

Leading in
the New
Reality



Back in May, I wrote to you about what's top of mind for [CEOs in the US](#), and a few weeks later my colleagues Mai-Britt Poulsen and Matthias Tauber shared what they're learning from [CEOs on the ground in Europe](#). As we head to the Olympics, I've asked BCG's Yasushi Sasaki, who leads our Northeast Asia system, to tell us about the top priorities for CEOs in Japan today.

To BCG's network around the world,

At the time COVID-19 hit, Japan was on track to experience growth after a long economic downturn. While there have been so many tough challenges over the past year, businesses have demonstrated powerful resilience, and I feel a sense of optimism from the recent discussions I've had with CEOs here in Japan. Here's what I hear them talking about the most:

1. **The Road to Carbon Neutrality.** Late last year, Prime Minister Yoshihide Suga announced that Japan will be carbon neutral by 2050 and will join in international efforts to lead the fight against climate change. That ambition, along with the powerful voices we're hearing from younger generations, has led to a widespread acknowledgment that Japan must act with urgency. The complexities to solving the climate challenge are immense, but business leaders are beginning to step up—and it's been exciting to witness. I just spoke to one leading CEO in the banking sector who sees this as a pivotal moment of opportunity, not a threat, and has put together a team to lead his organization toward net zero.
2. **The Post-COVID Digital Business Model.** The pandemic posed a real threat to the traditional working model of face-to-face interactions that have long been a key feature in how most Japanese corporations function and thrive. It's been exciting to see the ways in which many executives have embraced this period as a chance to embark on real digital transformation and rethink some of the inefficiencies of the old ways of doing business. But the digital journey is hard, made even more so in

Japan, as I hear from CEOs time and again, by major obstacles to recruiting digital talent from outside the company.

3. **The Talent Challenge.** In the late 1960s, James Abegglen, the founding leader of BCG in Tokyo, coined the term “lifetime employment” to describe the practice that has empowered a steady middle-class labor force in Japan, a stability that was at the heart of the country’s corporate strength in the decades after World War II. But it’s a rigid system amid today’s volatile market dynamics and dependence on digital. Many organizations are investing huge resources in upskilling, but acquiring and developing the best talent is a major bottleneck for CEOs today.
4. **The Gender Diversity Imperative.** As the overall population continues to decline, leaders know very well that the growth of their business depends on shrinking the gender gap—but progress has been slow. While the government has made efforts to increase female participation in the workforce, the private sector must also be persistent in recruiting, retaining, and promoting women. According to one CEO, “This is an issue of structural reform for our society as a whole.”
5. **The Corporate Purpose.** Japanese companies distanced themselves from shareholder capitalism years ago, with leaders fully subscribing to the idea that a company will thrive if it serves all stakeholders—including employees and society at large. Now that this has become a global trend, particularly powerful in the US, one CEO pointed out the irony that Japan may not be the best corporate purpose role model. “If we don’t show good performance from our earnings,” he said, “no one will listen to us about the need for multistakeholder purpose.” Many business leaders today are beginning to think about purpose more deeply—and to incorporate the above themes into their “why”: climate action, digital transformation, talent development, and diversity.

These are all challenging issues, and CEOs understand that grappling with them requires enormous, long-term efforts. But Japan has always shaped and strengthened its capabilities during times of crisis. It’s in this same spirit that many business leaders are approaching the Tokyo Olympics—ready to face the challenges head-on and confident that we will make the Summer Games a success.

I hope you all enjoy the Olympics from wherever in the world you may be watching.



Yasushi Sasaki
Managing Director & Senior Partner
Northeast Asia Leader



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