

# Demystifying Leadership Dynamics: Lessons from Japanese Corporate Resurgence

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## About the Speaker:

### Prof. Jusuke J.J. Ikegami

Prof. Jusuke J.J. Ikegami is a prominent figure in the field of business leadership and strategy, currently serving as a Professor and Dean at Waseda Business School in Tokyo, Japan. With an extensive background that combines academic excellence and practical experience, he has significantly contributed to the understanding of Japanese corporate leadership models. In addition to his academic roles, Professor Ikegami actively participates in various governmental committees related to economic policy and corporate governance in Japan. His insights on leadership have made him a sought-after speaker at international forums, where he shares his expertise on how Japanese leadership practices can be adapted for success in other cultural contexts.

## About the Moderator:

Saideep Rathnam is the Chief Operating Officer of Mizuho India Japan Study Centre, bringing a wealth of 47 years of industry and academic experience to the Centre. An alum of IIM Bangalore, from Hindustan Aeronautics Ltd. to British Aerospace, UK he has spent over 2 decades in the aeronautics industry and over 18 years in the automotive sector in various capacities including president of manufacturing excellence at Anand Automotive Ltd. He is also a Certified Chartered Management Accountant [CMA], UK. He wears many hats and has chaired Anand University, helping companies in the fields of management of change and innovation. Recently, he drove the Visionary Leaders for Manufacturing (VLFM) program as a Senior Advisory Committee Member of CII.

## Webinar Context

### Saideep:

Leadership in the modern corporate world is undergoing a profound transformation, and Japan offers a unique lens through which to examine this evolution. Japanese corporate leadership, deeply rooted in cultural traditions, presents a fascinating blend of hierarchical structure, consensus-building, and team-oriented strategies that have allowed companies to navigate challenges while maintaining resilience and harmony.

Japan's corporate resurgence in recent decades has been characterized by its ability to adapt traditional practices to meet the demands of a rapidly changing global economy. The principle of *nenkoujyoretsu* (seniority-based hierarchy) has historically shaped

workplace dynamics, emphasizing respect for experience and fostering stability. However, as businesses face increasing pressure for agility and innovation, Japanese corporations have begun integrating more flexible decision-making processes and participative approaches to harness diverse perspectives and creativity

.Japanese leaders are known for their focus on collective goals over individual ambition. This leadership style prioritizes team coordination, rigorous problem-solving, and consensus-driven decision-making. While this approach ensures alignment and harmony, it also highlights the challenge of balancing tradition with the need for quicker, more dynamic responses in competitive markets.

Leaders in Japan are increasingly adopting strategies that blend traditional values with modern practices, such as engaging with foreign stakeholders and leveraging dynamic capabilities to drive organizational change.

This webinar will explore these nuanced leadership dynamics and draw lessons from Japan's corporate strategies. By examining how Japanese leaders foster loyalty, adaptability, and innovation while maintaining cultural integrity, we aim to uncover actionable insights that can inspire leadership practices across diverse global contexts.

### **Presentation by the Speaker:**

#### **Ikegami:**

In 1979, the book *Japan as Number One* was published, highlighting Japan's remarkable post-war economic rise. When I graduated from university in 1989, Japan was one of the leading economies globally. If my memory serves me correctly, in 1989, out of the top 10 global companies by market capitalization, 7 or 8 were Japanese. Similarly, about 20 out of the top 30 companies globally were Japanese. This dominance reflected Japan's peak economic position at the time.

However, after the economic bubble collapsed in the early 1990s, the situation changed dramatically. From 2004 to 2021, Japanese companies saw a significant decline in their global standing, with their economic influence reduced over what is now referred to as the "Lost Decades." Some refer to this period as two lost decades, while others call it three.

From 2009 to 2024, after the "Lehman Shock" in 2009, the Nikkei 225 index—the major benchmark of Japanese stock performance—rose from 9,000 to a record high of 40,000, surpassing its bubble-era peak. In the first six months of 2023 alone, the Nikkei 225 grew by 43%, significantly outpacing the S&P 500, which grew by only 10%. Some economists have called this resurgence Japan's "Second Economic Miracle," with the first miracle occurring between 1950 and 1990. This second miracle forms the basis of my research into the factors driving this corporate resurgence.

## **Long-term Trends in Japan's Economic Growth**

Japan experienced remarkable economic growth beginning in the 1950s, culminating in the late 1980s. However, after the bubble burst in the early 1990s, the market saw a sharp decline. This stagnation persisted for decades. Following the Lehman Shock, however, Japan regained economic momentum and reached new heights in 2023.

## **Key Factors Behind Japan's Recent Resurgence**

In summarizing what makes a difference in leadership during this resurgence, the following points stand out:

1. **Articulating a Vision:** Modern leaders must clearly articulate a compelling vision.
2. **Thinking and Acting Strategically:** Leaders should focus on long-term strategies rather than simply maintaining the status quo.
3. **Identifying Personal Implications:** Understanding how decisions impact individuals at every level of the organization is crucial.
4. **Communicating Persuasively and Decisively:** Leaders need to own the room, inspire confidence, and make decisions swiftly.

Historically, Japanese leadership emphasized consensus-building, which often delayed decision-making. While consensus remains important, modern leaders must balance this with decisive action to capitalize on opportunities and maintain sharp, competitive strategies.

## **Embracing Frontline Leadership (Gemba)**

In Japanese, "Gemba" refers to the front lines of operations. Traditionally, leaders in Japan would sit back and focus on providing a broad vision without directly engaging in day-to-day strategy. This is changing. Today, leaders are expected to actively engage with the front lines, lead change personally, and inspire their workforce. While female representation among CEOs remains low, there is hope for greater gender diversity in the future.

## **Balancing Optimism and Pessimism**

During Japan's peak economic period, leaders and organizations were often overly optimistic. In contrast, during the Lost Decades, an excessive pessimism prevailed. Effective leadership today requires balancing optimism and realism to navigate challenges effectively.

## **Building Diverse Leadership Teams**

Historically, Japanese boards were dominated by internally promoted directors, with little diversity. Today, companies are incorporating more external board members and

fostering diversity of thought. This shift aims to balance internal expertise with fresh, external perspectives.

### **Placing Common Interests First**

Modern Japanese corporate leadership emphasizes a model of collaboration described as "up and out" rather than strictly "top-down" or "bottom-up." This approach fosters alignment and inclusivity across organizational levels.

### **Challenges in Researching Japanese Leadership**

Japanese academic research has historically focused more on organizational management than on individual leadership, possibly due to the traditionally reserved nature of Japanese executives. Notable exceptions include Professor Shimizu of Keio University, who conducted a study between 1997 and 1999 examining over 100 CEOs. He found that the most critical roles of Japanese CEOs include making tough decisions—such as exiting underperforming businesses—and selecting successors.

### **Recent Governance Changes**

Since the introduction of Japan's Corporate Governance Code in 2014, companies have adopted more structured succession planning processes. Previously, succession planning was conducted in a "black box" manner, but the new approach ensures that successors are capable, well-prepared, and well-trained.

### **Research Agenda**

The *Resolute Japan* research builds on earlier studies such as *The India Way* and *The Fortune Makers*. These studies examined leadership practices among the top 100 leaders in India, as well as in China and the United States. Similarly, for this research, we focused on top Japanese leaders.

From 2019 to 2023, we conducted interviews with 62 CEOs and other top executives in Japan. Most of these interviews were conducted in Japanese, with a few in English. Over half of the interviews were conducted face-to-face, while the remainder were conducted online due to the COVID-19 pandemic. Although the shift to online interviews was necessitated by the pandemic, it did not significantly impact the quality of our research.

In every interview, we asked the executives and directors a standardized set of questions that covered topics related to strategy, leadership, and governance. This consistent approach allowed us to gather comparable insights across all participants.

### **Resolute Strategy and Leadership in Japan**

#### **Lawson, Inc.**

Lawson, one of Japan's leading retail companies with over 15,000 stores nationwide, demonstrates an exemplary approach to leadership and strategy under CEO Sandanobu

Takemasu. Takemasu emphasized that future growth would require adapting to local needs and characteristics. He focused on empowering local shop leaders and frontline employees, encouraging them to share insights from their day-to-day operations with headquarters.

To achieve this, Takemasu visited stores frequently, often unannounced, to observe the realities on the ground. His down-to-earth communication style helped foster trust and collaboration across all levels of the organization.

One striking example of this frontline empowerment was during the Tohoku earthquake in 2011, which also triggered the Fukushima nuclear disaster. Despite the absence of communication from headquarters due to infrastructure disruptions, nine Lawson stores in Fukushima acted independently. Shopkeepers and even part-time workers distributed water, food, and fuel to local residents and refugees without waiting for instructions. This spontaneous, community-focused response exemplified the "frontline power" that Lawson's leadership had cultivated.

### **Asahi Glass Co.**

Asahi Glass Co., one of the oldest glass manufacturers in Japan and the world's largest during the 1990s, faced a crisis as glass and LCD screens became commoditized, causing profit margins to plummet. By 2010, the company recognized the need for a new direction.

Takayu Shimamura, appointed CEO in 2015, shifted the company's focus from glass to advanced materials. This strategic pivot involved scanning emerging technologies and exploring opportunities in chemicals, ceramics, and biopharmaceuticals. Asahi Glass established a disciplined process for identifying new markets, incubating products, and transferring them to operational divisions.

Key initiatives included fostering a pioneering spirit within the company, encouraging a culture that embraced experimentation and tolerated failure, and decentralizing leadership by empowering middle management. Under Shimamura's leadership, Asahi Glass transformed its product portfolio, moving away from commodity glass and toward innovative material solutions.

### **Panasonic Corporation**

In the 1990s, Panasonic was a leader in consumer electronics, renowned for its strong brand and technological innovation. However, as consumer preferences shifted from passive to active devices and low-cost competitors drove prices down, Panasonic's profit margins declined significantly.

The company underwent a transformative pivot during the tenures of two successive CEOs: Kazuhiro Tsuga (2012) and Yuki Kusumi (2021). Panasonic shifted its focus to

sustainable energy solutions, including electric car batteries, and established itself as a leader in these new B2B markets.

This transition required both technological innovation and cultural change. Panasonic implemented a robust program to explore new technologies while fostering a tolerance for failure in innovative ventures. This approach exemplified the company’s ability to balance short-term operational efficiency with long-term strategic exploration, embodying the concept of "organizational ambidexterity."

### Strategic Ambidexterity in Japanese Companies

**Strategic ambidexterity** refers to an organization’s ability to balance **exploitation**—maximizing efficiency in established products and services—with **exploration**—investing in innovation and new markets.

Japanese companies often approach this dual capability differently than their Western counterparts. While Western firms frequently hire new talent or acquire external companies for exploratory initiatives, Japanese firms tend to retrain and redeploy their existing workforce. This approach takes longer but offers the advantage of leveraging employees’ deep institutional knowledge, enabling smoother integration and execution once the exploratory phase gains momentum.

### Executive Checklist for Strategic Ambidexterity

| Dimension           | Exploitative Business                                       | Exploratory Business  |
|---------------------|---|---|
| <b>Vision</b>       | Seek short-term efficiency for proven products and services | Build long-term sustainability through new products and markets |
| <b>Strategy</b>     | Reduce costs and optimize margins                           | Experiment and innovate   |
| <b>Capabilities</b> | Focus on effective execution                                | Enter and learn from diverse markets                            |
| <b>Architecture</b> | Top-down, reliable delivery                                 | Bottom-up, creative processes                                   |
| <b>Culture</b>      | Emphasize process improvement                               | Encourage fresh ideas and experimentation                       |

Japanese firms’ ability to manage this balance, while challenging, has proven critical in navigating periods of economic and industrial transformation.

### National Leadership Models

So, let me share with you some insights into leadership models. We’ve identified four key types. First, there’s **Model TJ**, which represents the traditional Japanese management style. This approach focuses on consensus-building and collective decision-making.

Next, we have **Model RJ**, which we call the "Resolute Japanese" model. This is a newer approach where leaders act decisively, adapt strategically, and embrace change more dynamically.

Then there's **Model CI**, the Contemporary Indian management style. This model emphasizes cultural flexibility and fast strategic execution.

We also observed **Model CC**, the Contemporary Chinese approach, characterized by aggressive growth strategies and strong state influence.

Finally, there's **Model TSL**, the Contemporary U.S. Total Shareholder Return model, which prioritizes maximizing value for shareholders.

These four models highlight very different leadership approaches. By comparing them, we can learn how global practices might be adapted to strengthen leadership in Japan.

### **International Learning for Japanese Leadership**

Japanese leaders are increasingly looking outward for inspiration. They're studying both Western and Eastern models to adapt best practices into the Japanese context.

Interestingly, we found commonalities and differences in how leaders across countries spend their time. For example, when we asked about the most time-consuming areas of work:

- Leaders in **Japan, India, and China** said their top priority is **strategy setting**.
- Meanwhile, **American leaders** said their biggest focus is on **regulatory issues** and **reporting to the board**.

This was a fascinating insight, showing that Asian leaders are more aligned in their emphasis on long-term strategy.

### **Implications for Strategy and Leadership in Japan**

Now, what does all this mean for Japan? Let me summarize some key implications:

#### **1. Learn from Global Models**

- Japanese leaders should look to promising global leadership models and adapt these practices to strengthen leadership here at home.

#### **2. Broaden Stakeholder Focus**

- It's essential to ensure that corporate strategies generate not only shareholder returns but also benefits for other key stakeholders—employees, customers, and society as a whole.

#### **3. Think Long-Term**

- Leaders must focus on long-term growth by envisioning distant gains and building clear pathways to achieve them. Bring the future into today's decisions.

#### **4. Redefine Leadership Style**

- We need to transcend the traditional "big boss" archetype. Instead, leaders should aim to be more approachable, relatable, and inspiring to their teams.

### **Implications for Executives, Directors, and Learning Programs Outside Japan**

This isn't just about Japan. There are lessons here for executives and organizations around the world. Let me outline a few:

#### **1. Adopt a Multi-Stakeholder Model**

- Companies should recognize the value of serving multiple stakeholders—shareholders, employees, customers, and society.

#### **2. Focus on Resilience and Adaptability**

- Successful firms show an ability to adapt by pivoting product lines and using disciplined processes to explore new opportunities, particularly in B2B sectors.

#### **3. Emphasize Long-Term Vision**

- Leaders with a 10- to 15-year horizon are better able to drive deliberate, impactful changes, though this approach may be challenging in fast-paced consumer industries.

#### **4. Redeploy Internal Talent**

- Japanese firms are especially good at redeploying human resources internally to adapt to new business challenges. This is an approach that can inspire firms globally.

#### **5. Use Broad Interventions to Build Momentum**

- Leaders in Japan use tools like town hall meetings and other large-scale initiatives to drive change and build alignment across their organizations.

This is how I see leadership evolving, and these insights provide valuable direction not just for Japan but for leaders and organizations worldwide.



## Questions and Answers

### ***On Short-term survival vs. Long Term Growth***

**Saideep:**

You highlight the importance of "high-speed change" in leadership. How can leaders foster an environment of agility without disrupting the long-term vision? How do you balance the tension between short-term survival and long-term growth, based on your own experiences working with or studying these organizations?

**Ikegami:**

Ah, yes, that's a very important question. Based on the practices of Japanese top leaders, balancing high-speed change with long-term vision requires what I call *multi-layer communication*.

By multi-layer, I mean that the top leader must engage with stakeholders at various levels. Of course, they need to communicate with board members and senior executives, but they must also go down to the factory floor, shopkeepers, or frontline workers. These are the people executing the business every day.

When a leader comes down to their level, it's not just about giving orders—it's about breaking down the company's long-term vision into actionable tasks for today. At the same time, it's crucial to listen to them openly. Some leaders only talk when they engage at this level, but the best leaders foster an atmosphere where frontline workers feel comfortable sharing their real concerns and ideas.

A good example is the CEO of Sony. He often held town hall meetings and, in these settings, he'd share personal stories, like how he manages garbage at home under his wife's instructions. These anecdotes humanized him and helped workers see him as relatable rather than a distant, unapproachable figure.

But he didn't just stop there—he'd act on their suggestions when appropriate, creating a cycle of communication and immediate action. This balance between listening, acting, and maintaining the big-picture vision is how leaders manage both high-speed change and long-term consistency.

### ***On the personal appeal of leaders***

**Saideep:**

How can leaders from other cultures, particularly those in hierarchical organizations, adopt the practices of personal engagement and emotional intelligence you describe in Japanese leadership? You suggest moving away from the "big boss" mentality. In your opinion, how can leaders inspire their teams through strategic ambidexterity while being approachable and inspiring? How can this shift influence decision-making processes in both short-term efficiency and long-term growth?

**Ikegami:**

That's an excellent question. The shift away from the "big boss" mentality depends on the situation. Leadership styles must adapt to the organization, its culture, and the social context.

In Japan's past, the big boss model worked well, particularly during the rapid growth periods of the 1960s to 1980s. It was the social norm, and leaders were expected to be distant, authoritative figures, walking on red carpets, far removed from the workforce. But as society and company cultures evolved, so did the need for leadership styles.

Now, many leaders have recognized that being distant no longer works. Employees feel disconnected when their leaders seem out of touch, and they become less motivated to follow. So, good leaders adapt.

In India, for example, the big boss model might still work well in certain contexts. But as societal norms evolve, leaders may need to adopt more personal, approachable styles. It's all about recognizing when the situation calls for change and having the humility to adapt.

Another aspect of balancing short-term efficiency and long-term growth is suppressing selfishness. Let me give you an example.

Look at Hitachi during its transformation from 2008 to 2020. Three successive CEOs followed a consistent long-term vision, even when their efforts didn't immediately reflect in the company's share price. They sold and bought more than 30 companies, including core businesses, to reshape the portfolio. But the share price didn't significantly improve until years later.

The same happened at Sony. CEO Hirai made significant transformations, shifting from home electronics to entertainment and semiconductors. These changes took time, and the results didn't materialize until after his tenure.

These examples show that suppressing the desire for immediate praise—such as from share price gains—is critical. Instead, leaders must have patience and resilience to stick with the long-term strategy, even under external and internal pressure. That's how they balance immediate operational needs with future growth.

**Saideep:**

I think you make two very powerful points. First, even if there is a change in top leadership, continued vision and consistency—as seen in the Hitachi case—are prerequisites for long-term success and transformation. Second, you emphasized not seeking short-term praise from critics or the surrounding environment, but instead sticking to your fundamentals and vision. Over time, the long-term results will inevitably come. These are two significant insights from the cases you shared. Thank you.

**Attendant:**

I'd like to ask: When will the Japanese IT industry fully trust Indian capabilities, which are extensively utilized in the US, UK, and Europe? What does India need to do to achieve this?

**Ikegami:**

Ah, this is a very interesting question, and I believe the Japanese IT industry is already starting to welcome Indian talent and capabilities.

Let me share an example, though I can't disclose the company's name. Before coming here, I consulted with one of Japan's top IT companies. They have both a domestic and an international business side. Recently, they appointed an Indian CEO to lead their international business division.

Now, this CEO is a graduate of one of India's top universities—if I told you which one, you might guess the company! His role involves overseeing the international strategy, and he has substantial influence, as more than half of the company's sales come from outside Japan.

This appointment is a significant step. It shows trust in Indian leadership and the global perspective that Indian talent brings. However, I must note that this is still an exception rather than the norm. While this is a top IT company setting an example, it's my belief that others may follow this trend in the future. This could pave the way for greater collaboration between Japanese IT firms and Indian talent.

**On human connection and corporate culture**

**Saideep:**

How do you measure the success of cultural transformation initiatives, like those at Panasonic Connect, where leaders engage directly with employees? What metrics or signs indicate that the culture is shifting in the right direction?

Also, in companies resistant to change, especially hierarchical ones, what are some effective methods for leaders to break down barriers and encourage more open communication?

**Ikegami:**

Ah, yes, excellent question. Based on what I've heard from CEOs leading these transformations, the key metric is *the voice of the customer*.

Of course, internal surveys, organizational feedback, and other methods are valuable for measuring shifts within the company. But if customers and business partners do not perceive any meaningful change, the transformation isn't making the intended impact.

These leaders believe that customer feedback aligned with the organization's cultural goals is a strong sign that the transformation is on track. If the customers' perceptions

reflect the intended shift, then the organization can feel confident that it is moving in the right direction.

Now, about creating openness in resistant, hierarchical organizations: leaders need to actively engage in direct and candid communication across all levels of the company. This often involves meeting employees at the frontlines, conducting town halls, and ensuring that employees feel safe sharing their honest opinions. It's not enough to communicate downward—leaders must also listen and act based on the feedback they receive.

By fostering trust and demonstrating through actions that their voices matter, employees become more open to change, and a culture of collaboration can gradually emerge.