

DE&I Roundtable

Embedding DE&I to Lay the Groundwork to Successfully Shift Resources to Growth Businesses

In the Aero Engine, Space & Defense Business Area (the “Aero Area”), a driver of the Group’s growth, we plan to deploy internal and external resources on a large-scale in the civil aero-engine, defense, and space businesses. A cultural shift in the organization around the integration of diversity, equity, and inclusion (DE&I) is all the more essential for the investment in the Growth Businesses to bear fruits, given that we need to attract diverse talent to engage in it.

Four people (two managers in the Aero Area, a manager in charge of HR for the Aero Area, and the head of the DE&I group in the Human Resources Division) have discussed challenges and expectations around our organizational culture, focusing on DE&I, ahead of welcoming new joiners in the future.

Integration and challenges of DE&I in the Aero Area

- Noda** I am the DE&I Group leader at the Human Resources Division overseeing the entire Group. The DE&I Group is responsible for planning and implementing IHI Group-wide HR measures to promote DE&I. Our civil aero-engine, defense, and space businesses are Growth Businesses with the planned large-scale future deployment of resources. Given this, a shift in their organizational culture is required so that diverse talents deployed there can play active roles. In this roundtable meeting, two leaders in the Aero Area will discuss with two HR managers about shifting resources to Growth Businesses and embedding DE&I. Please introduce yourself and tell me what changes you have noticed happening in your workplace lately.
- Ishihara** I joined IHI in 2003 as a new graduate. I worked as a production technology engineer at the Tanashi, Soma, Kure, and Aero Area works. I have been in a managerial role since 2015. I was the first female engineer in the Aero Area works to be appointed to a managerial position. From a gender perspective, I have always been in the minority since I joined IHI. DE&I became one of IHI’s priority measures in FY2024, which I think is a significant change that took place recently. In addition, I often receive positive feedback about the activities of the Gender Gap Elimination Working Group, the members of which are engaged in an internal side job system. The situation around DE&I has changed rapidly in recent years.

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Atsushi Noda [facilitator]

Human Resources Division
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- **Hiruma** I joined IHI mid-career one and a half years ago. Before that, I worked for an automaker. I manage a technical team involved in an aircraft electrification project. Our mission is to create new businesses using new ideas and technologies. I see DE&I as an important part of culture because it enables us to incorporate in our work ways of thinking that didn't exist in the IHI Group before.
- **Funami** I joined IHI in 2004 as a new graduate and have been building a career in the HR field since then. I started at the Labor Section of Aioi Works and was later reassigned to the Human Resources Division. I had the opportunity to be involved in promoting women's active participation. My responsibilities included considering opening nurseries at factories. After that, I was engaged in HR operations for group companies and overseas subsidiaries. In 2022, I became a manager responsible for the HR function of the Aero Area. Because the Aero Area has been growing, our plan is to strategically acquire hundreds of diverse people internally and externally. The Human Resources Division has a major mission of welcoming diverse people to produce positive results.
- **Noda** The diversity promotion team was set up in the Human Resources Division. The team became an independent group and was realigned into the DE&I Group with the addition of equity and inclusion elements. When we looked at diversity alone, we saw women's active participation as an issue solely for women themselves. Similarly, when we held training for foreign employees, we invited only them to attend it, providing opportunities to learn about Japanese organizational culture and the like. The idea at that time was probably helping a minority group adapt to the majority's ways of doing things. But I have come to realize that the essence of inclusion is to encourage the majority to change, not the minority. Nowadays, we ask their supervisors and colleagues

to attend such training sessions. By doing so, the participants have realized that promoting DE&I concerns not only minority groups, but everyone, requiring everybody to think together and adapt their behavior.

- **Ishihara** We once held a presentation on unconscious bias to deepen awareness of diversity. Many employees understood the concept, but not how they should act. This left them feeling unsure. Lately, the awareness that the matter concerns everyone is rising. Accordingly, higher engagement has become a priority among works' measures. I am encouraged by this growing momentum in DE&I promotion.
- **Noda** Mr. Hiruma has been with us for one and a half years, joining IHI mid-career. What are your thoughts about diversity and inclusion at the IHI Group?
- **Hiruma** DE&I has taken root to some extent at my workplace. Our team deals with new technologies and therefore includes many members who joined IHI from other companies, and have diverse backgrounds. We require the thinking of inclusion as we need to combine aircraft and various other technologies. On the other hand, there is a lot of implicit understanding in our organizational culture, with rules and targets often not clarified. Compared to the automaker I worked with before, where responsibilities lie also seems unclear. I think organizations that clarify targets and each employee's output toward them are more compatible with DE&I.
- **Funami** People hired as new graduates working in the same environment tend to read between the lines and pick up subtle cues. Even within IHI, the Aero Area has a unique culture that people from other divisions sense. The Aero Areas' highly confidential business nature has tended to attract similar people. I'm aware that this poses a challenge for the Human Resources Division in organizational development.

- **Hiruma** Strict confidentiality is not the only reason for the homogeneity among people in aircraft development. I think a tendency to concentrate authority in the hands of certain people is another reason. The auto industry requires a combination of various technologies to complete products. Meanwhile, cutting-edge technologies that only a small number of people can master are critical in the aviation industry. I suspect this has created a situation where the culture of a small team linked to those technologies has dominated the entire organization. I think the industry will enter a phase that requires the combination of various technologies. For instance, the electrification of aircraft requires both aircraft and electric vehicle technologies. Superior technologies are no longer the only element that makes business feasible. Combining various technologies is becoming increasingly important. Product development needs a workplace where people with various backgrounds can play active roles. This means that the ideal organizational culture will also change.



- **Funami** The homogeneity in the development function Mr. Hiruma mentioned seems to be directly reflected in homogeneity across the organization. In fact, the Aero Area, up until now, has had a top-down culture. In addition, in the business environment, our mission was to respond to the requests of public sector agencies. The business environment has changed, and we are required to act proactively, not passively. The Aero Area has become complex lately and requires close coordination with foreign companies. We cannot compete using only the existing ways of doing business.
- **Hiruma** I hope that the influx of new human resources on a large scale will prompt the Aero Area to review its unwritten rules and foster an organizational culture based on clearly stipulated rules.

Meanwhile, I think there is a risk that only people who can adapt to a unique culture will stay and those who cannot will be eliminated. I think we need company-wide support to avoid this risk, instead of leaving the task to the workplace.

- **Funami** The HR team for the Aero Area is also aware of Mr. Hiruma's point. We will take measures to enable diverse people to play active roles, focusing on DE&I and psychological safety. The management team has made a request around mid-career recruitment to hire people who will bring in changes. However, I think managers interviewing job candidates tend to hire people who are similar to themselves and easy to manage. We will consider this point as we seek to hire and retain people who can transform the organization.



- **Ishihara** My direct supervisor has experience serving as president of an affiliated company and, while managing the company, being involved in industry-academia-government exchanges across the same and different industries, including startups. The supervisor's approach is different from that of those who have built careers within the Aero Area, which I think has brought about a positive change in the organizational culture. My supervisor expects me to find solutions from perspectives that are different from before. This is inspiring. I have been reminded that this kind of cross-organizational personnel transfer is very important.
- **Funami** The management team is strongly aware of the need for a shift in organizational culture, actively rotating people within the Aero Area including executives. Personnel are moving dynamically for future business expansion, from which I sense a strong will to cause discontinuous transformation. We will aim to create an organization that will not be controlled by implicit understandings.

- **Noda** The IHI Group positions 2024 as the starting year of DE&I. I assume that each organization has different priorities between diversity (D), equity (E), and inclusion (I). What do you think?



- **Hiruma** I see DE&I as a means to achieve objectives. If it is considered a means, each organization would have different ways of utilizing diversity. I think there aren't enough discussions ongoing on what kinds of diversity are needed at each workplace. For example, homogeneity and uniformity may be more important than diversity for efficient assembly-line operations at works. On the other hand, diversity in experience matters when it comes to creating new things. I would like to deepen discussions at each workplace as to what kinds of diversity it requires, including in what ways diversity can bring positive effects and what are the effects of diversity in gender and nationality.
- **Ishihara** I think DE&I can be an objective. As far as I am concerned it may be a good idea to introduce a quota system* in DE&I's transitional period. Supervisors and managers often have difficulty recognizing DE&I as essential just by acquiring knowledge through unconscious bias training. It is said that at least 30% of people involved in decision-making must be women in order to really have a sense of the benefits of diversity. I'm aware that some people speak about cases of reverse discrimination, but I think such voices will disappear once DE&I has taken root and yielded positive outcomes. We need to quickly raise it to a certain level. If we set DE&I targets for works, one of them would be to create a workplace that allows bottom-up decision-making. An environment of

thoroughly listening to the voices of people working on the shop floor is an essential element of DE&I. Due to the nature of the factory environment, the opinions of managers and team leaders tend to be more likely to reach high-ranking officers. I think people who are not managers or forepersons also have opinions and are voicing them to some extent. But their voices are less likely to be heard. This situation risks those in high-ranking positions believing that rank-and-file workers don't have opinions. I hope that the integration of DE&I perspectives will lead to an environment where everyone can freely voice their opinions and be heard.

*A system for maintaining the ratio of a certain group of people above a certain level for the purpose of promoting social participation by that group



- **Noda** DE&I can be both an objective and a means at the same time. The Human Resources Division is also conscious of addressing DE&I as both an objective and a means of meeting the capital market's expectations and adapting to society. When we see DE&I as an objective from a business management perspective, creating an environment where diverse people can play active roles can lead to a lower cost for acquiring human capital. That is because, from workers' viewpoints, an environment that makes it easier for minorities to work also provides ease of working for all employees, and some job seekers would prefer an environment that allows diverse people to thrive, considering their own well-being. When we address DE&I as a means from a management perspective, DE&I initiatives would be effective in laying the groundwork for fostering innovation and adding approaches for solving issues. It's important that we take DE&I actions according to the situation of each organization.

For attracting and retaining resources on a large scale

- **Noda** In FY2024, the Aero Area plans to recruit around 300 people as additional resources. Are you considering educating middle management in the Aero Area so that they can accept diverse people and let them thrive?
- **Funami** I think it would be effective to provide the education program we used when our nuclear energy business unit hired a large number of people. The program teaches methods of regular communication after new people have joined, among other things. I think we should monitor new joiners for an initial period to make sure that they settle in.

Careful follow-ups are needed for people internally reassigned to a different organizational unit in IHI as they are engaged in operations they have no experience with. Based on the belief that acquiring basic knowledge about the Aero Area will enable smooth communication in the workplace, we have launched quarterly training for new joiners to learn basics.

- **Noda** Only a little while ago, people tended to think whether a reassigned person could settle in the new environment was up to the person. The attitude and culture of the receiving unit will matter more in the future. In the Human Resources Division, the proportions of people in major posts who joined IHI mid-career and those who were transferred from business divisions are rising. Cases of sticking to old practices are definitely declining. With the addition of many mid-career hires, the Aero Area is likely to become an exciting workplace. New skills will be required of managers to unite their diverse teams. Ms. Ishihara has been in the minority, serving as the first female manager in Aero Area's production technology unit. When we recruit many human resources in the future, you will be in the majority, won't you?
- **Ishihara** Yes, that's right. I am aware that I am in the majority in the sense that I am an engineer who has been in the Aero Area all along. As a woman, I know the difficulty of voicing opinions and being heard properly as a minority. Based on this experience, I would like to create a workplace where new joiners can easily speak up. Nowadays, words such as engagement and psychological safety are used daily. That is a big change. I'd like to change the organizational culture, too.
- **Hiruma** I would like to spread the idea of equity more so that diverse people can take active roles. Equity, as I understand it, is about establishing an environment that makes it easier for those who have particular time pressures, such as those raising children, to work easily with the understanding of the people around them. For example, it is sometimes necessary to ask them to participate remotely in a project when they

have time instead of forcing them to attend face-to-face meetings. Generally speaking, this type of arrangement is likely to invite criticism, partly because Japanese organizational culture tends to prioritize harmony. But if we need their ability and technology to achieve project goals, we cannot afford the criticism. Having said that, the precondition for this is that the team sets clear goals and each member takes responsibility for their output, sharing it within the team.

- **Noda** I understand that it is not easy to ensure equity without clarifying goals and expected output. Without that clarified, the members may be evaluated based on their working hours, not their performance. It can be said that DE&I will not take root unless we gradually eliminate vague high-context culture.
- **Hiruma** I think IHI Group has many people who cannot assert themselves proactively and don't speak up much. To bring out the potential of such people to the maximum, managers must improve their communication skills. Some managers are good at eliciting the opinions of their team members, but improving the communication skills of all managers would be effective in maximizing organizational strength. Japanese women tend to be modest partly due to their cultural background; I am afraid that women's active participation will not progress unless we help them break out of their shells.
- **Ishihara** We had a case where a female employee with three children was assigned to a post in the U.S., accompanied by her family, and she is thriving. Supervisors tend to think that a woman raising three children would not wish to be posted overseas. They should ask the candidate if she has the aptitude and skills for that. I feel that there may have been potential cases like this posting which may have become a reality if supervisors had asked.
- **Funami** Group Management Policies positions the Aero Area as a Growth Businesses. As a person in charge of HR, I feel it is a shame if we can not provide an environment that enables the people working there to thrive. We will establish an environment that enables the business, organization, and people to grow and thrive, from the perspective of DE&I.
- **Noda** Thank you for the honest opinions. They were very helpful. They have made me keenly aware of the challenges we have, including fostering a feeling of involvement for those in the majority, eliminating vague high-context culture, clarifying individual goals, removing homogeneity, and designing a system for women's active participation (quota system). Issues we need to solve are not limited to these. We have nevertheless made big progress in that all organizational units have deepened discussions as to what DE&I means for them. Let's keep working for the IHI Group's agile evolution.