

Developing People



Global Management Seminar

Key Activities

- ◆ Contributing to human resource development in local communities
- ◆ Enhancing our employees and suppliers through The KOMATSU Way (employees and business partners in the supply chain)
- ◆ Enhancing our employees and distributors through brand management (employees and distributors)

Sharing The KOMATSU Way Globally and Contributing to Society through Human Resource Development

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— First, please explain in concrete terms what is meant by developing people.

Hioki: Komatsu's overseas production went into full swing from the mid 1980's. In the process, the number of national employees increased, resulting in a growing globalization of our work force. Many of these national employees are still working for us, and are part of Komatsu's "backbone".

At Komatsu, we encourage national employees to build on experience working for the company and open the road for them to advance to top management in their respective region. This is what we call "localization of management." Komatsu also devotes efforts to the development of professionals in many fields such as production, sales and product support.

Our way of developing human resources is to thoroughly groom those employees who will assume a role in business locations, whether in Japan or overseas.

— What exactly do you mean by making management local?

Hioki: Our top management around the world would be people who have worked with Komatsu for a long time, have

made their career there, and have a deep understanding of Komatsu's way of management and set of values. Offering this kind of employee, who enjoys recognition by those around him/her, the chance to move into top management will also act as a motivation for employees in all regions.

It is better to have local nationals in top management if we are to earn the trust of the local community and of all stakeholders and establish good relations.

I believe that the "localization of management" is the most desirable form of management for both Komatsu's employees and the local community.

— What role do you expect resident staff to play?

Hioki: In our case, a Japanese expat working abroad is a local representative with a limited term of service. Japanese staff is expected to act as a "bridge resource", that is, to bridge the gap between Japan and the host country. This kind of "bridge resource" does not have to be a superhero. What is important is to know one's specialty well and to have the kind of strong will and commitment to get one's message across. Foreign languages, especially English, tend to be thought of as very important, but as long as you have

mastered your area of specialization, the language will come to you naturally later.

— What do you do about developing human resources to support *Monozukuri* (manufacturing competitiveness) in foreign countries?

Hioki: Plants playing a crucial role in *Monozukuri* are undertaking initiatives to improve technical skills on the shop floor. Our technical competitions, originally limited to Japan, became globalized full-scale as “All Komatsu Technology Olympics” in 2004 by including overseas manufacturing subsidiaries. Staging this kind of technical competition will act as a great motivation catalysis for employees entrusted with *Monozukuri*, making them work harder on the shop floor to improve their technical skills.

In the past, the Product Support Division used to send Japanese expats to train the service engineers of our overseas distributors. Against the background of a growing number of our equipment delivered to customers around the world, however, dispatching Japanese expats to local distributors to train people is not efficient enough to keep up with expanding sales. We were faced with the question of how many qualified service engineers we could train worldwide. In response, we have come up with different approaches to training human resources for product support in different countries.

The Komatsu Human Resource Development Center in the Philippines, for example, offers mechanics training courses for university graduates, and in China, an effort is underway to provide service training courses in cooperation with Shandong University. Developing human resources in our Strategic Markets will not only strengthen our service capabilities for end-customers, but will also address the issue of contributing to local communities.

— Is it correct to say that you believe that by developing human resources you can contribute to the local community?

Hioki: Komatsu’s overseas business depends on the support we get from the local community. Providing people the opportunity to receive training at Komatsu facilities or to work at our local companies does not only represent a contribution to the local community, but also translates into the development of human resources available to Komatsu. Even if an individual trained by Komatsu decides to join another company, we do not consider this a loss because it will still benefit his/her community.

Komatsu thinks that faithfully dedicating ourselves to our core business is what CSR activities are all about. I believe we are able to fulfill our corporate social responsibility by pursuing our business activities, and that includes human resource development and contributing to local community.



Competing in the assembly event of the “All Komatsu Technology Olympics”



Young trainees from the local community enrolled in the apprentice school established by Komatsu Cummins Chile Ltda.

— Please elaborate on The KOMATSU Way.

Hioki: The KOMATSU Way refers to the values, attitudes and patterns of behavior that support our operations. The KOMATSU Way was built up by our forerunners at Komatsu, and we want to maintain it globally and through our next generations. We want to share these Komatsu spirits with employees all over the world.

In the top management chapter of The KOMATSU Way, top management is required to explain about business results and status quo of the company to employees at least twice a year. This does not only apply to the presidents of Japanese operations, but the presidents of Group companies overseas. Because the top management itself has taken the leadership in practicing The KOMATSU Way, this principle has also permeated every workplace of Komatsu.

The KOMATSU Way should not be forced on anyone. Instead, employees are encouraged to digest and understand it, and practice whatever they think is reasonable. This is based on the premise that the individuality of employees must be respected.

Sharing The KOMATSU Way will help employees experience a sense of belonging and encourage them to stay with the same company all their working life. The KOMATSU Way also yields a variety of positive effects overseas. For example, the number of employees who have worked for Komatsu for a long time is increasing, and we are seeing more national employees who should shoulder management tasks in the future.

I believe that an important element essential to retain employees at Komatsu for a long time and to develop their career there is to make them feel that having joined Komatsu was a positive move and worthwhile for them. This is what I call “a company worthy of spending one’s prime lifetime with”.

There are three elements that make up this feeling. The first is the creation of a safe and comfortable work environment, where people are held in high esteem; the second is to provide people with a fair opportunity to take up new challenges, and the third is to compensate people properly for their efforts. Having these three elements neatly in place is important for employees, I think.