

## **New Personnel Management System of Kirin Brewery Co., Ltd. (B)**

The Nikkei Industrial Journal dated November 17, 1992 carried an article (exhibit 1) reporting the introduction by Kirin Brewery Co., Ltd. ("Kirin") of a rare method of performance evaluation referred to as "positive evaluation of failures." Kirin already had begun to change its corporate culture, taking as an opportunity its declining market share as a result of the aggressive attack of Asahi Brewery's Super Dry brand in 1987. As one part of this change, in 1989 Kirin introduced a new personnel management system, which has, as its main ideas, management by objectives and a method of adding points in evaluating employees' performance (see Case (A)). The recently introduced positive evaluation of failures serves as a way to reinforce the adding points method in Kirin's performance evaluation.

The new personnel management system has been in use for three years. I interviewed Mr. Hideo Chida, general manager of the Personnel Department of Kirin to ask how the system has worked in practice during the past three years and how Kirin will handle personnel matters in the future, including the introduction of positive evaluation of failures. The following is based upon that interview.

### **1. Preparation of a Guidebook for Management Managers**

When Kirin introduced the new personnel management system, an adequate guidebook was not available to the management managers, who were going to practice this system in each department. Also, the core of the new system--"what is expected of management managers"--needed to be more structured. Therefore, in

December 1991, Kirin prepared a "guidebook for management managers," a brochure of approximately 40 pages, and delivered a copy to all managers (exhibit 2 sets forth the guidebook's introduction, entitled "On Preparation of a Guidebook," and the table of contents. The basic elements of the systems and regulations are as described in Case (A).)

Personnel department staff take this guidebook on visits to regional offices throughout Japan, utilizing it to gain local staff's complete understanding of the new management system, as well as for repeated explanation of the system.

## **2. Study Session for New Managers**

Kirin holds a study session for new management managers, combining group study and lectures, in order to improve their understanding of basic management philosophy and the idea of management by objectives. The purposes of the study session are as follows: (1) clarifying basic ideas for strategic operations and management, (2) understanding methods of solving problems strategically, and based on the above two, (3) studying how to promote "effective management by objectives" and "OJT (on the job training) for problem solving."

## **3. Establishment of Section for Positive Evaluation of Failures**

The new personnel management system has, as one of its main ideas, the method of adding points. Kirin already had introduced this method into its performance evaluation factors and scoring system for management managers. This time, Kirin added a section to the performance evaluation of other employees, so that managers can award points for valuable efforts of subordinates who had failed to

meet their self objectives (see exhibit 1). This new system has already been executed for the 1992 evaluation year.

#### **4. Feedback from Evaluation Results**

Japanese companies usually do not give any feedback regarding performance evaluation results, since unfavorable results can create a difficult human relationships within their corporate culture. Kirin was no exception. Starting in the 1992 evaluation year, however, Kirin's managers began to give feedback to each subordinate regarding how much he achieved his objectives, which had been set under the rule of "management by objectives."

Kirin introduced the feedback system in order to clarify employees' performance objectives for the following year and to create a more constructive, positive atmosphere in the office, including developing employees' desire to improve themselves. Without feedback, employees had little idea how and which part of their performance they should improve, even if they were evaluated.

#### **5. Changing Part of the Examination for Managers**

Upon introduction of the new personnel management system, Kirin established a promotion examination for selection of new management managers. Kirin began to judge candidates by the following three elements: performance evaluation results, a brief essay, and an interview. In 1992, Kirin changed part of this examination, eliminating the brief essay and instead collecting "votes to assess the promotion to management manager" from a candidate's immediate leader and two or more managers in related departments. The assessment factors covered by such votes are

the candidate's ability to construct strategies and complete tasks, reliability, and influence upon others. Kirin considers these items together to arrive at one of the following judgements: A--already at manager level, B--close to manager level, C--effort to improve is expected. This new examination system takes effect in the 1993 evaluation year.

#### **6. Changing Part of the System for General Employees**

In addition to the N-course and R-course, based on "an employee's willingness to accept a transfer which requires a move," Kirin is introducing a B-course as a third option in the 1993 evaluation year. "B" stands for "blocks," and the B-course is for those who are willing to accept a transfer within a certain geographical area, even if they must give up commuting everyday from their home. Employees can specify a block, where they feel comfortable in living, for example, Tohoku block, Kanto block, Chugoku-Shikoku block and so forth, and go home after work on Fridays and from there go to work on Monday mornings (in other words, they can spend weekends at home).

#### **7. Other New Systems**

Kirin established the following three systems, in order to assist the diversification of employees' lives and activities: (1) "leave for volunteer activities," which allows employees to focus on volunteer activities for specified period of time, (2) "leave for child-care," which enables employees to concentrate on child-care without losing their employment, and (3) "leave for nursing," which allows employees to take a leave and nurse a sick family member.

## 8. For Further Improvement of Corporate Culture

Recently some employees who are seconded to affiliated companies in the Kirin group or work as managers at Kirin seem to worry that Kirin's corporate culture is slipping backward toward the era when Kirin was dominated by bureaucracy, administration and perfectionism. This concern shows that Kirin's change in its personnel system and organization for better corporate culture, driven by the success of Super Dry, has yet to take roots or penetrate throughout the company. Thus Kirin finds it necessary to accelerate its efforts for future change.

## Exhibit 1

### MANAGEMENT BY REVERSAL "Positive Evaluation of Failures" for Success Tomorrow Measurement with Humanity Kirin's Efforts Do Not Turn to "Bubbles"

(Nikkei Sangyo Shimbun dated November 17, 1992 reprinted with permission)

In the past, most companies have evaluated their employees by mechanical measurement focusing on numbers or results, including quotas imposed on their employees, or educational background. Such evaluation has been partially responsible for the spread of conventional ways of thinking and conservative attitudes, as well as inflexible management.

Here is a company which reversed its personnel evaluation standards by introducing measurement with humanity, after it recognized once again that the mainstay of the company is not the organization itself but the people working there. Kirin Brewery Co., Ltd. ("Kirin") has started to evaluate failures positively, in order to become a flexible company.

#### Forcing Change of Attitude

"Positive evaluation of failures" -- a section with the unfamiliar title was added this year to the performance evaluation forms for all Kirin's general employees. This must seem good news to those who complain of their misfortune at repeated failures in business. But how does this evaluation system work in fact?

Kirin's performance evaluation form previously consisted of the following three main sections: (1) an objective to be filled out by each employee at the beginning of the year in January, (2) self-evaluation to be filled out by each employee at the end

of the year, indicating the level of achievement of their objectives, and (3) managers' evaluation of their subordinates. The new section for positive evaluation of failures was added alongside the third section.

This is how it works: reading subordinates' self-evaluation, managers positively evaluate unsuccessful but valuable work by marking a circle. Depending on the efforts of the subordinate, the manager adds different points. Kirin says such added points can lift an employee's total evaluation score to the top. What kind of failures, then, are positively evaluated?

For example, an employee in the sales department established an objective of placing ten new Kirin vending machines with customers. He made various efforts to put vending machines in front of stores which have had little previous relationship with Kirin, instead of asking stores which already are good customers of Kirin. As a result, this employee could locate only two vending machines. If you look only at the result, this is a failure. But Kirin appreciates its employees' desire to develop new customers and various efforts to do so. This example demonstrates the idea of positive evaluation of failures.

"For quite some time, we have had an unenforced policy of evaluating the process of an employee's work and evaluating failures positively. But this policy has rarely been put into practice. So, this time we decided to force managers to evaluate failures positively by adding a special section for that purpose," says Mr. Hideo Chida, general manager of the Personnel Department.

Kirin's positive evaluation of failures can be considered the ultimate "adding points" evaluation. In January next year, Kirin's managers will use this new system for the first time in evaluating their subordinates. This system should force employees to

change their attitude toward work, whether they like it or not, since a manager who does not put any circle in the section for positive evaluation of failures will be considered, in effect, to be "subtracting points." Introduction of the system seems a somewhat drastic step, but Kirin did not act without reason.

### Do Not Play Defense

Kirin learned the hard way that people do not succeed without failures. In 1987, Kirin's market share dropped under the aggressive attack of Asahi Brewery. As a counter-measure, Kirin put all its energy into extending its product line. Until 1990 when Kirin introduced "Ichibanshibori (first brew)" and began to restore its market share, Kirin experienced a number of failures.

Meanwhile, participants in such failed attempts learned something enlightening. Mr. Masaya Hayashida (32) is one of them. As a member of a special team formed to recover Kirin's declining share, he was engaged in developing three out of four new types of beer introduced to the market in 1989. Among those new products, two brands were short-lived, with shipment suspended within two years after introduction. Looking back, he recalls, "we were always saying that if must fail, we should fail boldly." It is true that people must take such a defiant attitude in order to invent something. "You cannot learn anything if all works out just fine. But if you fail boldly, you will consider what was wrong and why, and learn many things to help you next time." Mr. Hayashida learned this philosophy from his experience.

Although now hidden by the success of a hit product, Ichibanshibori, there was a special team which competed with the Ichibanshibori team until the last moment in developing a new product. Mr. Hitoshi Oshima (44) led that team. Although his

efforts were in vain, he says, through all the trial and error, Kirin could "accumulate know-how required to develop a new product, such as how to develop a new market or grasp consumers' taste."

Kirin seems to recognize these hidden contributors to its turn-around, even if their names are not left in the corporate history. For example, even now Mr. Hayashida is engaged in developing a new product as member of a new product team in the Product Planning Department. This fall Mr. Oshima was appointed an executive of Kirin USA, Kirin's U.S. subsidiary, and will be engaged in sales of Ichibanshibori in the U.S.A.

Nonetheless, as in the past, Kirin still is a giant in the liquor industry. There is a risk that conservatism might return, since Kirin is no longer losing market share. Kirin's numerous failures in extending its product line in a crisis might be considered merely an exception for the company.

At one time in the past, Kirin restricted its sales efforts voluntarily, facing a risk that its more than 60% market share might violate the Anti-monopoly Law and require the company to be split in two. Also, in the past, Kirin was extremely negative in developing new products, in order to avoid cannibalization of its large-sized bottle of lager beer, the main Kirin product at that time.

The system for positive evaluation of failures has been introduced in the hope that this passive corporate culture will never again prevail.

### **Making a Product with a Clear Concept**

"Kirin is no longer producing most of the products developed in the process of extending its product line. We learned through this experience that we have to make

a product with a clear concept," says Mr. Keisaku Manabe, who was promoted to President this year. Also, Mr. Hayashida says, "while developing a new product, you do not always agree with others. But if you keep your opinion to yourself, you will end up with a mediocre product."

You must allow people to work in the free, generous environment in order to create a product with a clear concept, although they might fail once in a while. This applies to all the aspects of business, including sales and production. Kirin's positive evaluation of failures is an experiment in renaissance, as Kirin provides its employees with freedom and encourages them to restore the joy of work.

## **Exhibit 2 (Source: Guidebook for Management Managers)**

### **On the preparation of this Guidebook**

Our company is striving to further develop toward the year 2001.

The details of this development are set forth in our long-term business plan.

Whether we can achieve this goal or not depends on the performance of our management managers, who are leaders of the organization.

This guidebook attempts to organize ways of thinking and systems which are considered necessary in completing your task as a management manager.

Especially, the "basic personnel management philosophy" was the basis for our new personnel management system. As a manager, you are expected to work at all times with this philosophy in mind.

"Management manager" is a new term, replacing the former "supervisor." This change was made in order to clarify a manager's position as participant in the management of our company, as well as to destroy the idea that "supervisors control subordinates." At first I would like to confirm the following three points which you are especially expected to be aware of as a management manager.

(1) The company exists to perform a function (role) in society. Whether society accepts the company's existence or not depends upon the company's performance.

Therefore, based on the recognition that "a company is a public body of the society," we must always continue to play the role expected by society in a sincere and

modest manner. In other words, we must strictly refrain from behavior which "put the first priority on the interests of an enterprise."

The new personnel management system requires employees to have "social morals," specifically emphasizing sincerity and modesty. Management managers are expected to have such social morals as individuals, and especially as members of the organization.

(2) It is no exaggeration to say that the power of a company is "an aggregation of the employees' outstanding abilities," and furthermore, an aggregation of the lives of individual employees. Thus, the way of living of a management manager is especially important, since he is a leader, and has a great effect upon the members.

Your own way of life is important not only as a businessman but also as a member of a family or of society. You are expected to have a clear idea of your personal values.

(3) There are about 5 billion people living in the World. We should not waste this coincidence that 8500 of us are working together here at Kirin Brewery Co., Ltd. at this moment.

A proverb states, "even a chance meeting is due to the Karma in a previous life." We should "treat each other well," and with respect, each other's life which we can only experience once.

## Table of Contents - Guidebook for Management Managers

[Text]

1. Basic philosophy of personnel management
2. Attitudes and behavior expected of management managers
3. Personnel systems
4. Other

[Systems and Regulations]

1. Systems for titles and positions, position names
2. Departing from positions
3. Retirement
4. Performance evaluation system
5. Wages

[Attachment]

1. Management by objectives
2. New life system

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample

sample