



## Dialogue 03



# Diversity Cultivating Innovation

Many of MARUI GROUP's employees have experienced various professions. As these employees undergo successive relocations among Group companies, MARUI GROUP moves closer to becoming a "multi-career" organization in which diverse work experiences are made available within a single conglomerate.

This is one of MARUI GROUP's approaches toward promoting diversity, the aim of which is to bring greater joy to customers. Innovation expert Akie Iriyama was invited to discuss MARUI GROUP's view of diversity with External Director Etsuko Okajima and President Hiroshi Aoi.

**Etsuko Okajima**

External Director  
MARUI GROUP CO., LTD.



**Akie Iriyama**

Associate Professor  
Graduate School of Business and Finance  
Waseda University



**Hiroshi Aoi**

President and Representative Director  
Representative Executive Officer  
MARUI GROUP CO., LTD.



### Diversity and Profession Changes for Breaking Away from Identity Formed by Past Successes

**Aoi:** I would like to explain the background that led to our decision to promote diversity and workplace inclusion. Over the period from the late 1980s to the collapse of Japan's bubble economy, MARUI GROUP found its business to be a perfect match for the operating environment, and we were thus able to accrue massive success over a short period of time. After the bubble collapsed, however, we suffered a period of extreme stagnancy. Our past successes had solidified the concepts of younger generations, fashion, and credit cards as aspects of MARUI GROUP's identity, and we thus found ourselves unable to break away from this identity to create new innovation. We had around 30 stores at that time. By undertaking a drastic transformation in our business model, we had been successful in changing the lineups and customer service approach of sundry item sales floors in areas relatively close to entrances. For some reason, however, we were unable to make similar changes to the menswear, children's clothing, and sporting goods sales floors on upper levels of stores. Upon examining this inability, we realized that the sales floors in which we failed to implement changes were also dealing in items that we saw as areas of strength for MARUI GROUP, areas to which sales representatives had devoted themselves for decades. Sundry item sales floors, meanwhile, were where new employees were positioned, meaning the staff of these sales floors changed frequently. We thus had to realize that working in the same place for a long time can cause one's past successes to become a part of their identity. If we were to introduce a system that allowed employees to move

between all sales floors with the same conditions, the organization should become a more fertile ground for innovation. This thought was what led us to introduce the profession change system, which we see as contributing to workplace diversity.

**Okajima:** Five years have passed since the introduction of the profession change system, and, to date, 34% of the Group's employees have taken advantage of this system. When the system was first introduced, there were those who expressed concern that relocation to a new division, where they lacked experience or insight, would result in lower results on their performance evaluations.

**Aoi:** Employees were worried at first, some feeling as though the system was a rejection of their career up to that point. However, when people got used to the system, they began to see that their past experience would indeed be beneficial at new workplaces. When this realization spread, employees started to feel that they might be more likely to miss out on opportunities by not undergoing profession changes.

**Iriyama:** I assume that new workplaces are not chosen at random. Do you ever assign employees to posts that are drastically different from their previous position? Can you think of any examples of employees undergoing such drastic position changes?

**Aoi:** Recently, we reallocated the responsibilities of two managing executive officers. One was responsible for retailing operations while the other handled finance operations. These roles were reversed.

**Iriyama:** That was a very bold decision. A swap in positions between individuals respectively responsible for retailing and credit cards is an intriguing development. I have no doubt that it will prove beneficial.

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Akie Iriyama





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**Etsuko Okajima**

### Innovation Created Through Combinations of Knowledge

**Iriyama:** A diverse range of employees is vital to innovation as doing something new is the essence of innovation. New innovations and ideas are created through combinations of knowledge. In other words, fresh combinations of knowledge that had previously been seen as unrelated give rise to new ideas. Moreover, there is a limit to a range of things that one person can perceive. If one works in the same industry, or in the same place, decade after decade, they will start to lose sight of things unrelated to their position, and no new combinations of knowledge will be born. Making new combinations requires that individuals seek out fresh knowledge in areas removed from the familiar. The fastest way to facilitate new combinations is to assemble individuals with differing insight, experience, and values within a single organization. Another consideration is the diversity of individual talents, or intrapersonal diversity. Looking at Ms. Okajima and myself, for example, we can both, essentially, be seen as contributing to diversity because putting us together will result in new combinations of knowledge. Similarly, if one person has a diverse career background consisting of multiple different positions, that person can produce new combinations of knowledge on their own. In this manner, I understand the goal of promoting diversity as facilitating innovation.

**Okajima:** In the same vein as what you said, MARUI GROUP's profession change system is an important means of increasing intrapersonal diversity. This system has expanded the range of subjects on which the Company's employees are versed, which proves beneficial when engaging in co-creation with customers.

**Aoi:** I thought the same thing four years ago, when we joined hands with Ms. Okajima and stepped up our efforts to promote diversity by empowering female employees. Gender diversity is, of course, important. However, I felt that there was a need to look further into this subject in order to help individuals develop varied careers and viewpoints to facilitate innovation. When I explained this

to Ms. Okajima, she stated that what I spoke of was "the diversity of individual talents." Accordingly, MARUI GROUP is currently promoting diversity in terms of employee gender, age, and individual talents.

**Iriyama:** Intrapersonal diversity brings with it additional benefits. When a person with a diverse career background becomes receptive toward the diversity of others in light of their own diverse background, they will become more inclusive. At the same time, prosocial motivation makes it easier to adopt other viewpoints, which in turn contributes to increased creativity.

**Aoi:** Given the fact that our business operates in the retailing and service industries, a lot of our employees are very social. Moreover, many of them find motivation in bringing joy to others and are gifted with a strong sense of empathy and a proficiency in understanding others. For this reason, they are compelled to place the customer's feelings before their own.

**Okajima:** The idea of cooperating with and considering the feelings of customers are common sentiments held by everyone at MARUI GROUP. Bearing similar sentiments, higher ranked employees are committed to supporting younger employees who are ambitious toward forming their plans and endorsing ideas that are beneficial to customers. This receptiveness and ability to think of others that is present in MARUI GROUP employees is a result of customers being positioned as the point of origin for the Company's entire business.

**Aoi:** Utilizing the sensibilities and ideas of younger employees requires that the Company feature a diverse range of age groups. If we are to help younger employees excel at the forefront of operations, the members of management who used to stand above them and issue orders will have to sit back in a more supporting role for these employees. I was initially concerned about whether or not this role reversal would be successful. However, as Ms. Okajima said, those of us at MARUI GROUP have always been devoted to cultivating people and are therefore happy to play a supportive role. The transition was smooth as a result.



**Okajima:** Even if one's position or role is reversed, people at MARUI GROUP seem to have no problem accepting their new role as their mission. I think this stems from the principle of and desire to serve the customer, which is so entrenched within the organization.

### Active Mission Rather Than Passive Business Model

**Okajima:** The interesting thing about MARUI GROUP employees is how they view their position as less a job and more of a membership. What I mean to say is that, rather than seeing themselves as engaged in the "job" of fashion or of sales, employees at MARUI GROUP want to work at the Company and provide value to customers, making them feel affiliated with MARUI GROUP as members. At the moment, the amount of floor space at Marui stores devoted to fashion has been reduced to less than 30%. Regardless, we have not seen any employees leave their position because they were committed to working in fashion.

**Aoi:** Changing a business model is something that can be done with a little effort. However, as it is people who utilize this business model to create value, this change will be pointless if we cannot get people behind it. At the time when we were still clinging to a sense of identity formed by past successes, there were many people who joined MARUI GROUP out of a love of fashion. Still, I have heard stories of such people reflecting on why they joined finding that, while fashion was the initial reason, their source of motivation later became the memory of a "thank you" received from a certain customer they served or the bouquet they received when undergoing relocation. These sentiments are fueled by a desire to help customers or to tackle challenges in order to become more capable at serving. Discussion on these subjects brought us to the business model we have today.

**Iriyama:** In management theory, we speak of the concept of sensemaking, which is the process of giving meaning to experiences. One method of sensemaking is formulating a long-term vision to clearly define the purpose of the company, crafting a narrative around this vision that gives meaning to all employees. Without this type of sensemaking, people will not be motivated to change or act. My understanding is that, when reexamining what exactly it is that MARUI GROUP offers, the Company glimpsed a long-term vision. This vision showed that the Company need not limit itself to fashion. MARUI GROUP is not defined by retailing or fashion or credit cards, but rather by its ability to bring joy to customers—not by a

passive business model but by an active vision. While the business model, represented by retailing or fashion or credit cards, may change, the mission of bringing joy to customers will remain unchanged.

**Aoi:** I am often asked whether MARUI GROUP is a retail company or a finance company. This question is so common that we chose to answer it on the cover of *Co-Creation Management Report 2017*. The answer is "both." Today, we do not see ourselves as being bound by a business model.

**Okajima:** The graduates that will join the Company in the future will likely only be aware of a limited range of positions. By allowing these individuals to experience various jobs and positions, they may, for example, discover that they have a love of finance.

**Iriyama:** What you are saying is that MARUI GROUP is a company that seeks to make its customers smile. It doesn't matter what industry it operates in or what products it handles. This is why you were able to enter into the anime business.

**Aoi:** When viewed from the outside, our profession change system may seem like it entails relocations that are tantamount to moving to a completely different company. However, this system is more designed as a program to allow employees to experience various jobs while remaining in the safety net provided by being a Group employee. By enabling employees to experience a diverse range of positions while enjoying the changes this brings, we aim to stimulate growth, in both people and the Company, so that we can become more proficient at making customers smile.

### Akie Iriyama

Associate Professor  
Graduate School of Business and Finance  
Waseda University

Akie Iriyama graduated from the Faculty of Economics at Keio University and then went on to complete a master's course in the Graduate School of Economics at the same university. After working as a consultant to automobile manufacturers and domestic and overseas governance institutions at Mitsubishi Research Institute, Inc., he received a Ph.D. from the graduate business school of the University of Pittsburgh, in the United States, in 2008, which was also the year he began serving as an assistant professor at the business school of the State University of New York at Buffalo. In 2013, Mr. Iriyama became an associate professor at the Graduate School of Business and Finance at Waseda University, specializing in strategic management and international business. Published in 2012 by Eiji Press Inc., his work *Sekai no Keieigakusha wa Ima Nani wo Kangaeteirunoka* ("What are the Manage Theorists of the World Thinking?") became a best seller. Mr. Iriyama is also active in other forms of media, including the DIAMOND Harvard Business Review, which publishes a long-running series of articles entitled *Sekai Hyojun no Keiei Riron* ("World-Standard Management Theory").