basis this report would not attribute quotes and/or insights to interviewed companies. All other quotes found in this report have been referenced with their media source.



# Executive summary

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Japan today faces a critical skills deficiency in its workforce. At a time when Japanese companies are increasingly looking to bolster their presence overseas, there is widespread realisation that Japan lacks globally-literate human resources capable of negotiating the challenges of international business. As a result Japanese companies have begun investing significant resources to develop their global human capital (GHC); people whose competencies broadly encompass:

- › English language ability with real world applicability
- › Cross-cultural understanding, diversity in thinking, and an ability to adapt to different environments
- › Global leadership skills to lead the development and expansion of overseas markets, and to transfer that know-how to local staff

The push across corporate Japan to acquire and develop GHC represents an opportunity for a new model of engagement in the Japanese education and training market for Australian providers. Japanese companies are increasingly rejecting traditional in-house staff development models, and are instead looking to external providers for fresh solutions to fill their GHC deficit.

The findings of this report reveal wide scope for engagement with corporates and tertiary education institutions in Japan such as:

- › Short-term training courses combined with internships
- › On-the-job training for Japanese employees posted to Australia

- › Customised English language training incorporating broader aspects of cross-cultural understanding and international business
- › Postgraduate study of up to one-year in business-related fields
- › Partnerships with Japanese tertiary education institutions to exploit the growing demand for structured short-term study abroad experiences
- › Partnerships with in-market providers offering GHC-related training to operate joint-programs

The demands brought to bear on Japanese companies by the dynamic consumer power of its target markets in Asia and beyond will require leveraging seamless knowledge-sharing between the domestic core and the off-shore periphery of business operations. Opaque management practices will give way to leadership styles that are culturally sensitive and agile in nature. To this end, the synthesis of Australia's capacity to provide education and training solutions, our unique position as an English speaking multicultural country, and our strong business links to Asia place Australia in a solid position to pioneer the development of Japan's burgeoning GHC requirements.

The Tohoku-Pacific Ocean Earthquake on 11 March, 2011, which devastated much of the north-eastern Honshu region, will occupy the minds of the Japanese people in the immediate future. However, in the mid- to long-term, Japan's future will remain solidly focused on developing its presence globally as it sets about the task of recovering and rebuilding.

# Japan's workforce: Changing demands & changing priorities

**The globalised economy and Asia's emergence as a powerhouse of economic growth is forcing change onto Japan. The Japanese Government and industry are unequivocal that acquiring and developing a globally-competitive workforce is critical to competing internationally.**

Japan today is confronted by changing economic and social environments that bring with them cause for concern. Once an unshakeable economic giant, its global competitiveness has dropped from number one in 1990 to number 27 in 2010.<sup>1</sup> Japan faces acute challenges on the domestic front as well: The declining youth demographic is increasingly shunning overseas study and travel;<sup>2</sup> annual surveys of small- to medium-sized firms show securing and training competent globally-literate staff as some of the most pressing issues;<sup>3</sup> and companies face a shortage of global leaders.<sup>4</sup>

Unlike previous attempts to internationalise Japan's workforce in the 1980s and 1990s, Japanese companies now view a globally-literate workforce not as an auxiliary consideration, but as a necessary component to drive much-needed overseas business development. To this end, companies are investing significant resources and directing personnel strategies to develop global human capital (GHC)<sup>5</sup> – people whose skill sets broadly encompass:

- › English language ability with real world applicability
- › Cross-cultural understanding, diversity in thinking, and an ability to adapt to different environments
- › Global leadership skills to lead the development and expansion of overseas markets, and to transfer that know-how to local staff

The importance of GHC has been given wide-spread attention across Japan. In 2010, the Japanese Government

“The workforce will have to become more diverse . . . to ensure both that talent is recruited wherever it can be found, and that the products being made are attractive to foreign markets. That means hiring people who know something about the world, not just those who have spent years in crammer schools to get into Japan's best universities and biggest firms.”

– Special Report on Japan, *The Economist*, 20 Dec. 2010

Cabinet Office's *Japan New Growth Strategy*, urged the strengthening of “human resource power to [a] global level” in order to revitalise the economy.<sup>7</sup> Numerous surveys of corporate sector firms indicate similar personnel strategies are needed. A 2010 survey of 388 members from the Japan Association of Corporate Executives showed that 79 per cent of companies stated they view acquiring and developing domestic GHC as the biggest challenges for globalising their firms.<sup>8</sup> A similar 2010 study by the Japan Business Federation found that 81 per cent of the 505 member companies it surveyed also see GHC as the most pressing issue to overcome in order to develop and expand business operations.<sup>9</sup>

The GHC issue has captured the attention of the Japanese Government, firms of all sizes, and the media in Japan; however solutions to developing a globally-literate

1. IMD, *World Competitiveness Yearbook*, 2010.

2. Japanese Government Cabinet Office, *National opinion poll*, 2010.

3. Seisansei Shimbun, *日本企業の人事戦略 [Japanese companies' HR strategies]*, 2010.

4. Nikkei Business, *うちのエースはアジア人 もう日本人に頼らない [Our trump card is Asian CEOs; we can no longer rely on Japanese CEOs]*, 8 Nov. 2010.

5. Nomura Research Institute, *金融危機下での経営戦略に関するアンケート調査 [Survey on marketing strategies amidst the global financial crisis]*, 12 Dec. 2008.

6. Dominique Turpin, IMD, *How Japan can improve its competitiveness: The urgent need for more global leaders*, 2009.

7. Japanese Government Cabinet Office, *New Growth Strategy, 2010*; METI, *100 Actions to Launch Japan's New Growth Strategy, 2010*, p. 2.

8. Japan Association of Corporate Executives, *「新・日本流経営」の進化・発展に向けた指針 [Roadmap towards the evolution and development of a new & Japan-style management]*, 2010, p. 27.

9. Japan Business Federation, *2010年人事・労務に関するトップ・マネジメント調査 [2010 Top management survey of personnel and labour]*, 2010.

## PERCEPTIONS, PREDICTIONS AND PRIORITIES IN CORPORATE JAPAN

- › CEO's who perceive the biggest challenges as keeping up with the speed of change in the global market: 71 per cent.<sup>10</sup>
- › CEO's who predict an undersupply of sufficiently-trained personnel over the next five years: 71 per cent.<sup>11</sup>
- › HR managers who cite recruiting and training domestic employees as a key challenge to advance business internationally: 74 per cent (see graph below).<sup>12</sup>

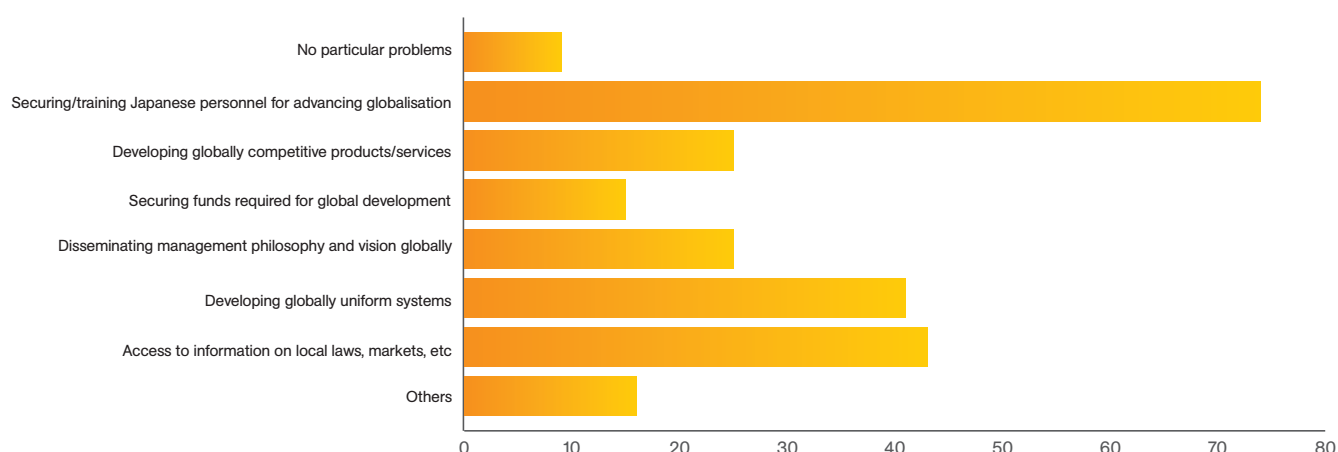
workforce remain diverse. Austrade's interviews with Japanese companies and associated research suggest building GHC capabilities will be carried out within existing personnel practices of:

- › On-the-job (OJT) training for staff posted overseas
- › Short-term one- to two-week training programs at overseas providers
- › Targeted language training consisting of in-house and overseas short-term study with a combined homestay
- › Using domestic education and training consultants
- › Postgraduate study of up to one-year (predominately in business-related fields)
- › Targeted hiring of people with international experiences and mindsets to bolster existing workforces

"Many companies run GHC training programs for their staff within Japan. These programs are important, but capping them off with overseas training can dramatically accelerate the process of GHC development. The quickest way to globalise employees is to provide them with challenging on-ground experiences outside Japan. Global corporations in China and Korea already have well developed strategies for sending large numbers of employees to foreign education and training providers."

– Hiroshi Hanashima, *Corporate Human Resources magazine*, June 2010

## PROBLEMS ENCOUNTERED IN ESTABLISHING/CONDUCTING OVERSEAS BUSINESS OPERATIONS



10. IBM, *IBM Global CEO Study 2010 Japan Report*, 2010, p. 12.

11. *Ibid.*, p. 8.

12. METI, *グローバル人材育成に関するアンケート調査 [Survey on the development of global human capital]*, 2010, p. 4.

# A roadmap to globalising graduates

Japan's tertiary education institutions have traditionally produced graduates with generic rather than professional skills. This model has grown less viable in recent years as companies increasingly expect graduates to be work-ready and globally-minded. Education policy makers and tertiary education institutions are turning to short-term study abroad programs as a means to re-engage an inward-looking youth with the world. For Australian ELICOS, VET and higher education providers, this development presents a new market to capture the need to develop global literacy through targeted learning and joint-programs with a global focus.

## INTERNATIONALISING JAPAN'S EDUCATION SYSTEM

- ▶ **1983:** Plan to host 100,000 international students by 2000 (target achieved in 2003)
- ▶ **2002:** The Global Centres of Excellence Program introduced to foster international research collaboration<sup>13</sup>
- ▶ **2008:** New target of hosting 300,000 international students by 2020, and an equal number of Japanese students to study abroad by 2020<sup>14</sup>
- ▶ **2009:** Global 30 program established to increase the number of international students at selected universities
- ▶ **2011:** Compulsory English language classes begin for fifth- and sixth-grade primary school students
- ▶ **2011:** MEXT proposes budget allocation for 7,000 scholarships to allow Japanese tertiary education students to study overseas for between three to twelve months<sup>15</sup>

Japan's GHC deficiency has resulted in an across-the-board reevaluation of the nation's education system at all levels. The long-term decline in the numbers of Japanese students going on study abroad programs has further highlighted the need to place a renewed focus on developing globally-literate students. To rectify the current state of affairs, MEXT has thrown its support behind increasing the number of Japanese university students undertaking "short visit" study abroad programs.<sup>16</sup> The program will be made available to 7,000 students to undertake a short-term overseas study program of between three months to one year. The proposal is premised on the view that short-term study abroad experiences will re-ignite interest in studying overseas and cultivate the next generation of GHC.<sup>17</sup>

"Japanese companies will need to go abroad more than ever. Being able to compete in a global environment where diverse values and cultures are the norm...[employees] will foremost need to develop cross-cultural competencies and debating skills...English simply for the purposes of conversation will not suffice; speaking English at a level at which one can relate their thoughts and negotiate in business settings will be sought after."<sup>18</sup>

- Nobuo Katsumata, Chairman of major trading company, Marubeni Corporation.

13. Japan Society for the Promotion of Science, *Global COE Program*.

14. MEXT, *日本人の海外留学 [Study abroad for Japanese]*, nd.

15. MEXT, *高等教育局主要事項—平成23年予算(案)* [Essential points of the 2012 budget proposals for the Higher Education Bureau], nd, p. 6.

16. *Ibid.*, p. 6.

17. MEXT, *大学改革の現状と産業界への期待について説明を受ける* [Explanations on reforming the state of universities and expectations for industry], 2010.

18. JMA Management, *自ら変化する「学問の府」をめざせ* [Change by yourself: Universities as the seat of learning], 2010, p. 11.

At the tertiary education level, institutions have responded to the demand to globalise graduates by significantly expanding the number of programs offered in English and graduate schools offering degree programs taught entirely in English. Some universities have also begun to develop vocationally-oriented forms of international content through direct corporate partnerships.<sup>19</sup>

Short-term study abroad programs implemented by tertiary education providers in Japan are also finding favour with students. The experiential and structured nature of these short-term programs has led to a steady increase in the number of Japanese students going abroad despite the downward trend of long-term student numbers.<sup>20</sup> In some degree programs, a period of overseas study or fieldwork has been made mandatory for completion of degree programs (see insert box below).

#### GLOBALISING GRADUATES WITH SHORT-TERM STUDY ABROAD

- › Waseda University, School of International Liberal Studies: 1 year study abroad
- › Kansai University, Faculty of Foreign Languages: 1 year study abroad
- › Asia University, Faculty of International Relations: 5 months study abroad
- › Akita International University: 1 year study abroad

**“By working overseas, Japan takes on a different aspect.”<sup>22</sup>**

**– Shoei Utsuda, Chairman of the Japan Foreign Trading Council on its members’ decision to delay the graduate recruitment by four months and encourage Japanese students to gain study abroad experiences.**

The Japan Business Federation and other business associations have also taken a role in shaping the direction of internationalising Japan's education system. As part of a combined effort to align government programs with employer needs, 180 tertiary education institutions participating in the Projects to Enhance Student Job Hunting Capabilities, will each receive grants of 20 million yen annually over the next five years.<sup>21</sup> These recent policy developments compliment industry's demands to redress the need for Japanese tertiary education institutions to shoulder the responsibility of developing a globally-literate workforce.

A number of scenarios exist for Australian ELICOS, VET and higher education providers to engage with Japanese corporates and tertiary education institutions to:

- › Establish linkages or re-visit existing ties with Japanese tertiary education institutions to develop new short-term programs around the theme of GHC
- › Initiate dialogue on possibilities for direct delivery of customised training content to individual companies and industry associations
- › Partner with corporate personnel training providers in Japan in order to access local market knowledge and contribute to existing GHC training relationships through joint development of programs and overseas study components in Australia
- › Rebrand existing programs with a focus on building global literacies to cater to the GHC market

19. The Nikkan Kogyo Shimbun, 東大、米シスコと提携—外資系で実践教育 [The University of Tokyo and Cisco Systems tie up to provide practical learning at foreign companies], 6 Nov. 2009.

20. Japan Student Services Organisation, 平成20年協定等に基づく日本人学生留学状況調査結果 [Survey results on Japanese students undertaking short-term study at overseas partner institutions], 2010.

21. MEXT, 「大学生の就業力育成支援事業」について [Financial assistance to improve the employability of university graduates], 2010.

22. Nikkei Keizai Shimbun, 早すぎ就活 [Recruitment period too early], 18 Nov. 2010.

# Positioning Australia's capabilities

**How are Australian education and training institutions positioned to capitalise on the demand for GHC in Japan? Companies interviewed by Austrade for this report expressed considerable interest to learn more about Australian providers' corporate training and staff development capabilities. However at the same time, interviewed HR heads asked: "What particular advantages does Australia offer?" Formulating well-rounded messages that emphasise the core attributes of GHC plus the unique benefits of the Australian experience will be essential elements of marketing strategies for Japan.**

Australian providers' long engagement with Japanese students represents a significant strength and selling point in the Japanese market. Companies interviewed by Austrade were reassured when they learnt of the extent to which Australian providers had been filling Japan's education and training needs. Providers are recommended to use their understanding of the learning habits and needs of Japanese students and employees as the basis for their marketing messages.

In terms of potential for development through formal training programs outside Japan, Austrade's interviews revealed that the greatest emphasis is given to the following dimensions.

- › **English language:** While companies continue to use English language test scores as a measure of progress and ability, they also stressed the importance of English language ability applicability to real-life business situations.
- › **Cross-cultural competence:** Companies need workers who are adept at handling negotiations in cross-cultural settings and capable of managing diverse workforces.
- › **Global leadership:** This entails the capacity to integrate the above dimensions with conventional management skills in order to chart new directions for international engagement.

Other secondary competencies desired by HR managers that were raised in the interviews included:

**"To compete with the many English training options available within Japan, overseas programs would need to offer some unique additional content, such as advanced cross-cultural communication or business negotiation training. High-quality programs of this type are hard to find in Japan."**

**- Corporate Planning Manager, Financial Services Company interviewed by Austrade.**

- › Debating skills
- › Brainstorming abilities
- › Being able to actively participate in meetings
- › Having the confidence to converse and deal with non-Japanese internal and external clients
- › Presentation skills
- › Logically setting out arguments

Companies are particularly receptive to a combination of these elements in a coherent learning package that targets their specific needs and highlights the outcomes-focused nature of the programs. HR managers emphasised the need to extend beyond the scope of standard business English programs in order to produce a well-rounded global business person, not simply one with advanced mastery of the English language.

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Australia has several important advantages in regard to delivery of such programs:

### A global English

The extent to which Australian news announcers, interpreters, and voice-over actors operate internationally and in Japan was largely unknown by interviewed HR managers. Providers are recommended to remind potential clients that Australian English occupies an easy-to-understand middle ground between the American and British variants. Several HR managers we interviewed expressed a preference for Australian English due to the ease with which it understood and also owing to the lack of dialectical differences.

### Multicultural society

Australia can offer a high degree of cultural diversity both within classrooms and across the wider community making it an excellent choice for companies seeking to develop workers' capacity to communicate across cultures. Recognition of Australia's benefits in this regard was high among the HR managers interviewed by Austrade.

Additionally, several interviewed companies expressed particular admiration for Australia's long history of quickly assimilating immigrants and readying them for the workforce and society.

### Strong connections with Asia

The Asian region is the primary source of both business opportunities and competition for most Japanese industries, and companies place a high premium on business expertise for success in this region. Highlighting the depth of Australian engagement with Asian nations will help underline Australia's unique two-fold advantage as both a Western nation and a gateway to business in Asia. Potential for extensive contact with fellow students and future business partners from other Asian countries is another major advantage of study in Australia.

"Up until now, Japanese companies had had a strong inward-looking nature due to having been fairly secure in a big domestic market. As such, [HR strategies have] structural weaknesses in mechanisms designed to develop core employees and leaders with a global frame of mind."<sup>23</sup>

- Takashi Masuda, Chief Economist for the Research Institute of Economy, Trade and Industry.

### Other considerations

Program content is not the only factor informing choices regarding training destination. Other considerations which are essential to companies' decision-making in this regard include:

- › **Business relevance:** Is there a link between the destination and current/future business activities? The answer to this question will need to be tailored to specific industries and companies. Often it is possible to point to the direct presence of Japanese business interests in Australia: This is the case in industries such as resources, automobiles and electronics. In other areas, relevance can be established by reference to Australia's status as a market for Japanese goods and services. Austrade's interviews also suggest that companies respond well to the concept of Australia as an interface between the West and Asia.
- › **Security:** Can the company feel secure in sending employees to an Australian provider? Are there any issues which may affect employees' ability to concentrate on their training? With a high standard of living, stable political and social institutions, an agreeable climate and a tradition of tolerance of diversity, Australia's credentials in this regard are excellent. Continued promotion of these benefits will ensure the image of Australia as a friendly destination is maintained in Japan.

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23. Toray Corporate Business Research, 2011年の日本経済・産業を読み解く20のキーワード [Deciphering Japan's economy and industry in 2011: 20 keywords], 2 Jan. 2011, p. 35.

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- › **Perceptions of educational quality:** How does the quality of the destination's tertiary education system rate internationally? Few of our interviewees cited international rankings as a basis for selection of training partners. Instead, perceptions of reputation and status were influenced predominantly by direct contact and, to a lesser extent, by the general degree of public recognition within Japan. The majority of interviewees expressed having limited or no knowledge of Australia's success in international education while displaying a keen familiarity with the country as a tourist destination. This reflects the treatment of Australia in the popular media in Japan, but also suggests that far from Japan being a mature market, Australian providers have yet to make their mark on corporate Japan. Those with a highly developed awareness of Australian education had either undertaken familiarisation tours of institutions, or one of their competitors had sent its staff to Australia for training.
  - › **Accessibility:** How easy is it to access the destination from Japan, in terms of both time and cost? Australia has the advantage of being geographically proximate to Japan in distance and contiguous in time zones. As such, Japanese employees sent on training programs, including on-the-job training, can maintain real-time contact with their head office in Japan. Moreover, the flexibility of student subclass 570-576 visas allows company employees to work in Australia and/or undertake internships. Perceptions of program cost are likely to be highly subjective, based on the company's specific training goals rather than general market rates. Austrade's interviews indicated that they are less concerned with fee levels alone than they are with maximising cost-benefits. Companies expect providers to be able to demonstrate value in a manner that goes beyond simple price comparisons.

## Employers' perceptions of Australian education (from Austrade interviews)

|                                | TOPIC                     | ASSESSMENT    | COMMENTS  |
|--------------------------------|---------------------------|---------------|---|
| <b>GHC TRAINING PRIORITIES</b> | English language          | HIGH-MODERATE | Inherent advantage as English-speaking country; generally positive impression of Australian English   |
|                                | Cross-cultural competence | HIGH          | Recognised advantages in cultural diversity both within and outside the classroom   |
|                                | Global leadership         | HIGH-MODERATE | Quality of international education valued; stronger connection with other benefits needed   |
|                                |                           | MODERATE      | Established mainly by direct operations/investment; potential for promoting Australia as interface between Asia and the West                                      |
| <b>OTHER CONSIDERATIONS</b>    |                           | HIGH          | Overwhelmingly positive impression of safety and liveability; continued promotion required to maintain image  |
|                                |                           | LOW           | Limited perception of Australia as study destination; primary cause is lack of information  |
|                                |                           | HIGH-MODERATE | Distance and time zone advantages in comparison with other Western nations; assessment of tuition fee levels dependent on perception of concrete program benefits |

Source: Analysis of responses provided in interviews conducted by Austrade Tokyo with HR managers from 27 leading Japanese companies, Nov 2010 – Jan 2011

# Channels to market

The emerging market in Japan for GHC development solutions presents a diverse range of opportunities for Australian providers to establish themselves as committed and capable partners to Japanese tertiary institutions and companies. While the previous section outlined general definitions of GHC, providers will need to ensure that their marketing strategies are tailored to the specific needs of each organisation they engage. Marketing and promotional activities will need to have a focus on outcomes and on the real-world applicability of skills gained.

## 1. Corporate partnerships

The most straightforward means of market access is to develop relationships with Japanese companies for delivery of GHC-related training services. The idea of exploring possibilities for partnerships with Australian providers was generally well received by the HR managers interviewed by Austrade.

Companies are open to a variety of partnership possibilities and have high expectations regarding customisation of programs. This includes not only curricular content but also elements such as:

- › **Program length and timing:** Short-term programs (less than one month in duration) are generally seen as easier to integrate into companies' existing training structures. Timing will vary depending on the trainee profile, but most existing programs tend to operate around the middle of the Japanese fiscal year (which runs from April to March), avoiding both new-year inductions/job rotations and the traditionally busy end-of-year period.
- › **Trainee profile:** Formal training is most extensive in the immediate post-hiring stage of employment. Programs for trainees with relatively little business experience are likely to be most widely received. Executive training is a growth area and requires separation from programs for new recruits in terms of both content and delivery logistics.

- › **Follow-up:** Companies are likely to respond well to any post-delivery processes which help trainees and/or HR departments to maximise value of the training to the company as a whole. Ongoing provision of e-learning content is seen as one effective approach. Additionally, providing training courses and programs for staff who have received training to pass on to their colleagues opens up avenues for ancillary revenue streams, and allows the relationship to evolve and expand.

### EXECUTIVE CAREER TRACK DEVELOPMENT

Recognising the need for a pronounced effort to improve global literacy amongst employees targeted for future executive positions, the Nomura School of Advanced Management implemented the Nomura-Wharton Executive Program. Courses consist of intensive five-day programs taught in-country, and interpreters are arranged for University of Pennsylvania Wharton faculty staff.<sup>24</sup>

“To be honest, our image of Australian education is very limited at this stage. We are very keen to know more – especially about what unique benefits Australia can offer compared to other countries.”

– HR Manager of a major electronics company interviewed by Austrade.

24. Nomura School of Advanced Management, 講座の概要 [Overview of course], nd.

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## 2. Intermediaries

There is considerable scope for using Japan-based corporate training and personnel services firms as conduits for the provision of GHC training to companies. Major foreign language schools and corporate training providers are already heavily involved in the GHC training market and are well connected with corporate Japan. They have developed programs and tools that are highly attuned to company needs and strongly oriented to delivery of measurable outcomes. It would be logical for non-Japanese providers to take advantage of the local knowledge held by such firms and their status as the most obvious and accessible choice for companies seeking to outsource training provision. Such firms are already partnering with providers outside Japan: several operate MBA-style executive training programs delivered by instructors from business schools in North America.

It is essential for Australian providers to communicate the quality and other advantages of Australian education at the initial stage. Training firms are highly results-oriented and expect training objectives to be framed in concrete terms and previous examples of the success of Australian-trained personnel to be showcased.

## 3. The tertiary education sector

Japanese universities and colleges are entering a new phase of internationalisation, one that is transcending traditional models of transnational engagement such as semester- or year-long student exchange. The commitment of Japanese institutions to developing international content is growing more rapidly than its internal capacity to deliver such content. Possibilities for new partnerships exist both in conventional curricular areas and in the delivery of extra-curricular programs.

Several Japanese universities have taken the lead in partnering with providers overseas to develop programs that are specialised and highly integrated with the core curriculum. These include:

- › An undergraduate tourism and hospitality program which offers final-year students a summer school in hotel management in association with a European provider.
- › An economics and business faculty partnering with an international college of business to develop an 'English for careers' course incorporating a short company internship.
- › A postgraduate international relations program planning a curriculum including mandatory internships at international aid agencies in developing countries, conducted in combination with units on international governance and development economics at local universities.

Japanese institutions may perceive their existing networks of partners only in terms of established relationships. It is therefore important to initiate dialogue on new possibilities for collaboration beyond the scope of the current partnership and aligned with the institutions' wider agendas for international development. Some possibilities include:

- › Delivery of short-term thematic or vocationally-oriented programs as part of internationally-themed undergraduate degree programs.
- › Intensive academic language training for students entering English-medium courses.
- › Training for tertiary educators on intercultural interaction, innovative teaching and learning techniques and curricular development.
- › Training for university administrators on planning and strategy for global engagement, building on Australia's reputation as a world leader in international education.

Considering the wide range of Japanese tertiary institutions currently pursuing internationalisation, there are many opportunities for interaction outside existing partnerships. Issues such as parity of institutional status and curricular equivalency, which often inform decisions regarding student exchange and research relationships, are less relevant when it comes to delivery of specific learning content.

## 4. Individuals

While the moves to GHC development in Japan today are led by the corporate sector, tertiary education providers and the national government, the place of individual consumers should not be overlooked. The rise of GHC as a keyword in education and training presents a new opportunity for promoting Australian education to the Japanese public.

› **Secondary and tertiary students:** As consciousness of employer demand for globally-oriented skills grows, students exploring study abroad options will become more concerned with long-term vocational value. With only two out of three graduating university students in 2011 receiving job offers<sup>25</sup>, traditional motivations for study abroad, such as foreign language proficiency, self-realisation and lifestyle experience, will remain relevant. However, these motivations will increasingly be linked to the issue of employability. Students choosing to study

in Australia will be those who perceive the concrete value of Australian education in Japanese workplaces. Establishing the relevance of study abroad experience to employment opportunities in broad terms and the advantages of Australian education in particular, is a key challenge.

› **Workers:** For many individuals currently employed in Japanese workplaces, the acquisition of basic global literacy is a necessity; the development of more advanced competencies is a strategic career move. Self-funded study abroad is a particularly attractive option for employees of companies in which the GHC training approach is largely OJT-based. Such individuals' preferences will be for short-term, intensive programs, possibly followed and/or preceded by structured online study. They will require certifications containing clear and comprehensive statements of the skills acquired in the program attended.



25. MEXT, 平成22年度大学等卒業予定者の就職内定状況調査 [2010 Survey of prospective graduates successful job offers], 2010.

A sample of the different types of GHC development programs corporate Japan is planning to implement.

| COMPANY NAME                     | GHC DEVELOPMENT PROGRAM   |
|----------------------------------|---|
| Bridgestone Corporation          | Global Development Class structured training and mentoring program operates across the group's worldwide network for both Japanese and non-Japanese employees.  |
| Kyowa Hakko Kirin                | Launched a Global Executive Program for managerial staff to undertake a one-year program on business administration and global business skills taught by external instructors. Ten employees were selected in the first round starting April 2011. The company will send about 50 participants over the next 3 years. |
| Daiwa Securities Capital Markets | Sponsors several employees to attend graduate degree programs at overseas universities. The destination is chosen by employees themselves.  |
| Kaneka Corporation               | Sends 8-10 employees each year on 2-5 month language training programs in China and the U.S. Home-stay accommodation is provided. The company aims to generate 50 per cent of its sales from outside Japan by 2015.   |
| IHI Corporation                  | In 2010, began operating a two-month English language training program in India for candidates for executive positions. The training period is scheduled to be increased to 3-4 months in the future.   |
| Honda                            | Does not have a specific GHC training strategy or offer structured programs to develop international expertise. Skills are developed primarily through overseas postings and rotation to internationally-oriented workplaces for employees demonstrating particular aptitude and/or motivation.                       |
| Taisei Corporation               | Sends new employees to overseas branches and joint venture locations for OJT immediately after induction.   |
| Sompo Japan Insurance            | Strategically targets high-achieving employees for postings to offices overseas. Local knowledge and expertise are seen as essential for management of future international expansion.  |
| Hitachi                          | From 2012 will send 2000 new hires to study abroad plus work-related assignments in Hitachi offices overseas.   |
| Kubota Corporation               | All new career-track employees are sent to the United States for one month of English language instruction and a home-stay experience.  |
| Mitsui Sumitomo Insurance        | Recently instituted a new international skills training program for junior employees. Areas covered include business customs in different countries and techniques for managing international business.   |

# Real-world English language skills

**The demand and value placed on English language ability continues to be a mainstay of highly desired graduate and employee competencies. Japanese employers continue to view English language test scores as a measure of ability, but have also begun to emphasise English language skills with real-world applicability.**

English language proficiency is central to GHC in Japan and is seen as the starting point for day-to-day international business communication. In a survey of Japanese and foreign companies by Rikkyo University, 83 per cent of respondents reported that they use English in business situations, and 61 per cent said they rate English skills highly when employing new staff.<sup>26</sup> All companies interviewed for the purposes of this report cited the need to advance their Japanese employees' English language skills.

It is routine practice in Japanese companies to assess the English proficiency of prospective employees. This may be done as part of a formal applicant testing process, which may also include assessing oral skills. Even if not tested directly, applicants are usually obliged to establish their proficiency by submitting scores in standardised tests. The most widely used for this purpose is the Test of English for International Communication (TOEIC), implemented by the Educational Testing Service (ETS). In addition, TOEIC scores are increasingly being used as a prerequisite for promotion.<sup>27</sup>

Firms with a traditionally strong international focus have made it common practice to require managerial staff achieve set minimum TOEIC scores. Sony Corporation, for example, demands that all sub-section heads attain TOEIC scores of at least 650. Marubeni Corporation, one of Japan's largest international trading and investment firms, requires scores of 730 or above for promotion.<sup>28</sup>

This practice is now being adopted in other industries. As part of a long-range plan to expand internationally, leading construction firm Daiwa House Industry Co. is now requiring

**“TOEIC scores are our current best guess for measuring English language ability. Obviously, it is English with real-world applicability that we are after and not necessarily a particular test score.”**

**– Head of Staff Training and Development, major online retailer interviewed by Austrade.**

all employees to take the TOEIC, and offers rewards for those attaining high scores. Incentives include offering monetary bonuses of up to AUD\$2500 to fund private English study, and even fully subsidised study abroad for the highest achievers.<sup>29</sup>

The widespread use of TOEIC does not reflect a preoccupation with formal testing. Interviews revealed a much stronger concern with practical application. Candidates for recruitment and promotion need to be able to relate English proficiency to experience in a way that demonstrates how they could mobilise English in real-life business settings.

It is clear the same expectation applies to records of study abroad. Completion of a degree or certificate program in an English-speaking country in itself is no longer regarded as sufficient evidence of applied communication skills. Job applicants are increasingly being asked to demonstrate to employers how their English language skills and broader overseas experience can be utilised in their work.

A number of companies have also begun to adopt English as the official work-place language. As of 2012, major clothes retailer Uniqlo and online retailer Rakuten will use

26. Rikkyo University College of Business, *企業が求める英語力調査 [Survey on English capabilities sought by Japanese industry]*, 2010, p. 9.

27. SankeiBiz, *部長になるには2カ国語 日電産、習得を条件に [Nidec Corporation's study requirements: Learn two languages in order to become director]*, 12 Aug. 2010.

28. Japan Press Network, *日韓電機ウォーズ(5)内向き志向に危機感 [Japan-South Korea Wars (5): A sense of danger with inward-looking youth inclinations]*, 2 Oct. 2010.

29. Asahi.com, *大和ハウス、社員にTOEIC義務化 高得点にご褒美も [Daiwa House obligating staff to take TOEIC and rewarding high scores]*, 2 Oct. 2010.



English in internal meetings and communications at all levels of the organisation. Rakuten CEO Hiroshi Mikitani, a graduate of Harvard Business School, has said board members who are unable to communicate in English will be dismissed.

Companies that have followed this trend on a smaller scale include Sharp Corporation, which has announced its intention to make English the common workplace language in its Research & Development arm. The practice of using English as a common language where necessary in meetings attended by non-Japanese is already customary in many companies with multi-national workforces. One of the most prominent examples is Nissan Motor Co., where English is widely used in-house, although the company has no official policy on language use.

“A study abroad experience in itself does not indicate to me any sense of global literacy; even if the applicant has done postgraduate studies in international business or an MBA in English. I want to know how they overcame the challenges of living and studying in a foreign country. If they have completed a leadership program, I want to know how they intend to put that learning to use if I hire them.”

– Head of HR, major clothes retailer interviewed by Austrade.

# Industry case study: Hospitality and Tourism

In 2003, the Japanese Government launched the ‘Visit Japan Campaign’ with the aim of hosting 20 million overseas tourists by 2020.<sup>30</sup> Supported by the Prime Minister’s Office, this move signalled tourism as a national priority area to stimulate economic growth and attract students to this field of employment.<sup>31</sup> However, business associations and peak bodies have found a significant “mismatch” in hospitality and tourism graduates’ competencies and employers’ needs.<sup>32</sup> During the course of Austrade’s interviews with major hotels in Tokyo, a number of HR managers expressed a high regard for Australia’s capabilities in this industry.

Japan’s emergence as a popular tourist destination amongst people from Asian and European countries has turned the spotlight on the potential of growing the economy through international tourism. METI is also seeking to replicate the examples of Thailand and Singapore to utilise Japan’s advanced health care system and establish itself as an international medical tourism destination.<sup>33</sup> To achieve these goals, Japan’s hospitality and tourism operators will need to look beyond current models that cater primarily to domestic tourists, and expand the scope of their services to incorporate the diverse needs of international visitors.

To achieve the target of hosting 20 million international visitors by 2020, Japan’s hospitality and tourism industry will need to overcome critical challenges. Only 23 per cent of graduates of hospitality and tourism degree programs in Japanese universities and colleges go on to work in those sectors,<sup>34</sup> despite the number of places at hospitality and tourism degree programs increasing twenty-fold over the past two decades.<sup>35</sup>

HR managers of major domestic and international hotels interviewed by Austrade voiced differing levels of commitment and resource allocation for the development of GHC, but were unequivocal in their desire to preserve

“What we need is to retain the ‘Japanese DNA’ [Japanese standards of service and company values] in our staff while at the same time ensuring they can adequately understand and meet the needs of foreign guests.”

– Director of Human Resources, five-star hotel chain interviewed by Austrade.

the current standards of service offered in their hotels. The challenge they face is how to maintain their hotels “DNA” while also developing globally-oriented business models to meet the demand of increasing international guests.

Austrade has identified four channels for engagement to provide hospitality and training solutions in the market:

## 1. Corporate partnerships

Tour operators, travel agents, large hotels and operators of major tourist attractions are obvious candidates for partnership. Interviews suggest perceptions of GHC needs are likely to be based on specific experience with guests and clients to-date. Firms are thus more likely to be receptive to programs that can be closely customised to

30. Ministry of Health, Labour and Welfare, 訪日外国人2000万人時代の実現へ [Actualising the era of 20 million foreign visitors to Japan], 2009, p. 3.

31. *Ibid.*, p. 17.

32. Japan Business Federation, 観光立国を担う人材の育成に向けて：産学官の提携強化を [Towards cultivating human resources who will support Japan as a tourism-oriented nation: Strengthening industry-academic-government partnerships], 2010. See also: 日本復活のシナリオ 少子化・高齢化・人口減少社会への対応 [Scenarios for Japan’s revival and coming to terms with low birth-rates, ageing and a declining population], 2009; 人事・労務に関するトップ・マネジメント調査 [Survey of top management personnel and labour issues], 2010, p. 14.

33. METI, 国際メディカルツーリズム調査事業 報告書 [Survey business report on international medical tourism], 2009, p. 25; Daily Yomiuri Online, Govt company to pitch ‘medical tourism’, 2010; Nikkei.com, METI Booklet to Encourage Medical Tourism In Japan, 2010.

34. Japan Business Federation, 観光立国を担う人材の育成に向けて：産学官の提携強化を [Towards cultivating human resources who will support Japan as a tourism-oriented nation: Strengthening industry-academic-government partnerships], 2010.

35. *Ibid.*

“We have seen over the past several years the number of domestic guests decline while the number of international tourists increasing annually. Yet I am not confident we are serving our international guests well. There is a noticeable difference in the standard of service provided by our overseas-trained staff: They are more comfortable dealing with international guests and think about all facets of the hotel’s service.”

– Head of HR, major domestic hotel interviewed by Austrade.

their specific operational needs and open to dialogue about such customisation. It should also be noted a large part of the hospitality and tourism industry is organised under regional Tourism Associations. As such, it is important to engage with service-specific national industry bodies, such as the Japan Ryokan & Hotel Association.

## 2. Intermediaries

Corporate personnel training providers are currently focusing heavily on servicing companies with direct operations beyond Japan, in sectors such as manufacturing and retailing. At this stage, there is little evidence of engagement with the domestic hospitality and tourism sector. This is both a drawback and an opportunity. If such firms can be persuaded of the potential to expand hospitality and tourism-related training services and the benefits of partnering with Australian providers, it will be possible to mobilise their extensive domestic networks and expertise in packaging training programs for Japanese companies. The example of Okinawa prefecture’s postgraduate T&H study grant program (see insert box) shows engagement with regional governmental bodies, particularly in major tourist destinations, may also prove highly productive.

## 3. The tertiary education sector

Tertiary hospitality and tourism programs abound in Japan, both in universities and in vocational education and training colleges. As awareness of the mismatch between course

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In order to secure the future success of its tourism industry, the Okinawa Prefecture Government will provide scholarships for hospitality and tourism staff to undertake postgraduate studies at hospitality schools the USA, Switzerland or Hong Kong. Each scholarship recipient will be provided with up to AUD\$95 000.<sup>36</sup>

content and industry needs grows, providers are likely to seek to include more international content in the curriculum and, as is the case in other study areas, provide students with experiences beyond Japan. Short-term programs combining English language training with units in hospitality and tourism management are likely to be attractive, as are those which combine classroom-based learning with internships at Australian hospitality and tourism operators. There may also be opportunities for organised recruitment of graduates of Japanese university hospitality and tourism faculties into postgraduate hospitality and tourism programs (of which there are still very few in Japan).

## 4. Individuals

The number of hospitality and tourism programs offered at tertiary level in Japan evidences high levels of interest in this area among prospective tertiary students. A persuasive argument for seeking a qualification in these fields outside Japan can be constructed by reference to the growth in inbound international tourism and particularly long-term government initiatives related thereto. Moreover, the interviews with hotels revealed an increasing trend for HR managers to see English languages abilities as a requisite skill for promotions. Engaging individuals currently working in the hospitality and tourism industry will be more difficult, particularly where employers themselves are yet to recognise the value of GHC. It will be important to explore opportunities for promotion through channels beyond conventional study abroad media, such as careers and employment websites and tourism industry publications.

36. Nikkei Shimbun, 沖縄県、観光人材育成へ留学支援 [Okinawa Prefecture: Study abroad support for the development of tourism human resources], 23 Sep. 2010.

# Conclusion: Significance of the push for GHC

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**The push for GHC in Japan represents a paradigm shift in the needs of the market. For employers and students preparing to enter the workforce, the appeal of a study in Australia experience will need to be framed in terms with which they identify. Australian providers will need to tailor messages highlighting the skills, competencies, and global literacies that their courses can develop.**

Austrade's interviews with corporate Japan and the research conducted for this report overwhelmingly indicate that companies are looking for tailor-made solutions to their specific GHC-development needs. This does not mean that Australian providers need to produce training programs from the ground up; rather it may only be a matter of re-working current marketing and promotional strategies to fit the GHC message. Customisation can also be achieved by having a suite of programs and courses from which HR managers can mix and match, and localising branding to align with corporate Japan's expectations.

Understanding companies' intent regarding GHC is an important first step. A number of HR managers interviewed did not use the term GHC per se, but related many key attributes that pertain to the concept as being critical goals to work towards. Furthermore, HR managers do not necessarily view GHC competencies as isolated skill sets. Many of the interviewees mentioned that they hope to cultivate in their staff such qualities as critical thinking and the ability to express one's own opinions in addition to augmenting global literacy.

Proposing GHC-related solutions to HR managers will require an outcomes-focused approach. Education and training programs offered to Japanese corporates will need to de-emphasise traditional study in Australia messages, and instead articulate the value and merits of providers'

solutions. Australian providers already possess a wealth of experience educating and training Japanese students and company employees. Knowing how to respond to these needs sends a positive signal to HR managers long used to using American and European providers, and who are uncertain whether an Australian provider offers a viable alternative.

**"Mitsui already generates more than half its earnings [from] outside Japan...There is no time to waste in cultivating globally savvy staff."<sup>37</sup>**

**- Hironobu Ishikawa, General Manager of Human Resources at Mitsui & Co., on the company's personnel strategies.**

HR managers interviewed for this report and subsequent follow-up indicates a strong interest in learning more about Australian providers' capabilities in corporate training. For corporate Japan, Australia presents an attractive option not only for the potential that its education and training solutions offer, but also as a destination for future business development and expansion, and as a launch pad into Asian markets. For Australian providers, understanding that they may form one part of Japanese companies' wider relationship with Australia is a key factor to understanding their needs and building a long-term engagement with them.

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37. Nikkei.com, *Mitsui Working to Globalise Staff*, 13 Feb. 2011.





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