

Turn on the POWER

IN 1999, TAKASHI KAWAMURA, THEN A VICE president of global conglomerate Hitachi, was one of 500 passengers aboard a plane that was hijacked – and saved with the help of an off-duty pilot. The experience gave Kawamura evidence that critical decisions can rest with anyone in an organization, a way of thinking about employee engagement that he calls the “Last Man.” As he tells Brunswick in the interview below, “There are more chances to nurture these decision makers, these ‘Last Men,’ than you would think.”

Kawamura later became President and Chairman of Hitachi, where he helped the business reinvent itself in the face of rapidly changing technology and shrinking domestic demand. In 2017, he accepted a new position as the Chairman of Tokyo Electric Power Company, or TEPCO. The large regional utility in Japan is emerging from an existential crisis of its own: TEPCO operates the Fukushima Daiichi nuclear plant that suffered a meltdown after a tsunami in 2011. Shares of the company plummeted as much as 90 percent amid a flood of domestic and international compensation claims and calls for the country to close its nuclear facilities. The scale of the disaster was enormous and the cleanup continues today.

In our interview, Kawamura is positive about the future of nuclear energy but acknowledges the work the company still needs to do to help rebuild the lives of the people in the area around the reactor, and to allay the fears around nuclear power in general and TEPCO’s stewardship in particular. “It will take a sustained effort over a long time to restore the firm’s reputation,” he concedes.

Meanwhile, TEPCO continues to provide reliable energy and to grow in a dramatically changing energy environment. Kawamura sees the energy sector in Japan at a crossroads, where it must refocus its efforts toward innovation and globalization if it is to continue to grow. To further the pace of economic growth set in 2017, Kawamura feels the country’s most established businesses need to take a hard look at themselves.

Why is the “Last Man” view important now?

Outside Japan, people think deeply about self-determination, the need to form their own values.

TEPCO Chairman **TAKASHI KAWAMURA** talks to Brunswick’s **DAISUKE TSUCHIYA** about the future after the Fukushima Daiichi nuclear plant incident, and how a “Last Man” perspective can supercharge Japan’s workforce



There is a chronic shortage of that in Japan. People here view their role within an organization as listening to and obeying the people the organization labels as leaders.

Until the mid-1980s that wasn’t a problem; Japan was in resurgence, and population growth meant abundant demand. Now, however, unless Japanese people modify their decision-making process, I doubt that Japan will resolve its current deadlock. Even the leaders of small teams must begin to take final responsibility as the Last Man, considering and articulating the direction that their part of the company should take.

Japan faces some unprecedented challenges, such as an aging population. We need to get ahead

on those issues. Japanese people have relatively little training in leading. Employees need to be encouraged to consider how they can affect the company’s overall direction. There are more chances to nurture these decision makers, these “Last Men,” than one might think, if we look for them.

My biggest lesson came while I was at Hitachi, and I found myself on a hijacked flight in Japan. An off-duty pilot who happened to be on board forced his way into the cockpit along with two others, took control from the hijacker and managed to save the aircraft. He had to break the airline’s rules to do it, but he saved the lives of more than 500 people.

That showed me, in a very dramatic way, that these “Last Men” existed in the world – that people

can make these kinds of critical decisions. When I became President of Hitachi, I thought that I needed to try to be that Last Man, the final decision maker, and to have such leaders in each internal group.

In 2009, when you became Hitachi’s President, what was your top priority?

The main thing was speed. The decision-making process had been extremely time-consuming. If a second Lehman shock were to occur, or if the Greek crisis caused some European banks to collapse, Hitachi would go down as well. Even one US bank failure had a major impact on orders. Hitachi has a huge number of employees and alumni, as well as shareholders, so we had to consider

TEPCO workers in 2014 are shown preparing to lay the foundation for a tank to hold contaminated water at the damaged Fukushima nuclear power facility.

“Outside Japan, people think deeply about self-determination, the need to form their own values. There is a chronic shortage of that in Japan”



TAKASHI KAWAMURA

A former President and Chairman of multinational electronics company Hitachi, Takashi Kawamura was named Chairman of the Board of Tokyo Electric Power Company Holdings, or TEPCO, in 2017. He began his career with Hitachi as an electrical engineer in 1962.

not just stock price, but pensions and so forth; if the company failed it would have been disastrous.

We needed to make decisions quickly. We determined what we needed to do within three months. We had to close, downsize or expand divisions. We had to ask employees, some even in the prime of their careers, to retrain, transfer to different workplaces, or in some cases leave Hitachi. It was a tremendous upheaval. We had to do things that were painful. And we had to move quickly. We had no choice.

Why did you accept the position as Chairman of TEPCO, another company in a difficult situation?

Energy is the country’s foundation. Japan and South Korea are the only countries in the world that supply just 4 percent of their own energy. Stable, cheap energy is critical for all industries and the livelihood of all citizens. I intend to contribute whatever I can to making sure we achieve that.

TEPCO will collapse if it is mismanaged, and we cannot let that happen. To address the issues arising from Fukushima, all our employees need to regard energy as truly fundamental. We need greater earnings to fund a range of long-term initiatives.

However, TEPCO has a responsibility to society – from charging cellphones to operating traffic lights. Japan’s tiny, distant islands may not be great customers in profit terms, but it is part of our job to supply them. It’s not easy to be profitable while continuing to act in the public interest. Also, the sheer number of stakeholders in a utility prevents immediate decisions regarding management reforms or the improvement of profitability.

We’re also faced with full industry deregulation. We have to generate earnings while remaining properly focused on safety, amid the change from an advantageous regional monopoly structure to a far more competitive environment. A monopoly meant no customer desertions. Competition under full deregulation is extremely tough.

What qualities are appropriate for a corporate leader today?

Our current TEPCO President offers a great example. Leaders at power companies tend to make straight-laced, overly conservative decisions when approaching new developments. Our current President is able to make very proactive decisions.

Particularly when trying to change a company internally, communication is important. In the past many leaders were charismatic – people who waved the flag and encouraged others to follow them.

Now, I think communicators are the better choice, reflecting a far greater diversity of employee, stockholder or other stakeholder perspectives.

Companies need to be able to communicate on the topics of innovation and globalization. There is a surprising amount of innovation in the energy sector. Companies will emerge that use computers to handle excess power generated by electric vehicles, for instance. This shift is also being seen in the US and Europe.

Another way the sector is changing is that demand in Japan has gradually fallen versus a gradual expansion in overseas markets. Our new joint venture with Chubu Electric Power, called JERA, has a mainly overseas focus. JERA has also acquired a US thermal power generation company. Thermal power and our fuel business are at the forefront of our globalization efforts.

Does this emphasis on globalization have an impact on the company’s culture?

At my previous firm, I learned a great deal from our shareholders and employees overseas. When I became CEO, I brought back to Japan a lot of people from our overseas subsidiaries and they helped us reform areas of the business that had become too complacent. The same is true at TEPCO: people with overseas experience return to Japan with a different approach to their work.

In Japan, many people act as if they have lifetime employment. Outside Japan, no one thinks they will spend their whole life at a single company. They view everything in terms of self-development, and if they are not learning anything they go elsewhere; this is how they develop the skills that ultimately make them international leaders in their particular field. I think the same thing will eventually happen in Japan. As people live longer, they will work longer and they will see the need to change companies and to re-educate themselves.

Japan languishes in this transitional phase and is falling further behind the world. In the West, excessive finance capitalism has led to the problem of a small handful of people earning tremendous amounts. This extreme inequality is a bad thing, but Japan’s excessive focus on equality is also not very helpful. We need to reward work appropriately for both quality and productivity.

Do Japan’s companies have strengths that could serve as models for their counterparts overseas?

Oh yes, certainly. The Japanese have very strong self-discipline, for instance and, compared to other

industrial nations, our levels of corruption are quite low. Efficiency is very high. When Hitachi supplied a railway system to the UK, we were able to deliver several months ahead of schedule – several months’ extra profits for the railway firm. No other country in the world could achieve that, only Japan.

Someone in Abu Dhabi commented to me about how different the Japanese are. Even at building sites, they sweep the last work area, use their buckets to clean their mops before they stow them away – only then do they leave. That may seem overdone by standards of other countries, but it is one of Japan’s selling points.

Another of Japan’s hallmarks is the country’s overall long, healthy lifespan. A long-lived population is a sign that the country is generally being run correctly. The Japanese government’s attempt to lengthen healthy lifespans is a good thing, and companies must find ways to contribute to it via innovation. We have had our household customers install smart meters, so one could envisage a business where we use changes in electricity usage patterns to detect that something untoward has happened to an elderly person, for example.

What needs to be done now in addressing the problems related to the Fukushima disaster?

It will take a sustained effort over a long time to restore the firm’s reputation. There are around 60,000 people who were evacuated from the area, including some who do not intend to return. We are therefore continuing to support with the recovery. Produce from Fukushima Prefecture and the Tohoku region is not treated equally either within Japan or worldwide, partly due to rumors and misinformation. Flounder caught in Fukushima is very good quality, and Tokyo sushi restaurants have been buying it, but only at deeply discounted prices. We are working to redress the impact of these misperceptions in the marketplace.

Obviously, we also need to work on improving the overall safety of nuclear energy. Smaller-sized reactors, currently under development, lined up in inside large pools should help. Placing the reactors inside pools will enable us to flood them in the event of a problem. We are also considering a self-regulating type of nuclear plant that has completely independent emergency systems, including its use of batteries.

We need a greater public debate about nuclear power in Japan. We think it would be better to continue using it, with a shift to self-regulating

reactors, to meet the goal of an 80 percent cut in global CO² levels by 2050. That won’t be achievable only with solar power. It will only just be possible with a combination of solar, wind, hydro, geothermal, bio and nuclear power.

It’s a question of gaining the public’s trust.

Yes. The UK decided to generate nuclear power. In Japan, the accident at the Fukushima Daiichi plant created tremendous difficulties. It is our responsibility to address the various issues and to convince the public that despite this we still need nuclear power. But it will be difficult.



Blossoming trees hint at a new beginning for Fukushima and TEPCO in this 2017 photo.

How do you view a company’s role in society?

Companies are the bedrock of society. Generating proper earnings is their primary task. That is what drove Japan’s postwar recovery. They should also pay proper salaries to their employees, pay dividends to their shareholders, pay interest to financial institutions, and pay taxes to the government. Their greatest role is in distributing the added value they create to society, thereby creating a sustained beneficial impact on society. Loss-making firms that only manage to pay their employees’ salaries are not enough. It is the job of companies to pay society’s salary.

DAISUKE TSUCHIYA is a Partner in Brunswick’s London office. A former Japanese diplomat, he specializes in Japanese business and multinationals active in Japan. Additional reporting by SARAH SKLAR, an Executive in London.

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