

## Third-Party Evaluation of Cross Company Inc.

### Women's Empowerment as a Means of Corporate Development

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#### Company Overview

Name:	Cross Company Inc.
Established:	February 1995
Capital:	100 million yen
Shareholders:	Yasuharu Ishikawa (90%), Mitsubishi Corporation (5%), others
Annual revenue:	55,900 million yen (FY 2011)
Pretax profit:	7,900 million yen (FY 2011)
Representative:	Yasuharu Ishikawa, CEO
No. of employees:	2,543 (as of Nov. 30, 2012, all are permanent employees)
Business fields:	Planning, manufacture, and retailing of apparel clothing goods 577 stores in 24 countries (517 locations in Japan, 13 in China, and 47 in other countries)

The management team at Cross Company Inc. has instituted innovative and significant good practices in the interest of advancing women's empowerment. The social merit and significance of these good practices should be better publicized. This paper attempts to analyze these good practices using as a benchmark the Women's Empowerment Principles (WEPs), the most well-established international criteria on women's empowerment.

WEPs' objective is to improve the bottom line of private-sector companies by putting the following seven principles into practice in management.

**Reference: Women's Empowerment Principles in Brief**

1. Establish high - level corporate leadership for gender equality.
2. Treat all women and men fairly at work – respect and support human rights and nondiscrimination.
3. Ensure the health, safety, and well - being of all women and men workers.
4. Promote education, training, and professional development for women.
5. Implement enterprise development, supply chain, and marketing practices that empower women.
6. Promote equality through community initiatives and advocacy.
7. Measure and publicly report on progress to achieve gender equality.

Note: Refer to the United Nations Global Compact site for more details.

[http://www.unglobalcompact.org/docs/issues\\_doc/human\\_rights/WEPS/WEPS\\_JPN.pdf](http://www.unglobalcompact.org/docs/issues_doc/human_rights/WEPS/WEPS_JPN.pdf)

[http://www.unglobalcompact.org/docs/issues\\_doc/human\\_rights/Women%27s\\_Empowerment\\_Principles.pdf](http://www.unglobalcompact.org/docs/issues_doc/human_rights/Women%27s_Empowerment_Principles.pdf)

## **I. Characteristics of Cross Company's Initiatives**

Cross Company Inc. is an apparel and fashion corporation that develops and manages eight brands primarily targeting women in their 20s and 30s. With the focus of its business on sales of its own branded products (i.e., a specialty store retailer of private label apparel, or SPA), the company's organizational structure is specialized for product planning and sales. The company does not own any factories. Founder and CEO Yasuharu Ishikawa has made "the customer comes first" the company's corporate philosophy. The company is run with the understanding that advancing women's empowerment is essential for the corporation in order to grow a business that is sensitive to the needs of its women customers. Cross Company is one of the star corporations of the apparel industry for its creation and rapid growth of various systems intended to promote women's empowerment among employees on the basis of the CEO's firm principles and commitment. The company has made bold moves in arranging working conditions and adjusting hiring practices so that women employees can enjoy the benefits of long-term, stable employment. And as a member of civil society, the company has set out clear policies and engages in community service programs in order to grow in tandem with the local community and region.

The following sections discuss the characteristics of the Cross Company management team's valuable initiatives on women's empowerment.

### **1. Women employees' empowerment and business growth through high-level corporate leadership**

#### **(1) Introduction of systems originating from and enhanced through the ascertainment of women employees' needs — *Principle 1***

Cross Company has 2,500 employees, 95% of whom are women. The company has set up and enriched various systems that empower women, founded on CEO Ishikawa's vision that the inclusion of women's skills and energies is directly tied to the company's growth and development.

This realization came in 2005 when a promising, highly productive female section manager quit because the company did not have a support system in place that would allow her to both work and care for her children. That a highly skilled female manager would quit to raise children was a serious wake-up call to the company's management team. CEO Ishikawa questioned five or six women employees who were raising children about the kind of support measures needed to prevent women from leaving the company. After listening to the women's needs, CEO Ishikawa instituted a top-down plan for a support system that would enable women to both work and care for their children. In 2006, the company set up a system of maternity leave, childcare leave, and reduced work duties for childcare. The company also kicked off the Kids Plan 10 program in April 2008, a system of ongoing childcare support for women employees that lasts until their children reach 10 years of age. (*Principle 2*)

Although these systems were far more extensive and generous than those at other companies, CEO Ishikawa still sought further reform and innovation. In his analysis, "the women's empowerment systems we have in place in 2010 have yet to deliver any significant benefits and are essentially no different from the typical systems at other companies." This aspiration to continually validate the company's systems and to refine them into more

effective systems is what has sustained the company's systems and enabled women employees to fully realize their skills and talents.

**(2) Top-level leadership on changing the values of male management — Principle 1**

Cross Company has extended its childcare support system since 2006 to empower women employees. Despite this, the ratio of women in middle management has declined, according to CEO-mandated reviews, as some distinguished women employees have left the company. Statistics show that the ratio of women middle managers, which had been more than 40% until 2008, was 30.8% in 2009, 29.0% in 2010, and 32.6% in 2011.

The reason for this decline was the large influx of male middle managers hired in mid-career, who were needed to sustain the company's rapid growth. Most of these mid-career hires were men with experience as middle managers in large typical Japanese corporations. These men imported their past management techniques, which they believed to be valid and proven, wholesale into Cross Company. With their experiences came the prejudice that management is the domain of men and that women are unsuited for management since they soon break down in tears and give up. As a result, they failed to support women in a way that would enable them to continue to work and develop their skills and talents. The most glaring example was that all five members of the Employee Evaluation Committee were men. It is no surprise then that the company did not produce new women middle managers and that the percentage of women middle managers fell.

In response, CEO Ishikawa launched the Women's Personnel Committee in 2011 to promote the appointment of women to managerial positions. The Women's Personnel Committee consists of five women (a company executive, a senior manager, a deputy manager, and two section managers). It is placed under the Employee Evaluation Committee, but its organizational position is above that of the Corporate Planning Headquarters, Sales Headquarters, and Administration Headquarters. The Women's Personnel Committee set a target for women's participation in management of 40% and recommended women candidates for open management positions.

The committee has produced remarkable results. In just one year, nine women were added to the management ranks, increasing the ratio of women managers from 32.6% in 2011 to 40.0% in 2012. Through this selection process, the CEO and senior executives were able to see more highly skilled women employees in action.

**(3) Improved business performance through women's management skills and productivity gains — Principle 4**

Women's viewpoints and insights are necessary for Cross Company, not in the least because it is a company in the apparel industry and offers products to women and because the vast majority of its employees are women. Beyond this, however, the participation of women in management is critical, because women can discern what male-dominated marketing strategies overlook. The exchange of diverse sets of opinions is essential to company management and governance. This can lead to productivity gains and the realization of a business model that is thoroughly customer-oriented. Cross Company regards its diverse workforce as its greatest asset and frequently uses the expression "our human treasures" instead of human resources.

More to the point, the company develops its personnel in a variety of ways. In one example, a woman was appointed as the senior executive manager for a brand, and her management

skills guided the brand to an operating profit. This particular executive had a weakness in accounting however, so a man proficient in number crunching was assigned to assist her in this regard. For another brand, planning responsibilities were shifted from a 50-50 male/female split to women serving as 14 of the brand's 15 planners, which led to an improvement in the brand's business results. Arranging conditions for women to develop and demonstrate their skills and talents has strengthened the company's product lines and improved its bottom line.

Cross Company is also devoted to improving the capabilities of its frontline personnel. CEO Ishikawa believes the key to personnel development is 70% experience, 20% awareness, and 10% training. Acting from this tenet, personnel are developed by placing them in the field soon after they are hired and allowing them to accumulate real-world experience. For example, a new employee may be given the second-in-command position at a store. The first year is considered a sort of apprenticeship, where the employee learns through observation, and then results are expected in the second year. Ordinarily, employees become store managers in their second year, although some people have been promoted to store managers in as little as seven months. Employees are given responsible jobs and many chances to succeed, in part because the company's growth strategy is unfolding so well.

While Cross Company pursues this bold personnel deployment plan, it also provides rigorous training for new employees as the foundation of their development. After a half year of training to thoroughly learn the company's manuals, new employees are instructed by senior employees on customer-oriented service and hospitality that intentionally deviates from the manuals. This method firmly instills employees with the basics of customer-friendly service, which is the cornerstone of the company's business, as well as directs them to develop, on their own, customer-service techniques that utilize their own specific skill set. This, in turn, improves in-store customer experiences, which leads to improved business performance for the company.

Furthermore, the company has put considerable thought into how women, appointed to management roles, can do their jobs without overtime so that they can fulfill both work and family responsibilities. In practice, there is no overtime work at almost all of the company's stores, and employees leave work about 20 minutes after the store closes. This level of management efficiency is almost unheard of in the apparel industry. People who build up a track record of good results as store managers while eliminating overtime are later promoted to supervisor and area manager positions. In this way, promoting people who have acquired experience and management skills in stores to higher management positions and letting them perform in those positions raises the overall productivity of all employees.

## **2. Business growth through gender-equal hiring and employment practices**

### **(1) Implementing gender equality in permanent employee hiring and treatment — *Principle 2***

Cross Company has maintained a policy of permanent employment for both men and women since its inception, based on the convictions of CEO Ishikawa. Naturally, this means gender equality in wages and benefits. Although men employees are few in number, the work systems allows them also to harmonize their work and private lives. Moreover, the corporate culture is one in which men employees respect women employees and attention

is paid to the physical surroundings, for example smoking behavior.

The employment patterns in Japan's apparel industry, in which almost all workers are employed on a non-permanent basis, are often decried as deplorable. Defying the status quo, Cross Company deliberately makes all its employees permanent employees.

The company's growth is almost entirely predicated on sales. Therefore, employees well versed in friendly and appropriate customer service contribute directly to sales when they elicit customers' needs and recommend and sell products that match those needs. The company believes that to nurture and retain such employees it is imperative that employees develop an emotional bond with the company. Permanent employment, then, is considered a means of fostering such emotional attachment.

## **(2) Offering flexible work options — *Principle 2***

Cross Company introduced the permanent reduced-hours employee system in 2011. In Japan, the status quo assumption is that a permanent employee works eight-hour days, and workers who work less than eight hours a day are considered non-regular employees. Wages scales for non-regular employees are naturally different from those for permanent employees. Again, the company went against common practice and intentionally instituted a six-hour workday system for permanent employees to enable them to take care of both work and family responsibilities. And it even went so far as to create a four-hour workday system for permanent employees for women who would otherwise be unable to meet both work and family responsibilities. Of course employees in these systems receive lower pay than permanent employees who work eight-hour days, but the difference is calculated simply by the difference in hours worked. Benefits and bonuses are also paid on the same scale as full-time workers. Permanent reduced-hours employees simply work fewer hours; no other work conditions or opportunities are affected. Permanent reduced-hours employees even work in responsible positions such as area managers and project leaders.

Permanent reduced-hours employees can select whether to work early or late shifts. Most women select early shifts to balance their work hours with their family routines. They can also work while making time for their family since weekends are holidays, as a rule. This too is another audacious and intrepid gesture for an apparel company, since many customers visit stores on weekends or in the evening hours. When the permanent reduced-hours employee system was being considered, some voiced loud concerns that society would not accept the system or that no women raising children would actually apply for the reduced working hours, but the system was greeted warmly when it was finally put in motion and it had many applicants. So far, the system is operating well and, as of November 30, 2012, there are 24 employees working four-hour days and 57 working six-hour days out of a total of 2,543 employees.

Some of the permanent reduced-hours employees are people who switched from regular eight-hour shifts and some were hired as permanent reduced-hours employees from the start. In either case, these employees can elect to move to eight-hour workdays when their children grow up. It should be noted that eight-hour employees may temporarily reduce their hours while nursing without switching to reduced-hours employee status. This system is well subscribed too, with 56 people using it as of November 30, 2012.

Because this system of permanent reduced-hours employees was a completely unprecedented test for a Japanese company, some problems surfaced because of

mismatches with existing system frameworks. The Labor Standards Office opposed the idea and initially refused to approve the system on the grounds that there was no precedent for it. The existing social insurance system had no provisions for a permanent reduced-hours employee system. The Cross Company director in charge of the project persistently negotiated with the government repeatedly until finally winning approval with conditions attached.

The permanent reduced-hours employee system is significant because it provides new employment opportunities for women raising children. It is also meaningful because employees can continue to work even when new childcare or family circumstances make it difficult to continue their current workload. The benefits to the company are considerable of not losing experienced, highly competent, veteran employees, and these employees in turn make significant contributions to the business in the form of closer relations with customers and actuating ideas arising from childcare experiences. They also serve as excellent role models for younger employees.

### **(3) Human assistance for work continuation — *Principle 2***

Cross Company has enriched mechanisms of human support established from the perspective of women employees.

For example, the company has two systems — Special Sunday Holidays and Special Long Weekend Holidays — for married employees to ensure they can spend quality time with their family. The Single Mother Assistance System pays employees who are single mothers a special benefit of ¥10,000 per month per child up to a total of ¥30,000 per month. The company also provides generous childcare assistance, having extended its maternity leave and childcare leave programs. For example, Cross Company offers 13 months for childcare leave, a month longer than the 12 months required by law. This extension is given because of the CEO's consideration to let parents celebrate the first birthday of their child and then gradually return to work.

In 2012, the company introduced another unique system for its retail staff members, the Important Person Holiday. Employees are allowed to take one day off a year to spend with a person important to them. The system was designed to encourage employees to take more holidays, since this day can be combined with regular paid holidays to make a longer holiday. Employees are allowed to decide who the important person or people are. The company originally anticipated that Important Person Holidays would be used to spend a day with family or friends. But as employees are free to use the holiday as they want, they have been using the days to go see concerts by their favorite musicians or visit anniversaries of their favorite characters in Akihabara. Employees love the Important Person Holidays and many people take them. They are also a strong recruiting point.

As these examples show, Cross Company is proactive in arranging human mechanisms to allow employees to work while handling various life circumstances. These mechanisms boost morale, which is reflected in better business performance.

## **3. Management aims for both business and regional capacity development**

### **(1) Social contributions based on the needs of local residents — *Principle 6***

Cross Company was founded in Okayama prefecture and has remained true to its Okayama

roots, despite its tremendous growth, and has stubbornly resisted relocating its head office to a larger city. The company is also active in a clean-up operation, mostly around the Okayama train station. Traditionally, residents in the city of Okayama gather at the local community centers twice a year to clean the gutter. When CEO Ishikawa participated in one of these clean-up days, in response to a notice given in a circular passed out by the neighborhood association, he realized that the voluntary initiative only managed to mobilize senior citizens. At the same time, the garbage they collected — empty soft drink cans and butts of foreign cigarettes — were clearly littered by younger people. CEO Ishikawa found it completely unnatural that senior citizens cleaned up what younger people littered. He was also distressed by the suspicion that the litter may have been tossed by his own employees or by other employees in the apparel industry. Thus moved, the CEO devised the slogan “Apparel workers cannot pollute the Earth” and, after getting the city to supply vinyl bags and other equipment and enlisting the support of the manager of the train station building, he started a movement of about 100 people, including Cross Company employees, to regularly pick up garbage. The movement gradually grew, with the inclusion of fashion school students, civil servants, and even vocational school students, to the point where now 1,500 people participate in the clean-up operation. Naturally, the bulk of Cross Company’s participants were women employees. The spectacle of fashionable women, chic women, and young hipsters picking up garbage in the streets has revitalized the community and brought together volunteers to participate in routine clean-up activities rather than just two cleanups a year by senior citizens. The name Okayama Ecocleaners is now being used to develop similar activities like this that involve local community members. The amount of garbage in the city streets has been cut drastically, to the point where volunteers compete just to find garbage. The clean streets of Okayama have made the community much more attractive.

The company’s second major outreach project is the One Tree Project, a tree planting operation in China’s Inner Mongolia Autonomous Region. The damage from yellow dust storms originating in Mongolia desert regions is well reported in Japan, but far fewer realize this is the effect of Japanese, demanding cheap mutton and beef, buying up too much agricultural produce from Inner Mongolia, forcing local farmers to clear more land for pasturage and raising fodder for animals. Cross Company’s project takes a dual perspective: that as the sufferers of the yellow dust and that as the perpetrators, as Japan is partially responsible for creating the conditions causing the yellow dust storms. To raise funds for the project, the company added ¥65 — the cost of planting one tree — to the regular price of ¥3,800 for certain branded products it sells. It also set up tables in its stores publicizing the project and collecting donations. In three years, the project has raised enough money to plant 40 hectares of trees (equivalent to about eight Tokyo Domes), and the actual tree planting is now underway.

**(2) Invite business partners, other apparel businesses, and supply-chain businesses to adopt WEPs — Principle 5**

After signing the WEPs, Cross Company has had more opportunities to speak with its business partners, with other apparel companies, and in the local business community about advancing the empowerment of women. In 2012, the company was successful in convincing the CEOs of two large department stores and developers to sign the WEPs. CEO Ishikawa and the two CEOs, with the involvement of a leading fashion trade paper, held a symposium commemorating their WEPs participation.

The company is now sponsoring lectures on women’s empowerment at the local Okayama

Association of Corporate Executives and is planning to encourage its partner banks to also sign on to the WEPs. CEO Ishikawa's intention is to advocate for WEPs initiatives with business partners and other apparel companies in Tokyo and with banks, newspapers, and heavy chemical plants — all male-centric workplaces — in Okayama.

After signing the WEPs and reviewing the company's management and administration in terms of the seven principles, CEO Ishikawa discovered organizational weaknesses in area of principle five. He also uncovered problems in the working conditions at offshore suppliers' plants and has sought dialog and reports from the company's trading partners about these conditions. Although he pursued these questions as part of advancing the WEPs throughout the company's value chain, he also gained a new perspective and awareness as a business owner.

These social contributions outside the company make employees proud to work at Cross Company, provide extra motivation for employees, and exert a positive influence within the company.

#### **4. Issues seen through the lens of the WEPs**

##### **(1) Further potential for women's participation in executive positions — *Principle 2***

The founding of the Women's Personnel Committee at Cross Company has reversed the decline in the number of women managers. Changing and systemizing employee evaluation mechanisms in this way repaired a deficiency that had been difficult to spot due to the company's size. Also significant was the progress, through this process, in changing the values of men managers and having them come to terms with women's empowerment.

At the same time, women staff members are assigned to a wide range of positions. Although the numerical target of women occupying 40% of managerial posts has been reached, there is still plenty of potential to expand this number, given that about 95% of the company's employees are women. Naturally, growth in numbers alone is not adequate: substantial responsibilities must also ensue. Consequently, what is necessary next is to further women's management skills and groom them to be candidates for upper management positions. The company has already embarked on some interesting trial measures to achieve this, including enhancing training in partnership with universities and sending women executives to graduate schools.

##### **(2) Implementation of diversity management — *Principle 2***

Cross Company has pushed a business strategy that primarily targets women in their 20s and 30s. Until a few years ago though, the company remained in relative obscurity. The turning point came in 2010 when the company gambled its fortunes on a high-impact brand commercial starring the actress Aoi Miyazaki, which turned out to be a huge success. Cross Company became known around the country as the company with the Aoi Miyazaki commercial. Not only did this publicity strategy make a massive contribution to the company's business, it also dramatically transformed employees' attitudes. After this ad campaign, employees took more pride in working for a company that was well known by families and friends. This also suggests that if the company were to proactively publicize its participation in the WEPs, it would generate even more pride and motivation among employees, especially women employees, in working at a company that provides real opportunities for women and treats women employees fairly and compassionately. To move



to the next stage, Cross Company must increase the motivation and take more pride in being a company that participates in the WEPs and is devoted to empowering women employees.

The company is now seeking to capture a greater variety of customer segments, including slightly older women and men and women with families. For example, the store opened in the Tokyo Solamachi shopping complex near the Tokyo Skytree also functions as a pilot store that hopes to win over students, working adults, mothers and daughters, families, and even tourists. If the company continues with this business strategy, it should also incorporate into its tactics the promotion of diversity management, which is widely recognized by the international community. Diversity management refers to the assembly of personnel, both as employees and executives, with diverse backgrounds — in terms of gender, age, physical ability, nationality, and sexual orientation, ascertaining the needs of a diverse range of customers, promoting the development of products that correspond to these needs, and advancing corporate activities.

In short, for a company as proactive in women's empowerment as Cross Company is — although currently only one of the six board members is a woman (an auditor), we expect it to focus on the advancement of diversity, from board members to management and employees, and incorporate diversity management in its plans to make the jump to the next level.

### **(3) Empowerment of men employees — *Principle 2***

Thanks to CEO Ishikawa's top-level commitment, the company's initiatives on empowering women have made remarkable progress. It is hoped that as this management policy proliferates through the ranks of male managers, they will also initiate women's empowerment measures. It is likely necessary to provide executive management training for male executives as well. The most exciting point in this area is the company's plan to include contributions to women's empowerment as a factor in managers' performance reviews starting in 2013. Although the result of the company's WEPs participation, interest is high in what becomes of this initiative.

At the employee level, more men employees are expected to take advantage of the permanent reduced-hours employee system and the system of reduced work duties for childcare. And further work options must be devised so that both women and men employees can balance their work and life responsibilities, including providing child and dependent care.

### **(4) Promotion of women's empowerment in the local community — *Principle 6***

As mentioned earlier, Cross Company and CEO Ishikawa proactively advocate for the WEPs with business partners, other apparel companies, and supply-chain partners, not just in Tokyo but also in the company's home base in Okayama prefecture and the city of Okayama. The company has also been energetically disseminating information on these activities and these activities have been praised for further encouraging and promoting women's empowerment in the regional community. If there are any further expectations for the company, they likely lie in local initiatives for empowering women.

One specific example of a possible initiative is expanding business relationships with women entrepreneurs. Advancing business relationships — where they make legitimate business sense — between companies progressive on women's assistance or companies

directly involved with the WEPs will assist and benefit all parties. Another possible initiative is helping to reduce the number of children on day-care waiting lists by opening up on-site day-care facilities to women in the local community. Other potential initiatives include providing scholarships and offering internships to local female high school and university students, assisting the work of organizations involved in ending child-abuse and aiding victims of domestic violence, hiring women who have withdrawn from society and victims of domestic violence, and sponsoring women's sports teams.

## **II. Conclusions**

### **1. The value of business growth through women's empowerment in the apparel industry, which is predicated on non-permanent and short-term employment**

Women's skills, talents, and energies are essential to Cross Company's business development and expansion. Consequently, the company's many systems to empower women employees have been put in place based on an awareness of the question of how to arrange circumstances so that women can work more comfortably and freely.

The company's business policy is to grow the business through the empowerment of women employees. When these policies are verified against the U.N. Women's Empowerment Principles (WEPs) — with the tagline "equality means business" — the validity and progress of the policies is made visible.

The conventional image of the apparel industry is one of women working in low-wage, non-regular positions. In contrast, Cross Company's wage levels are competitive, although simple comparisons with other apparel companies are not possible because the majority of employees are young. Cross Company has been able to do this because its aggressive business expansion and its productivity gains, based on better service by employees, has led to higher sales.

Cross Company is unprecedented in negotiating with the Ministry of Health, Labour and Welfare and other government agencies to win approval for the permanent reduced-hours employee system. This is a pioneering move that may well shrink the longstanding disparities between permanent employees and non-regular employees in Japan. If the company continues to take bold initiatives in the area of women's empowerment by taking advantage of its WEPs participation, it is certain to gain further recognition within Japanese society as a good practices company and receive a tremendous boost in reputation and morale both within and outside the company.

### **2. Hopes for raising the visibility of women's empowerment through WEPs participation**

Cross Company's policies and initiatives on the advancement of women have been publicized through the company's website and by media organizations that have noticed the company's efforts. This publicity, however, has been only dispersive in nature; the company has not reported these efforts to the public in a comprehensive manner. To inform the public better on the company's management innovations, the company should accelerate the publication of CSR reports and reports on its WEPs involvement, release a wider scope of information to the public, and share its best practices and ongoing issues with a broad range of stakeholders and the general public. The company is showing some promise in this area, as it plans to release its first CSR report in March 2013.

As the company is clearly enthusiastic about women's empowerment, it should take these PR opportunities to clearly portray the company's stance by presenting related measures and systems and providing key data with gender comparisons and gender breakdowns. In general, the WEPs can be used as a yardstick to arrange corporate initiatives toward women's empowerment and make the progress of initiatives more visible. Since Cross

Company has already exhibited leadership and joined the WEPs, it is hoped the company will share more of its experiences directly with the public, as it becomes aware of the good practices that arise as management adopts and conforms to the WEPs.