



TSEDAL NEELEY

Language and Globalization: "Englishnization" at Rakuten (A)

Our goal is not becoming No. 1 in Japan but becoming the No. 1 Internet services company in the world. By 2050, Japanese GDP as a portion of global GDP will shrink from 12% in 2006 to 3%. As we consider the future potential growth of the Japanese market and our company, global implementation is not a nice-to-have but a must-do.

– Hiroshi Mikitani, Chairman and CEO, Rakuten Group

With less than a year to go before his self-imposed deadline of migrating to the exclusive use of English at Rakuten, Japan's largest online retailer, CEO Hiroshi Mikitani (HBS '93) found himself seated outside Paris at the May 2011 e-G8 summit¹. Seated alongside Internet, political, and business luminaries, Mikitani was among those shaping technology's future agenda. But his future, his company's future, was closing in on him. In a matter of days he would announce his acquisition of Ikeda in Brazil, marking another step in his company's global ascent. And in a matter of months, he would evaluate its most critical stride toward becoming the world's No. 1 Internet services company: the transition of his 7,100 Tokyo employees from their native Japanese to *English*, the global language of business. The future of his company lay in the success of his boldest step yet.

Mikitani's vision rested with his Japanese employees, who had fifteen months to respond to his controversial two-year English proficiency mandate at the risk of being demoted. Yet the vast majority had not yet reached their target proficiency scores. He needed to decide how to proceed in the few months that remain before the deadline. In his mind, the future of Rakuten and Japan depended on the mandate he issued fifteen months earlier: Englishnization.

Speed!! Speed!! Speed!!

Fifteen months earlier, Mikitani stepped to the podium before his 7,100 employees at the Tokyo headquarters of Rakuten. Managers in the overseas operations listened remotely. It was Monday, March 1, 2010, and Mikitani addressed his employees—not in Japanese as he *always* did, but for the first time in English—to announce his decision to mandate a new company language. Mikitani pronounced in front of his Japanese workforce:

For the first time in the entire history of Rakuten, we held today's executive meeting in English. Many executives struggled quite a bit, but we managed to get through the entire agenda.... Our goal is to catch up with the global market. To step up to this challenge we must

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try to change our language gradually from Japanese to English. This is going to be a long-term effort for us. Starting this month, my own speech will simply be in English.

As Mikitani stepped down from the podium, he believed that it was critical for his company and Japan to fully migrate to English in order to globalize. Although only an estimated 10% of Rakuten's staff could function in English, his rapid and aggressive global expansion plans gave him little choice but to ask his workforce to relinquish their reliance on communicating exclusively in their own language.

By the next morning, Japanese language cafeteria menus were gone, replaced with their English equivalents. English replaced Japanese floor directories in Rakuten elevators. By April 1, 2012, two years from the first all-English meeting, Rakuten employees had to score above 650 on the 990-point Test of English for International Communication (TOEIC)² or face the consequences: "We will demote people who really do not try hard. We will monitor their progress and their test scores, and I will get reports from all the managers about employee progress." Every month thereafter, division heads would report the average TOEIC scores of their employees relative to the desired target. One of Rakuten's most critical principles, "Speed!! Speed!! Speed!!" was in action. Englishnization had begun full force.

Rakuten

After completing college in Japan, Mikitani joined the Industrial Bank of Japan (IBJ) in 1988, attracted to its traditional mission of helping build Japan's heavy industries. This sense of purpose remained a *leitmotif* in Mikitani's career choices. While at IBJ, Mikitani worked aggressively on his English to prepare for his studies at the Harvard Business School. He earned his MBA in 1993 and worked two and a half additional years at IBJ before striking out on his own to realize his vision of entrepreneurship and creating an online mall (e-mall) on the emerging Internet platform.

"B2B2C" Business Model

Together with Shinnosuke Honjo, Mikitani founded Rakuten in 1997 after briefly running Crimson Group, a consulting firm he founded in 1996. Mikitani launched Rakuten Ichiba (Rakuten "marketplace" in Japanese) services in June 1997 and adopted the name as its corporate title a couple of years later as the online business grew. Rakuten's core e-commerce business operated a "B2B2C" model where retailers, product manufacturers, and other service providers built online storefronts on Rakuten Ichiba. For example, major consumer electronics retailers sold Sony, NEC, Nintendo, Panasonic or Hitachi branded items to subscribers on Rakuten Ichiba. In turn, Rakuten Ichiba generated revenues from such merchants (retailers) in three primary ways: fixed monthly fees, sales of advertising and other services, and a percentage of gross merchandise sales from its online shopping channel. As the intermediary between sellers and buyers, Rakuten did not take on inventory for the vast majority of its business (books and media were the only exception). Rakuten competed with Amazon.com, Yahoo Japan and other online shopping marketplaces. The company raised JPY50 billion (\$469 million) in its April 2000 IPO, and by the end of 2010 employed over 7,100 people, having raised an additional JPY230 billion (\$2 billion) with four subsequent equity offerings.

Conglomerate

During the five-year period between 2005 and 2010, Rakuten Group became a conglomerate with rapid growth in transaction volume, sales, and operating profits (see **Exhibit 1** for financials). In 2010, Rakuten Ichiba was considered Japan's largest online shopping mall with 80 million SKUs (stock keeping units), i.e. products, from over 37,000 merchants and upwards of 10 million unique

purchases from their subscribing consumers at least once per quarter. By 2011, the company operated through nine business units comprising a total of some 30 different businesses aggregated into the E-Commerce business segment (e.g., Internet shopping sites, or "e-malls"); Travel (e.g., online hotel reservations); Portal and Media (e.g., blog sites and Web research); E-Money, Securities, and Banking (e.g., mobile financial transactions); Telecommunications (e.g., IP telephone services); Credit and Payment (e.g., credit cards and loans); and even Professional Sport (i.e., running a professional Japanese baseball organization). Within a little over a decade, Mikitani had dominated the Japanese market, and was intent on going global.

Globalization

Mikitani was convinced that expanding globally was the only way to sustain that level of growth. Englishnization served as the foundation for that desired global expansion, as fast and direct communication was the only way to integrate his business across multiple nations and insert his company effectively in non-Japanese markets.

Beginning in 2008, Mikitani had taken his first step into international waters, partnering with local firms in Taiwan and Thailand. He introduced e-malls locally before expanding more broadly into Asia, Europe and the U.S. In 2010, Rakuten partnered with search engine and Web portal Baidu to launch a new e-mall in China. Rakuten then purchased French online retail firm PriceMinister.com and U.S. online retailer Buy.com to enter Western Europe and North America. Mikitani's goal was to deploy operations in 27 countries and raise the overseas portion in the gross transaction volume amount to 70%. By the end of 2010, Rakuten's reach extended to Guam, Korea, Luxembourg, Taiwan, Thailand, the U.K. and the U.S. through acquisitions and joint ventures.

Overall, FY10 results had been very strong. "Our efforts to strengthen the potential of the Rakuten Eco-System," Mikitani explained, "as an integrated source of Internet-based services was reflected in further growth, especially in the E-Commerce Business and Travel Business segments."³ By 2011, Mikitani was proud to say that in Japan Rakuten was "number one in e-commerce, number one in travel, number one in banking and number one in brokerage. We are really the aggregation of all sorts of Internet services with the same brand name, the same points program, and we've created a unique, very dependable and competitive business model as a group in Japan." But to continue the move from being a Japanese company to a global one would take much more.

For the Love of Country

Mikitani grew up well aware of the world beyond Japan. His father, an economics scholar, was among the first Japanese academics to study at three major universities (Stanford University, Harvard University, and Yale University respectively) in the U.S. following World War II. His mother spent several years in New York as a child. Mikitani lived in Connecticut between the ages of seven and nine while his father was a visiting scholar at Yale University, garnering English language fluency and exposure to American culture. Back in Japan, the Mikitani family regularly hosted foreign luminaries from the world of economics. Mikitani's international exposure brought him both closer to, and further from, mainstream Japan. Having turned 46 in 2011, changing Rakuten and Japan was his ultimate goal:

What I dislike about Japan is the mentality that, as an "island country," information is protected and the media try to control everything. We need to make sure that all Japanese people are able to understand what's happening outside of Japan. Of course business is very important, but I am not running the company for money. I want to change Japan; I want to

change society. I just feel that this is my responsibility. I have a very strong global aspiration. I am really uncomfortable looking at the conservative customs and system of Japan, so I want to change it. I'm a businessman, so I can only change this through business.

Englishnization is critical—not important, but critical. Japanese global companies are all product-driven like Toyota, Panasonic, and Sony, but the industry is changing; you cannot just export the hardware and make money any more. You need to develop a global organization or your company will be dead in 10 years.

Language versus Cultural Barriers

Mikitani's message to his employees was that working in English offered a means to dismantle cultural and linguistic barriers. Mikitani recalled the origins of Englishnization, a term he created:

I had been thinking about how we can become a global company. There was a huge language barrier between the Tokyo head office and our subsidiaries outside Japan. We had hired Indian and Chinese university graduates and found that they could learn a language extremely fast. Despite spending 2,500 to 3,000 hours between junior high school and university graduation on English, few Japanese students can speak it well. That's really, really bad. So I thought if Japanese people really work hard, intensively, for probably another 500 to 1,000 hours, it should not be too difficult. One day the idea just struck me: 'Why don't we try communicating just in English?' It's an entrepreneur kind of thing: you come up with an idea one day and suddenly you jump off the cliff with it. Without any preparation I told my executives that I want to do it at our next Monday morning meeting.

Mikitani wanted to change organizational culture through cross-border communication. "He wants staff to understand that they can break down all boundaries and barriers by using English, a language with very few markers of underlying power relationships. There is a power dynamic in the Japanese language that is immediately apparent," Kyle Yee, who headed the initiative's implementation, explained:

One of the first gambits in a conversation is to ascertain the power relationship at issue. First you have to clearly imply your age in a conversation; second, you voice your academic background or your bloodline, and because of that, the language in Japanese then shifts toward that relationship. This is very apparent to Japanese people; they are very conscious of it at all times. Moreover, Japanese business is characterized by a very, very strong hierarchical structure that is obvious in the language that is used.

Depending on the relationship at hand, a statement in Japanese could be interpreted differently from the English equivalent. Jonathan Levine, who shared responsibility for Rakuten's global information systems in New York, explained: "In Japan if you want someone to do something, you say, 'It would be good if X happened.' What they hear is, 'Go do X.' In New York, someone who heard the same thing would likely just agree that, 'Yeah, that would be really nice,' and that would be the end of it."

Mikitani opined about his overall vision for Japan:

Rakuten's mission is to be the role model for a new Japan. Englishnization is a way to do that because the Japanese language is a barrier to information that comes from outside Japan and to a more objective view of the world. Changing Rakuten's language from Japanese to English is the only way we can force our employees to be exposed to English while they remain in Japan. I may be crazy, but I truly believe this.

English ONLY?!

Shock and Speculation

On the day that Mikitani announced the English language mandate, the room in Tokyo crackled with energy as the Rakuten workforce processed his words. As CFO Ken Takayama recalled: "It was amazing that Mikitani suddenly went to the podium and declared, 'I want English to become the official language of this company.' We are a Japanese company. We follow Japanese commercial code and Japanese accounting standards. Everything is written in Japanese. I felt like asking him, 'What is going on? What's going through your mind?'"

"I was simply astonished," said an engineer. "Many Rakuten employees are allergic to English and worry what they are to do." Summed up one expatriate manager in Japan, "In general the younger people are more excited about it. I have colleagues who don't have passports, and they are terrified. The foreign staff, which has been growing in recent years, is very excited about it." Jonathan Levine saw this as "a big change. It's kind of like when Zionists entered Israel and they insisted that everybody speak Hebrew."

One long-time Rakuten employee lamented, "Sometimes Mikitani launches an initiative and stops it just as suddenly. Therefore, some employees may have thought that Englishnization was another such initiative. That changed as soon as they heard that salary would be linked to TOEIC, because their English ability will now affect them directly. They were shocked."

Yee estimated that two-thirds of the employees struggled with the idea of Englishnization. Japan's 2009 Test of English as a Foreign Language (TOEFL) scores were the second worst in East Asia, below both North Korea and Myanmar. Only Laos ranked lower than Japan.⁴

Koichi Noda (HBS '93), who led Rakuten's corporate planning, asserted that, "Speaking English is very difficult for Japanese people. We cannot suddenly be asked to speak English in just a year and a half. We need more time. While Mikitani-san speaks only English in front of employees, not many employees behave like him." Some colleagues viewed speaking a new language as an exercise in perpetual humiliation. Conceded Mikitani: "I think that the biggest barrier for the Japanese is a kind of hesitation or 'loss of face' sentiment and trying to be 100% grammatically correct. So what I'm telling our guys is that our corporate standard language is not English, our corporate standard is poor English."

"Those who face the most difficult situation are senior members of the company, mostly in their 40s, who have specialty expertise," cautioned an HR staff member. "In order for them to keep their current rank, they need to improve their TOEIC scores by over 300 points. Those in their mid-40s or older tend to think that it would be too difficult to learn English at their age." "Most of my colleagues feel bitter about Englishnization," a finance specialist said. A developer observed, "Many disgruntled engineers who work very hard were confused about the English mandate. They knew that no matter how hard they worked they won't have a chance unless they spoke English. They feel demotivated. I have heard some say that English is a layoff tool that does not look like a layoff. I think they don't understand Mikitani's real intention, but it is true that there will be turnover. Employees who cannot speak English are feeling inferior. At meetings, they cannot articulate their opinions. I have seen opinions accepted just because they were couched in good English, not because the content of the opinion was great."

A minority were ebullient about the change that Mikitani announced – "I thought, 'Lucky me! I always wanted to study English.'" Others wondered why the decision had taken so long: "Finally! It

took some time to come to the decision." "What really surprised me wasn't Englishnization, it was how aggressively we are growing internationally, into 20 countries! I welcome Englishnization."

Native English Speakers

Native English-speaking managers at three U.S.-based e-commerce Rakuten companies overwhelmingly approved of the move. "It's great for us," said a manager, who saw "many more international career opportunities" resulting from the move. One senior director noted that he would "benefit greatly from being able to hear more Japanese voices." A managing director said that Englishnization was a "welcoming move for her team, one that will tear down barriers with Rakuten and allow us to fully draw on Rakuten's knowledge." A vice president for product development who expressed a stronger sense of connection to Rakuten was "excited and in disbelief at the increased transparency and meritocracy that would result [from Englishnization]." Rakuten's foreign operations felt embraced by their corporate parent.

Some English speakers expressed relief more than appreciation: "Thank God he picked my language!" said one vice president for client relations. Echoed a vice president for business development, "Thank God I don't have to do anything here." Yet another echoed, "I got that box checked." Many hoped that as Japanese speakers became more effective in English, lines of communication throughout the Group would become increasingly direct. "This will make a great sound bite for retaining clients," noted another, though Neel Grover, CEO of recently acquired Buy.com was adamant in expressing the key role the language mandate played: "My entire organization and I would have had a much tougher transition into the Rakuten family without the Englishnization initiative."

Some native English speakers were more sympathetic toward their Japanese colleagues, however, expressing "sympathy for the massive change and efforts" that they were making. Not all agreed: some native English speakers were already complaining about evening conference calls with Japanese colleagues who initiated more interactions with them.

Global Synergy

Top executives almost universally lauded Englishnization as allowing greater integration across subsidiaries in knowledge and personnel, while expanding their reach into global markets and local expertise. As Noda noted, "Thanks to the introduction of Englishnization, many managers from overseas subsidiaries are coming to Japan to learn about Rakuten's business. In addition, we could add Pierre Kosciusko-Morizet, CEO of PriceMinister, Neel Grover, CEO of Buy.com, and other overseas executives to our list of executive officers of Rakuten."

Grover further explained the practical impact of this information sharing: "We have enjoyed great success with our online TV show BuyTV and video segments for the last five years. It has helped manufacturers clearly and easily explain their new technologies online, helping us achieve our goal of delivering an in-store experience online and increasing conversion rates. From our learnings, recently Rakuten launched SuperTV on Ichiba. On the flip side, we are now incorporating many Rakuten Ichiba best practices including Seller Storefronts at Buy.com." Liane Dietrich, Managing Director of Linkshare UK, expressed her excitement, "Englishnization has torn down the walls of communication. My clients aren't only getting the benefit of insights hard fought from England; they're gaining the benefit of global knowledge, which is now at my fingertips."

PriceMinister's COO Pierre Krings felt indebted to Rakuten and Englishnization: "Rakuten has been able to convince PriceMinister staff that the way forward to superior growth is linked to the empowerment of merchants. We now have a completely different approach to merchants. Processes

and organizational skills, understanding of tools and business levers has been possible through intense day-to-day communication in English."

Global knowledge within the Rakuten Group had also made Rakuten a more nimble, global player according to executives. James Chen described how Rakuten was able to nab talent across the globe: "I found a great French programmer living in Bangkok who was just right for a job I had. I immediately contacted our Thailand site to interview him locally. This definitely wouldn't be possible if Rakuten wasn't pushing Englishnization for all groups that they acquire or grow."

Grover expressed the global dynamic, "We can more easily keep Japan-based executives aware of what is happening in the U.S. For example, one of our competitor's determination to break into the growing social buying market in the U.S. may shape the strategy in Japan. Firsthand, immediate and detailed knowledge is critical because we will be competing against them in many markets around the world."

The Media

News organizations around the globe picked up the Englishnization story instantly – over 100 articles appeared in leading sources like CNN, the *Financial Times*, *The Japan Times* and *The Wall Street Journal*. Corporate Japan reacted with both fascination and disdain. Honda CEO Takano Ito publicly asserted that, "It's stupid for a Japanese company to only use English in Japan when the workforce is mainly Japanese."⁵

Mikitani's response to criticism was consistent, "I don't react. I just ignore it. I am trying to make Rakuten a globally successful company. It's a good thing for employees – in both their professional and personal lives – because English will open up their vision to what's happening all over the world. I would like to open our eyes. I'm sure that other companies will regret [not switching to English] it. They will follow us if we become successful." Mikitani pointed to the decision by another globalizing Japanese firm, clothes retailer Uniqlo, to require English in internal meetings by 2012. He added, "I have noticed that English language schools are full these days, and not just with Rakuten employees."

Many within Rakuten viewed the external attention with enthusiasm. Head of media and advertising Tomoaki Hamano felt that Englishnization had rejuvenated the Rakuten brand: "Since buying the Golden Eagles baseball team seven years ago, Rakuten has not seen many dramatic events except some overseas acquisitions. Despite the fact that Rakuten tries to do new things continuously, that hasn't happened for several years. Englishnization has really helped restore that kind of image of the company, and the company is getting a lot of attention externally."

Implementation

Assessment

Englishnization was rolled out in three primary phases. Phase 1 consisted of assessment and measurement. Yee emphasized that Mikitani sought an academic, scientific approach to measuring English proficiency: a two-hour, 200 question TOEIC to assess employees' reading and listening comprehension for business English. Any employee scoring below their targeted TOEIC score was required to take a TOEIC computer adaptive test monthly. Some took the test three or four times per week.

Education

Phase 2 involved activities designed to foster English proficiency. From the first quarter of 2011, Yee began rolling out events to engage staff in English language education. However, because Japan had no tradition of adult continuing education, Yee did not push direct learning activities. He fostered a learning environment by inviting guest lecturers to discuss English, how to study English and how to become more involved in managing their own learning.

Proficiency

According to Yee, Phase 3 was aimed at encouraging staff to use their English: "People need to be able to communicate their ideas, present the logic of their argument and defend an argument. Japanese social dynamics discourage arguments among colleagues, so my goal is to get people using English to discuss broad questions to which no concrete answers exist." Yee also sat in on ordinary business meetings in order to monitor English proficiency, writing up an evaluation of each participant's efforts in a standard template and sending it to them (see **Exhibit 2** for Rakuten's audit template).

Ifs, Ands, and Buts

As the Englishnization initiative got underway, personal stress increased (see **Exhibit 3** for employee survey results a year following the launch of Englishnization).

Time Constraints

Finding the time to study English was a common challenge for Rakuten employees. As one employee noted, "Because the company requires us to put our work responsibilities before our English study, we just can't find time to study English even if we have the will to do so." For many employees, the answer was to reduce their nightly hours of sleep to make time for an hour of English study. "As the deadline approached, I am getting more and more negative," an Englishnization task force leader fretted. "Englishnization is good, but forcing employees to get TOEIC scores by the deadline may not be the answer. I do not like that I am forced to do something. Our regular work has kept us extremely busy and the company requires us to study English in addition to our regular work. I work from 9 am to 10 pm and get home at midnight every day." In some instances, however, employees have learned to work more efficiently to make room for their English study, a positive by-product according to Noda.

The Rakuten Way: Do-It-Yourself

Rakuten employees were responsible for paying for their own language study, though the company had negotiated a discounted rate with English language schools. Even at the discounted rate, hourly lessons cost the equivalent of \$40-\$50. Mikitani considered having Rakuten pay for classes, but decided not to: "I'd rather raise salaries than give free education. If we pay for the employees to get free lessons, they may not take it as seriously as when they pay for the classes themselves. It's a demonstration of commitment."

Many complained that general guidance alone wasn't enough. "The company refers employees to a few textbooks but it's very hard to find one which fits each employee's level. There is no individual guidance," a website designer added. Some employees did not know where to start—vocabulary or grammar—and felt handicapped. Although immediate managers on the whole were encouraging of employees in their language endeavors, still others were viewed as less than supportive. According

to a corporate recruiter, "We have seen two types of managers. One type consists of those who are trying their best to study English and show their positive attitude toward a challenge. The other type consists of those who just think of how to escape Englishnization. Younger employees struggle with the latter type of manager." Agreed an HR staffer: "If we have a boss who is positive about Englishnization, it is easier to study English." Sixty percent felt their managers supported Englishnization (see **Exhibit 3**).

One fence-sitter was Kazuhisa Adachi, a business strategy manager who had made no effort to improve his own English, expecting to have to leave the company before the April 2012 deadline. In spite of his skepticism, however, Adachi's manager suggested that he take four weeks off from work to attend an English language school in the Philippines to work on his English—at his own expense. Adachi reluctantly agreed to give it a try, and at the school met Korean and Chinese students aiming to advance their own career prospects by learning English. According to him, this experience "really broadened my perspective and made me think about how Japan should be positioned in the global economy. The Koreans said they had no choice but to be more globalized because their economy is so small. Japan's economy is now shrinking, so Japan also needs to be globalized." After returning to Japan, Adachi continued his English studies vigorously, waking up an hour earlier each morning to study and spending an hour every evening for more study. In addition, he added CNN to his cable television lineup to watch the news in English while eating dinner. Adachi's TOEIC score jumped 250 points.

Relevance

Many Rakuten employees questioned the value of requiring English of those who only dealt with domestic customers in Japanese such as salespeople who are in charge of empowering local merchants. A human resources manager lamented, "They don't have a chance to use English at work. Their customers are strictly Japanese, and they are extremely busy. These people have been working so hard for Rakuten and have brought great benefits to the company, but they won't be promoted just because they cannot speak English. There are many people who are truly capable, sincere, and love Rakuten but scored 290 on TOEIC. I don't want them to quit. They literally have no time to study English. They work on the weekends." Another employee asked: "How can we change the mindset of those who are extremely busy and do not need English in their daily work?"

Productivity

Most believed that productivity had slowed down. "We are an operating company," in the early stages particularly, Takayama pointed out, "and we cannot stall." Our projects have been delayed because we were studying English. Some of our minor projects have been delayed. Something that requires five minutes to write in Japanese needs 10 minutes to write in English. Just one email is nothing, but ten emails add up." The situation was worse for some managers: "Our team leader was most affected by Englishnization, as he has to prepare reporting materials for Mikitani-san in English. What took only 30 minutes in Japanese now takes four hours in English." Staffers were developing all materials in Japanese first before translating them into English, doubling costs and time. Important materials were then checked by a third party. Some managers spent substantial time after meetings writing out emails with detailed thoughts they were unable to articulate verbally during the meeting.

The Art of Communication

In practice it was soon obvious that a test score did not guarantee an ability to communicate. Many employees noted that TOEIC was a test, not a true indicator of proficiency in spoken, aural or oral English. Said Takayama, "The TOEIC score is technical, it is not art. It is science. But

communication is an art, and in a lot of cases art overcomes science." "I have found that when communicating in English people sometimes misunderstand important matters," echoed a Promotion Task Force leader. When Englishnization first got underway, executives would simply participate in English-only meetings by having subordinates prepare a script for them to read aloud. Recalled Levine, "At first, as long as nobody asked any questions it went fine, but as soon as anyone did ask a question it would go to hell. It did improve quickly, however." The earlier difficulties at those meetings with Mikitani could not only be blamed on the lack of English skills, but also could be largely due to the art of how to communicate with the boss. Fretted a colleague: "As we cannot convey what we think in English as we do in Japanese, there is communication loss even in casual email communication." This worried those whose English was already adept: "Sometimes I am shocked by the quality of what other employees write. Some just line up words in a row. Many employees feel very anxious because they don't know if others understand what they write in English."

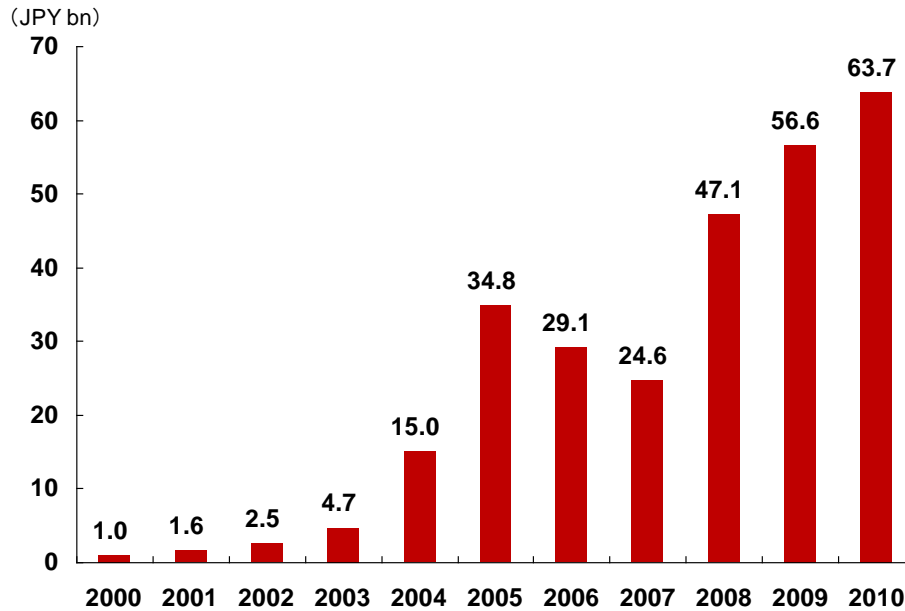
Others were racing ahead. Hiroaki Yasutake, who headed Rakuten's divisional development team, really believed in the role of language in realizing globalization goals. He expressed that, despite the challenges, "I myself have already started to learn Chinese. If you want to understand the Chinese market, you must be fluent in Chinese. After English, we should all learn Chinese!"

Countdown

The discussions at the eG8 further reinforced Mikitani's vision of globalization. He had thought that English would be the enabler. And to an extent it had—collaboration among the subsidiaries seemed more fluid and new international markets were opening. The very public announcement of Englishnization fifteen months earlier had started the countdown and decision time was approaching. The vast majority of his Japanese employees have not yet demonstrated the required aptitude he had stipulated a year and a half ago and were at risk of being demoted. He wasn't sure what his next move should be. In his mind, the actions that he takes in the coming weeks will determine the future and fate of Englishnization, Rakuten and Japanese society as a whole.

Exhibit 1 Financial Data

Rakuten Group Consolidated Operating Profit



Note: Fiscal 2007 operating profit excludes a one-time expense of JPY24.5bn due to additional provisions for allowances relating to interest repayment claims at Rakuten KC Co., Ltd.

Rakuten Group Consolidated Sales

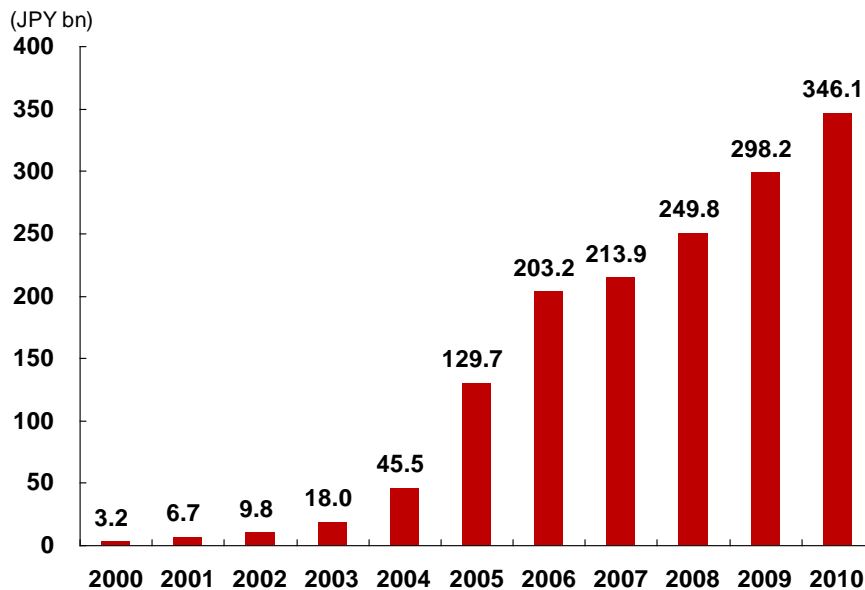
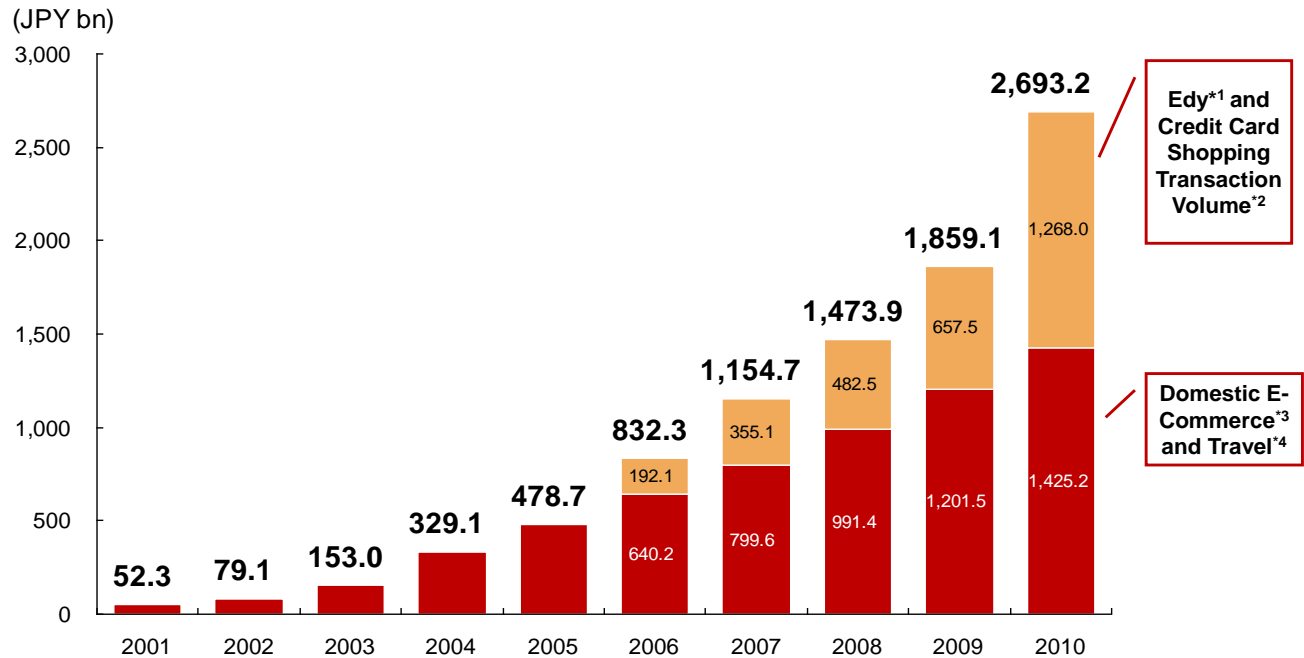


Exhibit 1 Financial Data (continued)

Group GTV (Incl. Ichiba, Travel, Credit Cards, E-Money)



*1: Edy Transaction Volume = Amount settled by E-Money "Edy" (including mobile and cards) (Q1/10-)

*2: Credit Card Shopping Transaction Volume = Shopping Transaction Volume of credit cards issued by Rakuten KC (including Rakuten group service use)

*3: Domestic E-Commerce = Mall (Fixed-price, Group purchase), Mobile, Business, Golf, Books, Auction (Flea market), download, tickets, Internet Supermarket, Check Out, Off-track betting, toto (Q1/09-) ^a, ShowTime (Q1/09-) ^a, Media rental (Q1/08-) ^a

*4: Travel (before cancellation, excl. tax) = Domestic/international accommodation booking, International air tickets, domestic/international dynamic packaging, Domestic bus service, Rental car service

^a: Retroactively added to GMS since service start

Source: Company Documents.

PROJECT ENGLISHIZATION Unit: BUD/Corp Dept Date of Audit: (MM/DD/YR) Meeting Name: Meeting Chair: # of Attendees:	MEETING INFORMATION MTG Frequency Daily Weekly Monthly Bi-monthly	AUDIT INFORMATION Conducted by Report filed with
PRESENTATION Speaker's name Dept/Group name	1 2 3 4	
EVALUATION (1) Language of Material (2) Speaker's Quality of Speech (3) Amount of English Used (4) Presentation Style (5) Control of Meeting (a) review agenda (b) review objective (c) discussion time (d) Q&A time (e) recap of meeting (6) Flow of Meeting (a) strong voice (b) use seq. markers* (c) use conjunctions** (d) speaker interruptions (e) ample time (f) request clarification (g) interpret from J2E		
GENERAL COMMENTS		
RECOMMENDATIONS		

*Sequence markers: first, second, ..., first, next, after that, then, finally
 ** Conjunctions: therefore, in addition, however

USEFUL MEETING PHRASES IN ENGLISH

- General Way to Manage a Meeting**
 1 I'd like to start today's meeting
 2 We have ## topics to discuss today.
 3 Let's close today's meeting.
 4 Let's review today's key points.
 5 Let's continue this discussion next week.

- Asking for/Requesting Clarification**
 1 I don't quite understand what you mean?
 2 Can you rephrase that?
 3 Could you explain that again?
 4 I'm not sure I understand what you mean.

- Asking for Additional Information**
 1 Can you tell me more about it?
 2 What else can you tell me about it?
 3 What else do we need to know?

- Expressing Your Opinion**
 1 I really think ...
 2 I don't really think ...
 3 It's true all ...
 4 Is it possible that you are wrong?
 5 What if you are wrong?

- Making Suggestions**
 1 I suggest that we ...
 2 How about (verb) ing ...?
 3 Shouldn't we (verb) ing ...?
 4 What about (verb) ing ...?
 5 What do you think about (verb) ing ...?>

- Expressing Trends (growth/growth rates)**
 1 Our growth rate is remaining steady.
 2 Our growth increased slightly.
 3 Our growth decreased dramatically.
 4 Our growth increased dramatically.
 5 Our growth shot up.
 6 Our growth did not change.

	(1)	(2)	(3)	(4)	(5)
Is the meeting material in English/Japanese/both?	English-only	native-english	100%	read from script	yes
How would you describe the presenter's speech quality?	Japanese-only	excellent	90%	spoke w/o script	n/a
How much English was used in the meeting/session?	Both	good	80%	read & spoke freely	no
How did the presenter make the presentation?	N/A	pass	70%	needs improvement	
Did the presenter review the agenda?		60%	50%		
Did the presenter review the objective?		40%	30%		
Did the presenter provide time for discussion?		20%	10%		
Did the presenter provide time for Q&A?		0%			
Did the presenter provide a recap of the meeting?					
Did the presenter use a strong, clear voice?					
Did the presenter use sequence markers to help direct the audience; e.g. first, next, then, finally / first, second, third?					
Did the presenter use conjunctions to help make a key point; e.g. therefore, in addition, however, moreover?					
Did the presenter allow the audience to make interruptions?					
Did the presenter have enough/ample time?					
Did anyone ask for clarification about a statement or question?					
If Japanese was spoken, did anyone convert from Japanese into English?					

Exhibit 3 Employee survey a year after the Englishnization announcement.

	Native Japanese Speakers	Foreign nationals*	Native English Speakers
I am capable of successfully performing my job duties with English	46%	81%	85%
If it were up to me, English would be the business language of Rakuten	39%	83%	80%
I have reason to worry that I may not retain my current access to resources (people, materials, information)	44%	30%	16%
My immediate manager is in favor of Englishnization	61%	87%	76%
My immediate manager encourages me and supports Englishnization	65%	86%	71%
<i>When I think about Englishnization, I generally feel:</i>			
Attentive	57%	55%	48%
Afraid	60%	12%	3%
Frustrated	43%	12%	3%
Interested	71%	70%	71%
Excited	52%	65%	63%
Nervous	52%	21%	5%
Oppressed	31%	12%	1%
Inspired	50%	67%	70%

*e.g., China, France, German, Korea, India, Indonesia, Malaysia, Mexico, Panama, Russia, Spain, South Africa, Taiwan...etc

Source: Casewriter.

Endnotes

¹ <http://www.eg8forum.com/en/e-g8/>.

² The TOEIC is designed to assess English-language proficiency for nonnative English speakers working in international contexts. Specifically focused on everyday fluency in business, the TOEIC covers English-use in a range of contexts including, for example, general business, office and personnel administration, as well as dining out, travel and purchasing, although no industry-specific vocabulary is required. The test takes approximately two and half hours to complete, and is administered by Educational Testing Service (ETS). ETS scales each section score to a maximum of 495 points, for a total 990 points possible, and provides test takers a detailed score report including scaled totals, percentile rank for each section, and a description of the English-language abilities that are typical for other test takers at the same level (three possible for the Listening and four for the Reading section).

³ Rakuten Inc. Analyst Report, *GlobalData*, May 2011, available via Thomson Reuters One Banker.

⁴ Kyung Lah, "How to Boost Corporate Japan: Stop Speaking Japanese," CNN.com, November 16, 2010, <http://edition.cnn.com/2010/BUSINESS/11/15/ilst.japan.englishization/index.html>, accessed June 15, 2011.

⁵ Kyung Lah, "How to Boost Corporate Japan: Stop Speaking Japanese," CNN.com, November 16, 2010, <http://edition.cnn.com/2010/BUSINESS/11/15/ilst.japan.englishization/index.html>, accessed June 15, 2011.