



Revisiting Japan: Perspectives on Today's Global Business Environment

To BCG's network around the world,

I just spent a week in Japan—my first visit there since before the pandemic. BCG has a long history in the country. Our second office, which opened in 1966, was in Tokyo, and our work in Japan has been critical to our success globally ever since.

Before I share my perspectives though, I want to acknowledge the devastating news that hit during my return journey—the assassination of former prime minister Shinzo Abe. Abe dedicated his life to public service and to economically accelerating Japan. It is a tragedy to lose a devoted leader who has had such a meaningful impact.

With that thought, I'd like to share—together with my colleague Yasushi Sasaki, who leads BCG in Northeast Asia—some of what I learned about today's business environment in Japan.

Five Insights on Japan's Business Environment

1. Continued Progress on Digital. Companies in Japan have been actively pursuing digital transformations and are making meaningful progress, starting to see the impact of their investments. According to BCG research, the percentage of Japanese companies in the “win zone” of digital transformation—where the target value has been met or exceeded and sustainable change created—increased from 14% in 2020 to 30% in 2021.

The next real wave of change in this area will be focused on broad implementation of artificial intelligence, a pursuit many companies are beginning to tackle. Japan's business leaders are well aware that along with the promise of AI comes the obligation to deploy it responsibly and integrate ethical guidelines from the start.

2. Disciplined Corporate Turnarounds. One of the most remarkable trends in Japan is a focus on effectively turning around businesses, cleaning up and simplifying portfolios. These moves are injecting real agility in large corporations.

Hitachi's moves are a great example. Over the past ten years, the multinational conglomerate has divested \$20 billion in assets, dramatically paring back its own portfolio and setting those carved-out assets, including Hitachi Chemical and Hitachi Metals, on their own growth path.

3. A Call for Greater Climate Awareness. According to recent BCG research, just 47% of Japanese consumers say they pay attention to the impact of their behavior on climate change—the lowest among 11 countries surveyed. With this level of attention comes a commensurate lack of mobilization in business. Many corporate leaders think of a climate agenda more as a costly threat than the business imperative—and the opportunity—we know it to be.

One leading bank CEO told me that instead of facing demands from large corporations to fund their energy transitions, he's the one pushing for it. While some segments of the population are climate-savvy—particularly younger consumers tapped into social media—greater attention in the business community and among individuals will be needed in order to make critical progress and reach climate goals.

4. Talent, Talent, Talent. As Japan's working population—and population overall—continues to shrink, the emphasis on improving talent acquisition and retention is high on every business leader's agenda. A traditional focus on products and processes has shifted to include intense discussions about people strategy—a noticeable change since I last visited.

One of the CEOs I met with talked about the need for strong talent among the younger generations in particular. This demographic tends to be purpose oriented, and leaders must be mindful of taking a clear stand on social issues, such as climate and sustainability, to attract and keep younger talent. This is a theme that arose consistently in my conversations this week.

5. A New Generation of Leaders. One of the most fascinating changes in

corporate Japan has been the cultural shift characterizing the latest generation of CEOs. These leaders are more globally minded, tech-savvy, and people oriented; talent management, purpose, and diversity, equity, and inclusion are top priorities.

I've seen this firsthand. A Japanese company I have been working with for more than a decade has a new CEO. He shared with me that when he thinks about his legacy, he hopes he'll be known as much for the new culture and talent base he fostered—with a long-term sustainability mindset and a global perspective—as for the growth and profitability he helped generate.

I left Japan feeling optimistic about how business will approach these challenges and make progress in the years ahead. I look forward to witnessing the continued growth and innovation in Japan. And today, I offer my greatest sympathies to the nation during this period of grief.

Until next time,



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