

Part 4: The Rapid Expansion Phase

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Changing Course for Rapid Growth Before Returning to First Principles

With the Japanese recruitment market now expanding following the relaxation of Japan's old regulations on recruitment, JAC now sought ways to ride this new wave and expand its business.

What changes should JAC Group make to the way it had done consulting to date?

What happened in the end was that JAC tried going down a new pathway before later deciding to reverse course and go back to its first principles, aiming to develop a recruitment style that is unique to JAC.

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Planning an Expansion to Achieve Listed Company Status

When JAC was establishing its foothold in Japan and working towards growth in the 1990s, the big change in the Japanese recruitment market that characterised this period was the flourishing of job advertisement magazines. In previous times, when Japanese companies wanted to bring in applications from mid-career applicants, they usually posted advertisements in newspapers and industry journals. In the 1970s, however, everything changed as Recruit Co., Ltd. started publishing job advertisement magazines. These new magazines offered substantial advantages to both companies and job applicants, as the job postings contained more details about application requirements and the like compared to previous media, giving users fuller and more complete information for comparing and considering options. For these reasons, not only Recruit's magazines but specialist job advertisement magazines in general became the mainstream way of bringing in candidates across the entire

recruitment industry from this time onwards. From the 1980s onwards, this medium became subdivided into different types, including magazines for part-time jobs, for women, for engineers, and for technical and service occupations and the like, developing into a golden age for print media in the recruitment industry by the second half of the 1990s.

Given the general trends of the times, it was not surprising that Recruit flourished as a major player with particular strengths in mid-career hires (especially "second-round" grads who had found a first job but were hoping to change to something else) in Japan, and as the industry's consistent leader in information communication. However, it seemed to Hiromi Tazaki that the reason for Recruit's rapid growth lay not just in the strength of its media but also in the idea of "two-sided (or "split-desk") style recruiting. JAC, a company which had originated in the UK, engaged in "360-degree style" consulting in which a single consultant develops a deep

understanding of a company's recruitment needs and then searches for and brings forth candidates who are right for that company. This is the standard recruitment style as practiced across the world. Conversely, Recruit, which was making use of its own in-house job advertisement publications, was engaging in "two-sided style" recruiting, in which the entire organisation is split between functions for drawing in candidates and functions for introducing candidates to companies. This unusual way of doing things had originated in Japan. These two methods of recruitment produce decidedly different results in terms of how fast the company is likely to grow. Training a consultant in the high level of skill required to carry out consulting work for both companies and candidates takes a fair amount of time and effort. Meanwhile, with the two-sided style seen at Recruit, the level of skill required for each consultant is more limited, meaning that even young employees can quickly start taking care of

tasks. Intelligence Inc. (now Persol Career Co., Ltd.), started up by consultants who had previously worked at Recruit, built up its track record with two-sided style recruitment, a continuation of the style that had grown out of the job advertisement media developed by Recruit. JAC never made use of in-house job advertisement magazines in the manner of Recruit, but Hiromi began to realise that JAC might need to start learning certain aspects of Recruit's two-sided style of recruiting if it was to achieve expansion going forwards.

In fact, there was a reason why JAC was in such a hurry to expand at this time. First of all, now that regulations had been relaxed in the Japanese recruitment market, the market for such services was expected to grow massively at a rapid rate going forwards, meaning that companies too would need to grow quickly in order to meet these growing needs. Secondly, JAC was aiming to become a listed company as soon as possible as a way to win societal recognition for the "recruitment

industry", a business sector that was little known to most people at this time. Because old-fashioned systems, a hangover from the Edo Period (17th to 19th centuries), had dragged on until very recently in the recruitment industry, the persistent image of this industry was of an unsavoury trade which was carried out by individual brokering agencies, and which was described not only as *assen* ("brokering") but also with terms like *hito-kai* (literally, "people-buying") and *hito-uri* ("people-selling"). JAC should not be associated with such images.

Hiromi believed that if JAC could demonstrate that it was a trustworthy recruitment professional by becoming a listed company, this would naturally inspire higher expectations among companies and attract attention from those wanting to work at those companies as well, encouraging more outstanding candidates to come and work for JAC which would help to put the company in a unique position going forwards. However,

the most important condition for getting listed was expanding the scale of the business, and if JAC continued with its current way of operating, there was little it could do other than continue placing small numbers of experienced mid-career hires, which would never result in rapid business expansion.

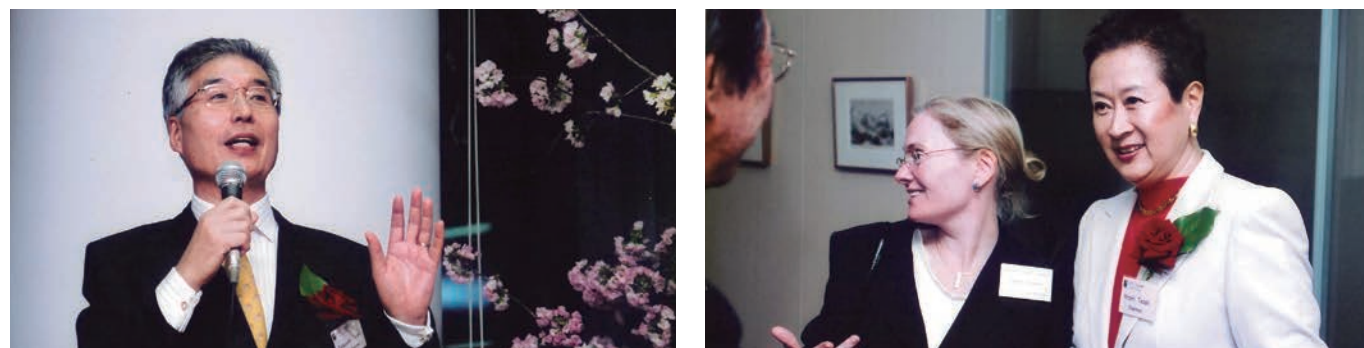
Therefore, the decision was made at JAC to switch from the 360-degree style (in which the consultant handles both the customer and the candidate) to the two-sided style, in which the consultant specialises in either one side or the other, in order to grow the company at a faster speed. As doing business in the two-sided style would make it easier for inexperienced employees to function in the organisation, this switch would also enable JAC to start taking on new grads, which in turn would enable a big increase in its workforce. In other words, "getting listed" and "taking on new grads" were both part of the same strategy.



The Kyoto Office, opened in 2002



At the opening party of the Yokohama Office, opened in 2002. Mr Takeya is on the left, who was the Managing Director of JAC at the time.



At the new office in Jimbocho in the spring of 2005. Tadayoshi Tazaki giving a speech to mark the relocation of the Head Office and the 30th anniversary of Tazaki Group. On the right is Hiromi Tazaki.

Hiring New Grads and Shifting to a Two-Sided Style Recruitment

JAC in 2000 started up a temporary staffing business (a domain where demand in Japan was particularly high), in addition to its traditional recruitment business, and set in place a structure enabling JAC to respond to short-term human resource-related needs in order to expand the business rapidly as a first step towards getting listed.

Then, in 2002, JAC began taking on new grads—something it had never done before—based on the fact that the company was shifting towards two-sided style recruitment. Here, JAC's aim was to go beyond merely adding high-ranking professionals one at a time in order to expand the scale of the company, and instead expand the organisation in one go by adding new grads who could be hired in a more efficient manner.

As employees taken on straight after graduation did not yet have professional skills, they could not start working as consultants straight away. They were therefore given simple missions such as seeking out new business opportunities, meaning that the sales force was now operating at full capacity. In particular, new grads were assigned the task of handing out 100 business cards a day in their early days; they ended up rushing around Tokyo trying desperately to hand cards out. By doing this, these young employees would become familiar with as many new companies as possible and learn about the actual workplaces where work was being done, which would enable them to learn about social rules and customers' needs in a hands-on way. Looking back

from today's world, these methods are nostalgic in some ways and might also be considered rather harsh in other ways, yet the employees who were trained as new grads in those days say this was an important and valuable experience for them.

However, the shift to two-sided style recruiting did not go well at first, because everyone at the workplace level was still trying to work out how to do things. With 33 new grads taken on in the first year, a large part of the company's resources had to be put into training them, meaning there was less capacity for securing profits for a while. A process of trial-and-error was essential, with the number of new grads hired being limited to around 10 during the second year in order to restore the right balance.

In addition, an officer with experience of organisational management based on the two-sided style was appointed at JAC as executive officer to ensure a successful switch to this recruitment method. Transitioning to the two-sided style, something JAC had never done before, continued to be a struggle; however, the new structure gradually began take shape and improve.

In line with these developments, the numbers of new grads hired each year was brought up to 61 in 2005, and then began to rise faster, to 79, 124, and 196 people. In 2005, the Head Office was relocated to its current location in Kanda Jimbocho (Chiyoda-ku, Tokyo); then in 2006, with the total number of consultants reaching 300, JAC achieved its long-

cherished ambition of being listed on the JASDAQ market.

Now that JAC bore the appellation of a "listed company", it readily won the trust of other firms, making it easy to find new business. The biggest impact of the JASDAQ listing, however, was on the company itself, making employees feel great pride in the organisation they worked for and helping them to act with responsibility, self-awareness and self-belief more than ever before. By making it easier to attract outstanding new employees to hire, it also positively impacted the growth of the company.

At this time, based on the spirit of fairness that JAC has always valued, JAC also made efforts to make the company an easy place for female employees to work to ensure JAC has as many outstanding employees as possible. In 2007, JAC not only began providing a childcare support payment system as part of its social welfare programs, offering up to ¥100,000 per month per child, but also started operating the Working Mothers Committee (now called the Working Parents Committee) where employees can talk about how to balance family and work.

Even while the business was achieving rapid growth, Hiromi, who has always believed that it is important to give something back to society, began to create a framework for connecting this business expansion to social responsibilities, including supporting tree planting activities overseas and similar projects from 2008.

Peril for JAC Following the 2008 Financial Crisis

JAC's growth strategy seemed to be progressing extremely well. However, in the midst of this rapid growth, it found itself engulfed in a difficulty that nobody had foreseen. In 2008, the bankruptcy of Lehman Brothers, a US investment bank, triggered a worldwide financial crisis.

Hiromi had a feeling that there was something ominous afoot in the global economy back at the beginning of 2008 based on the talks she had with securities companies as part of business negotiations. It sounded as though something out-of-the-ordinary was about to happen. Yet with JAC advancing rapidly along an expansionary path, she could hardly overturn this progress on a mere suspicion. In April of the same year, JAC took on 196 more new grads as planned. As JAC watched and waited, suddenly the crisis arrived. After the bankruptcy of Lehman Brothers was reported in September of that year, panic began to spread among market players once it was realised that this colossal financial institution was not going to be bailed out, leading to a credit crunch as companies were suddenly unable to procure financing. This had a powerfully depressive effect on the real-world economy, with declines in production activities and trade. Many firms halted all hiring in an instant. JAC's sales for October fell to half the figures compared to before. Obviously, as the economy continued ticking over, some firms still needed new human resources. However, there was now very little of the

kind of work that could be done by the inexperienced employees who had been hired as new grads. JAC had previously been pursuing an expansionary course, but if it kept all these extra employees, it would not be able to keep going.

With opportunities for sales activities drying up, having so many employees at JAC was putting the very survival of company operations at risk. Back when the Bubble Economy had collapsed in the 1990s, JAC's operations had still been small in scale, and the company had avoided being greatly impacted. However, as a company that had been vigorously expanding and was now a large organisation, things looked very different. If nothing was done, the company itself would fold, throwing around 800 employees' lives into chaos. Painful though it would be, JAC would have to start making decisions on reducing employee numbers if it was to survive this crisis. After a series of meetings among the executive officers, in January 2009 JAC put out a call asking for 300 employees who were willing to take voluntary redundancy. JAC also contacted the undergraduates who were due to be hired as new grads the following year and put out a call asking for 130 of these to decline their job offers. Feeling quite agonised at the decisions they were having to make, Hiromi, the executive officers and the HR Division made the decision that the very least they could do was to speak honestly one-by-one with each of their employees and those who

had been due to join, trying to level with them as much as possible.

"I'm sure you understand this already, but the fact is that JAC is currently facing a truly serious crisis. We really don't want to lose any of you, but if we try to keep going like this, there won't be enough work, and nobody will be able to earn enough to make a decent living. The choice is: stay in this difficult work situation and hope for a revival, or take severance pay and move onto your next workplace. Please think about your own life carefully before making your decision".

Not all companies in the recruitment industry showed much compassion towards their staff at this time, but JAC handled each employee with sensitivity, placing great emphasis on dialogue. At ¥800 million yen, the total amount of severance pay dispersed to those who took voluntary redundancy or declined job offers actually exceeded the profit forecast for that year, and attracted many comments throughout the industry. Incidentally, at the time of the crisis JAC Group had already opened up offices in the markets of Malaysia, Indonesia, China and Thailand, all of which were also impacted by the financial crisis. However, these offices outside Japan had not introduced two-sided style recruitment and thus had not hired any new graduates, and thus did not sustain any serious damage.





The new company logo with the new company name

Back to Basics: A New Attempt to Establish the JAC Recruitment Style

So severe was the impact of the financial crisis on Japan's recruitment industry that it took about four years for JAC merely to recover to the level that it had been before the crisis hit. With the whole industry in such a slump, JAC took the opportunity to take a fresh look at its business.

JAC had originally decided to go down the route of two-sided style recruitment in order to grow the company, but had this two-sided style ever been what JAC itself really wanted to do? At companies running job advertisement magazines, reports like "We got several thousand applicants last week" were regularly heard at the morning meetings. Agencies of this kind were outcompeting JAC in terms of sheer applicant numbers. JAC had kept its business going based on a sense of pride about the way it kept its customer companies satisfied and its candidates happy, yet Hiromi could not help feeling that this basic starting-point had been lost since the company had decided to go for two-sided style recruitment. No doubt, two-sided style recruitment had many excellent features. But perhaps it was not what JAC really wanted to do. Therefore, the decision was made to return once again to 360-degree style recruitment

based on JAC's verdict that its strength lay in delivering high-quality introductions based on careful consultations with companies and candidates and a deep understanding of both sides, and that the business should grow in a sustainable manner based on this. The financial crisis had done immense damage to JAC's finances, leading to massive losses of ¥800 million. Yet the processes that JAC went through as a result of this crisis also helped the company to get a clearer perspective on the path it wanted to take going forwards.

Therefore, in 2009, upon changing its name from "JAC Japan" to "JAC Recruitment" as part of reestablishing its business, the company made another transition: it shifted away from the two-sided style recruitment model and back towards the 360-degree style. It took about five years to get all employees to shake off the two-sided style mindset. Before the financial crisis, around 200 new grads had been hired in a single year; afterwards, however, new grad hires were reduced to around 30 per year, and the emphasis was shifted towards mid-career hires. JAC's aim was to build a framework that could develop truly

professional consultants one by one and help them achieve success. As JAC once again began to do business in the 360-degree style, employees' sense of motivation naturally began to rise.

The 100+ Club, which JAC had kept going from before, was an ideal system for an organisation that aimed to cultivate professionals of this kind. As a series of highly motivated individuals got their 100+ Club badges, signalling the track records and experience that they had built up by successfully placing many candidates with companies, it gave them a sense of pride and self-belief. At the special biannual meetings held exclusively for the 100+ Club members, all participants proudly wear their badges, emblazoned with the crown emblem, on their lapels as they share knowhow with one another. Younger employees look up to the 100+ Club members as role models for what they aspire to become, and feel excited about becoming true professionals. With motivation levels high, JAC was once again aiming to achieve working methods that are fit for an organisation that hopes to win applause from society at large.

Column JAC's Unique Culture

The 100+ Club

JAC Group has an in-house club called the 100+ Club, open only to consultants who have successfully placed 100 or more candidates. To be a member of this club stands as testimony that they are a truly professional consultant with the highest level of expert knowledge and experience. The members act as role models, sharing their own experiences at new employee training sessions and in-house seminars. There are also some higher ranks available for those who have already achieved 100 placements, with consultants who have supported 200 or more placements becoming members of the 200+ Club, and those with 300 or more joining the 300+ Club. There are now consultants in Japan who are part of the 500+ Club, and consultants in JAC's Malaysia office who are in the 700+ Club. This number is steadily increasing, and the JAC Group continues to grow into a world-class professional group.



The badge and commemorative plaque given to 100+ Club members, testifying membership

Column JAC's Unique Culture

JAC's PPP Project For Forest Regeneration and JAC Moringa Forest

Doing business at JAC has never been merely about earning profits for the company; JAC believes that these benefits should also be fed back into society. Based on this belief, Hiromi Tazaki started "One Placement creates One Plant to save the Planet (PPP)", a tree planting activity in Indonesia and Malaysia, in 2008 to commemorate the 20th anniversary of JAC Japan. By planting one tree for every successful placement of a candidate through any of the JAC Group companies, JAC has created a system which supports its corporate clients, brings new lives to job-seeking candidates, and contributes to the fight against global warming through a single process.

JAC's rainforest regeneration and conservation activities save the lives of various creatures that inhabit the forests. At the same time, cooperation with local people to grow saplings and plant trees also leads to the creation of employment opportunities. As of the end of 2024, more than 150,000 trees had been planted under this scheme. In June 2024, the JAC Moringa Forest Project was also started; it involves planting moringa trees, which absorb high levels of CO₂, in Miyako Island in Okinawa, as a way to step up countermeasures against global warming. Going forwards, JAC plans to expand this project into other countries.



The first tree planting activities in Indonesia in 2008 (top)
Tree planting with local children in Miyako Island in 2024 (bottom)