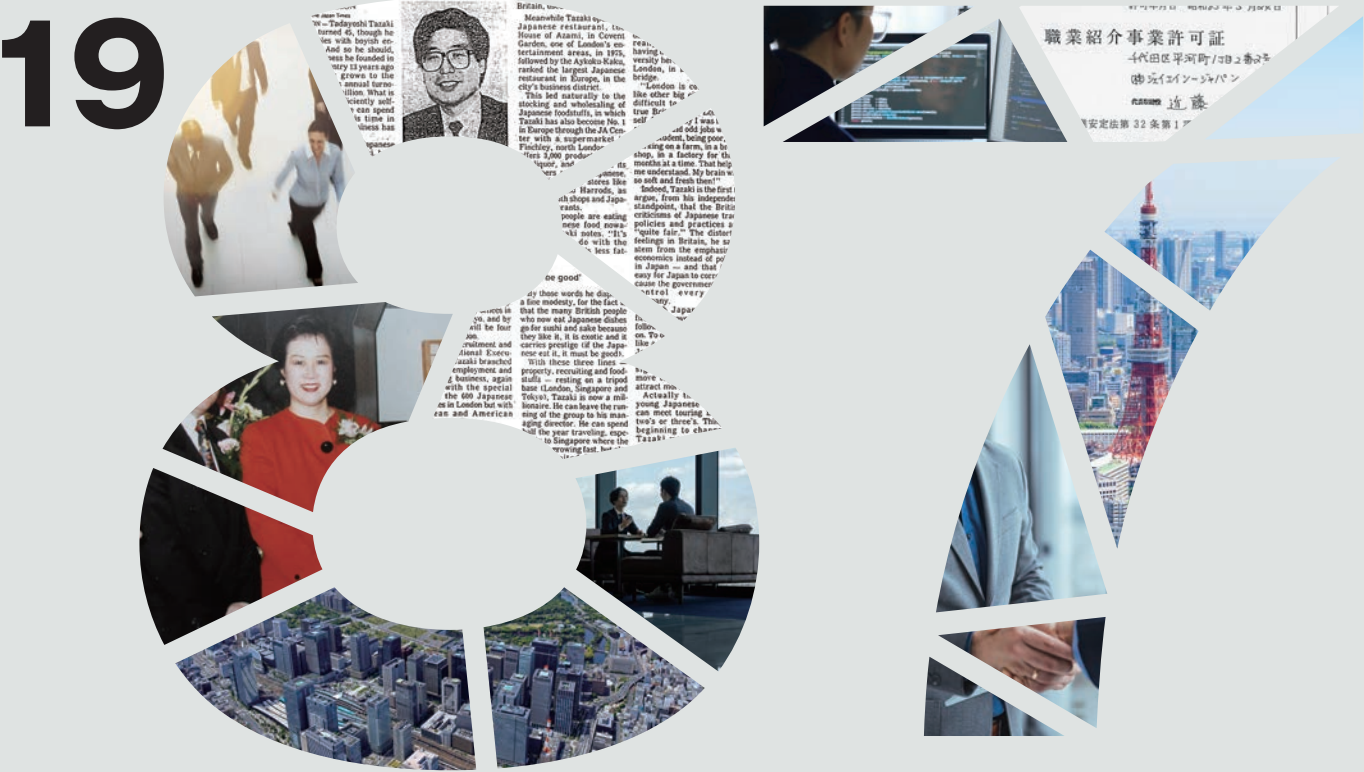


Part 3: The Growth Phase



Opening Up Japan’s Human Resource Market — a Market Like No Other

Having been established initially in the UK, JAC’s recruitment business now began operations in Singapore, with the aim of further expansion.

From there, JAC went on to enter Japan, the original home of its founders.

In Japan, JAC struggled with the unique Japanese employment system in which mid-career hiring was limited by regulations; nevertheless, it steadily succeeded in capturing business opportunities and establishing a foothold in Japan.



What Direction Should Expansion Take?

Driven forwards with such enthusiasm, the company’s recruitment business was now taking off. It had become a core business that had carried forwards the growth of Tazaki Group as a whole. Yet the Director, Hiromi Tazaki, was still not satisfied with these results, and she began to work out a plan for taking the expansion of the business to the next level.

The area in which the business was currently working was very much a niche service: introducing Japanese workers to Japanese companies that had expanded into the UK. The fact that the business had successfully captured the substantial needs of this unique sector was no doubt a factor behind its success, but in order to aim for further growth, the business would need to expand the sphere in which it operated. However, starting up services for introducing human resources to local British companies did not appear to be an

easy task. Not only would any progress be hampered by the overwhelming market share held by Michael Page (established in London), but those in charge of JAC were Japanese, putting them at a disadvantage when dealing with local human resources in the UK.

Given this, which direction should the business aim to expand in? Perhaps it should expand outside the UK instead, Hiromi thought. She began to work out a plan in which the company’s current business model—introducing Japanese people to Japanese companies expanding outside Japan—would be expanded to countries outside the UK. The business could then grow by capturing this “niche” demand area on a larger scale in various countries. As someone who had been doing business outside her home country from the start, Hiromi felt not a moment’s hesitation or worry about taking operations overseas in this way.



Article in *The Japan Times*, featuring Tadayoshi

Expanding into Asia’s Second-Largest Financial Centre

Trying to choose which country to expand into next, Hiromi thought that a financial centre would be a good choice. Finance companies were central among the Japanese companies that were actively expanding overseas at the time, and it would surely be in financial centres that these companies’ recruitment needs would surface. JAC had already established a base in London, Europe’s financial centre; as its next move, should the business move into New York, the hub

of the United States’ financial functions, or to Hong Kong, generally considered Asia’s financial centre? One of these two options would surely be a good choice.

However, the United States seemed like a very distant prospect at this point, as a country whose national origins and business customs differed so much from those of Europe where JAC had done business up to this point. Given how much effort would have to be put into learning about local conditions before setting up a

base in the United States, even though the odds of success for the business were hard to gauge, it seemed this was not a good choice for opening JAC’s first overseas office. Meanwhile in Hong Kong, the other option, the Sino-British Joint Declaration had just come into force in 1985, stating that the territories were to be handed back to China in 1997. Though the Declaration had stated that the high degree of autonomy enjoyed by Hong Kong at the time was to be maintained for



The Singapore cityscape

another 50 years, the growing might of China made it unclear what the picture would look like in the decades ahead.

Hiromi’s attention thus shifted to Singapore, Asia’s second-largest financial centre. Although Singapore was still not considered a developed nation back then, the extremely rapid growth starting to be seen at this time suggested that setting up a base in Singapore would bring substantial rewards. Moreover, as Singapore’s development had been heavily influenced by United Kingdom (formerly its coloniser), it not only used English as its official language, but also used UK-derived business and accounting rules and laws. JAC could therefore set up an office there with relatively little effort and few barriers to expansion. Looking at overall trends,

Japanese companies were rapidly rolling out manufacturing companies overseas from the late 1980s onwards due to the high yen, and in response to this, financial companies also began to expand overseas at an accelerated pace. Huge numbers of other companies also began to set up offices in Singapore. During the three years from 1987 onwards in particular, the number of Japanese firms expanding into Singapore each year reached the three-digit level. Seeing the way things were going, JAC opened an office in Singapore in 1987, the first office it had ever opened outside the UK.

After establishing the new office in the centre of the Central Business District (Singapore’s financial district), business grew at a good pace from the beginning.

More and more employees were taken on as well. A few years later, a second office was opened up in the Jurong district, intended to cover operations in Jurong’s new industrial zone where a number of Japanese manufacturers were expanding operations. With operations rolling out smoothly in this way, and as Singapore’s economy grew and its international renown rose, JAC’s first overseas office began to assume more and more importance each year within the Group as a whole. In the following years, the Singapore office became a central hub for JAC Group in managing the various overseas offices that would cover the Southeast Asian region as a whole.

How JAC Group Has Grown in the Face of Difficult Circumstances

Stephen Blundell Director, Head of Global Business Headquarters

Drawn in by the possibility of working with Japanese entrepreneurs, I joined the Group in 1989. Until 2013, I was involved with businesses of various kinds in London. Just as the Group’s food product business grew into Europe’s largest importer and wholesaler of Japanese food, the real estate business also developed into the UK’s largest Japanese-oriented real estate rental agent. In 1987, we embarked on a quest to globalise our recruitment business.

In 2013, I was transferred to Singapore to support the development of our recruitment business in Southeast Asia as Chief Financial Officer. The expansion process faced numerous challenges. In 1997, the regional economy was shaken by the Asian Financial Crisis; then, with the impact of this crisis still being felt, the outbreak of Severe Acute Respiratory Syndrome (SARS) in 2002 caused a further slump in the economy. There was also an uptick in terrorist activity in Indonesia in the early 2000s, and a coup d’état in Thailand in 2014. In addition to these global difficulties, we also had to deal with the unique cultures and customs found in the countries of Southeast Asia. In these countries, foreign companies are restricted by many strict regulations and bureaucratic challenges that pose a barrier to business expansion.

Mr and Mrs Tazaki have always remained indomitable in the face of any kind of difficulty as we have worked to overcome all these many challenges in the Southeast Asian market. This mindset of theirs has made its mark on JAC’s employees, giving them the strength they need to take up challenges without flinching. The concept that has taken root among all the employees of JAC Group is “Freedom and Discipline”. It encourages employees to uphold rules and regulations independently, while at the same time respecting the freedom of each employee to think for themselves. This balance serves as a driving force for employees whether the company is seeing good times or bad, and gives them the strength needed to overcome difficulties.

It is thanks to this organisational culture that JAC Group has succeeded in overcoming numerous challenges and growing into the company that it is today. This approach, I believe, has helped to instill a company culture where employees feel they can take on new challenges of their own volition. It is a vision that I have held in common with Mr and Mrs Tazaki, the couple who have built JAC Group, over the nearly 40 years that I have worked with them.

I truly hope that all employees will continue to demonstrate this spirit and bring about further growth for JAC Group over the next 50 years as well.



With colleagues at the London office





A party to celebrate Mrs Hiromi Tazaki taking up the position of Managing Director of Tazaki Group in 1991

## Japan: Huge Opportunities Lying in Wait

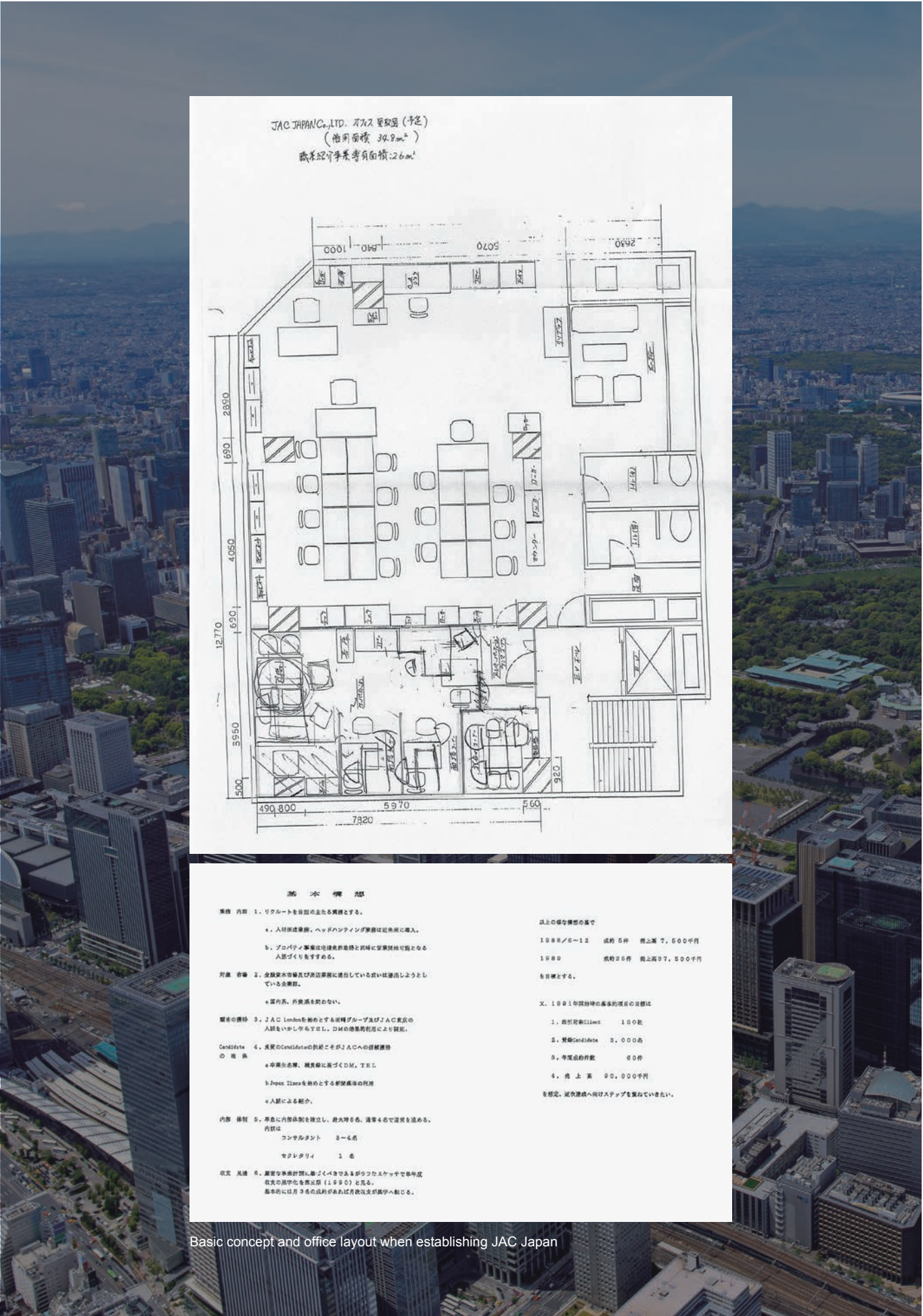
Having moved into Singapore as the first step of expansion into Asia, JAC now focused its attention on Japan as its next new location. At this point, JAC Group's business model had been centred on capturing recruitment needs in countries outside Japan into which Japanese firms had expanded. But how was recruitment generally being done in Japan, the Tazakis' country of origin? Was there a gap in the market in Japan for JAC's business? Upon detailed investigations, it appeared that Japanese companies mostly acquired human resources through hiring new grads; if they had any urgent hiring needs, they found candidates through job vacancy advertisements or used worker dispatch services. It did not look as though a great deal of mid-career hiring via agencies was going on, other than headhunting for exceptional cases. Indeed, recruitment agencies themselves barely seemed to exist. To Hiromi, this seemed to be a very unusual kind of market, the sort of thing that was hard to imagine in the UK as a typical developed country. "There are definitely some huge opportunities lying in wait in Japan", she thought. She felt that, given that getting jobs through agents was now a commonly accepted practice in other developed countries like the UK, a new era in which such agents would be in demand was sure to arrive in Japan in the future as well. "In this country right now, no more than about one person in 10,000 has used an agent to find their job. That means there's a potential market out there that's 10,000 times the size of the current one", Hiromi calculated boldly. There was no doubt in her mind that if her company could start a business in Japan straight away, in advance of any competitors, they could capture this huge potential demand.

In the recruitment businesses that JAC was running in the UK and Singapore, the company was operating in the niche area of introducing Japanese people to Japanese firms located outside Japan; meanwhile, in Japan, where the human resources business was still largely uncharted territory, JAC had the opportunity to capture mass-market needs based on the first-mover advantage if it built the right kind of platform. Determined not to let this chance slip by, Hiromi set up JAC Japan as the company's Japanese base in 1988, just one year after starting up the Singapore Office.

This was Hiromi's vision when setting up JAC Japan. Although it appeared at first glance as though Japanese companies at the time did not need agents, looking at Japan from a broader perspective suggested that international competition was rapidly becoming more and more important for this country. In the near future, the need for global human resources was sure to grow dramatically, including both expert and management roles. At that time, Japanese firms did not do much recruitment outside the hiring of new grads; however, once ways of hiring work-ready human resources were available, companies would start to need services that would bring them outstanding human resources more quickly to ensure competitiveness against their rivals. JAC Japan, surely, could be these companies' partner, introducing them to the highest-quality human resources. As a professional recruitment company that had been honed in the UK, with a clear understanding of what kind of global human resources are essential for international competitiveness, JAC would surely be able to expand its operations within Japan in a way never seen before. By introducing companies to

high-expertise human resources suited to their needs in line with the growth of Japan's economy, thereby supporting both Japanese companies aiming to expand worldwide and foreign companies with offices in Japan, JAC could massively expand its own business as well. This was the vision that Hiromi mapped out.

JAC started off its Japanese business by operating in the niche area of introducing English-speaking human resources to foreign companies in Japan with the aim of establishing a secure foothold in the country. However, another reason for this was that in Japan at this time, it was only foreign companies that were doing mid-career hiring. In terms of companies introducing human resources to foreign companies at this time, JAC discovered about 100 or so agents engaging in headhunting and similar activities. However, all of these were small in scale, and it seemed that winning out in this market would not be so very difficult for JAC. A further advantage JAC enjoyed in this area was its clear understanding of what foreign companies were looking for when hiring, based on its experience of supporting Japanese companies in the UK, thus enabling JAC to introduce human resources that met these needs. In those days, human resources who had special skills (such as bilingualism) tended to be dissatisfied with the traditional hiring structures which made it hard for them to really "sell" their abilities. By supporting the kind of hiring processes that would keep these candidates happy as well, JAC was able to win the support of jobseeking candidates as well, enabling JAC to establish a platform for its business.



Basic concept and office layout when establishing JAC Japan



Struggling with Japan’s Unique Regulations

However, the Japanese business did not progress as smoothly as expected. A major barrier was Japan’s unique regulations, a holdover from older times. Some of Japan’s regulations put extremely harsh restrictions on any recruitment business that was operating for commercial purposes. These rules originated in the social structure of late 19th century and early 20th century Japan. Japan was not yet a wealthy country in those days, and fraudulent practices—in which workers were hired through brokers under false pretences for profitmaking purposes—were rampant. Regulations were developed to control illicit practices, using the *kuchi-ireya* or “labour broker” of 17th century to 19th century Japan as a prototype. Based on this, Japan required licenses to act as an agent for human resources for any given occupation, and operators had to obtain an individual permit from the Ministry of Labour for each occupation they intended to handle. In addition, strict rules required recruitment agents themselves to have at least 10 years’

experience in accounting in order to obtain the permit needed to act as an agent for accountancy professionals, meaning that JAC had a very tough time acquiring the necessary licenses. Moreover, agents were not permitted to introduce candidates for occupations which did not fall under any particular license category. Finally, fees for agency work were limited to a uniform fee of a little over 130,000 yen per candidate, with the aim of preventing profiteering by operators. This made it very hard to secure profits. For this reason, operators would create separate invoices under “consulting fees”, but doing things this way increased the paperwork and cost burden.

Seeing the way things were at the time, Hiromi felt dismayed at how far behind the international community Japan seemed to be, but at the same time also realised that this particular feature—these regulations—was probably also why agency-based recruitment had not really taken root in Japan. This was why, in those days, the

ranks of experts and managers working at Japanese companies were dominated by career-track officials who had joined their companies as new grads. In the Japanese market, where legal regulations meant there was little fluidity, dispatch businesses had developed to meet the immediate needs of companies when they needed human resources at particular times. This is because the enactment of the Worker Dispatch Act in 1985 meant that businesses now had a way of making use of human resources based on the dispatch model without needing to formally hire them within the company. This was the reality of human resource recruitment at the time when JAC arrived in 1990.

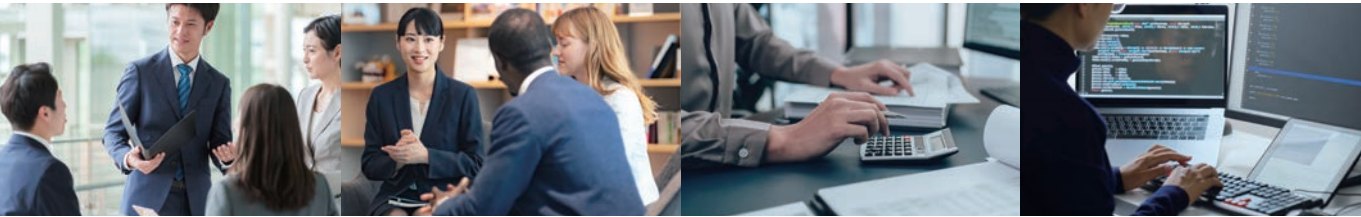
Despite these struggles, JAC managed to obtain licenses for four occupations: “Management”, “Translation/Interpretation”, “Engineering”, and “Accountancy”. The company got to work, serving as an agency for mid-career hires for foreign companies that had offices in Japan. The business grew, yet always remained

limited in scope.

The labour market situation improved substantially after 1999, 11 years after JAC had first expanded into Japan. This was the year that the Employment Security Act was amended, effectively lifting the ban which had existed on employment placement by private-sector operators for profit-making purposes. Although the licensing system remained in place, the new system now allowed an operator to act as agent for all occupations after obtaining a single license. What is

more, operators could now also introduce employees for types of employment for which licenses had not existed under the old system. For example, if an agency wanted to recruit people for administrative positions under the previous system, it could only provide candidates through dispatch work contracts because this type of work was not covered under the old licensing system. Now, however, these occupations too could be filled through standard agency procedures. As a result of these changes, awareness of how the

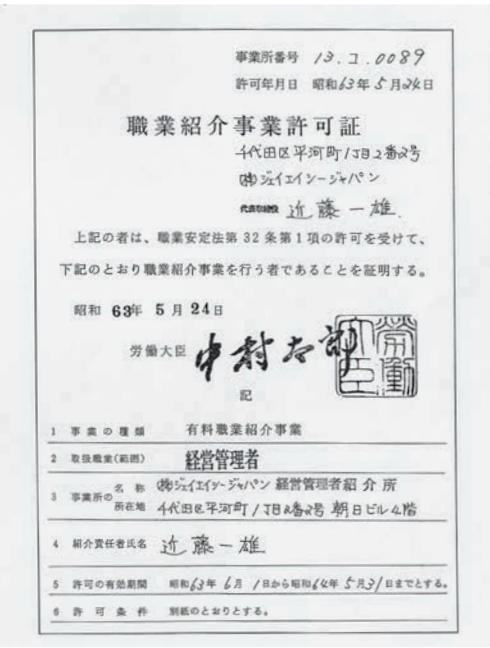
recruitment industry worked quickly began to spread among Japan’s labour market. Now, with Japanese companies becoming more likely to consider mid-career hires as an option like their foreign counterparts, JAC finally began to develop a framework for jumpstarting the recruitment business for Japanese companies.



Obtaining licenses for four occupations: management, translation/interpretation, engineering, and accountancy



A pamphlet on temporary staffing services, which JAC started offering in Japan from 2000



An employment placement operator license, limiting the operator to recruiting for “Management” positions