Leaders Without Borders

In the wake of disappointment over Abenomics, Japanese companies must recruit both management and board talent outside of Japan to reenergize global expansion

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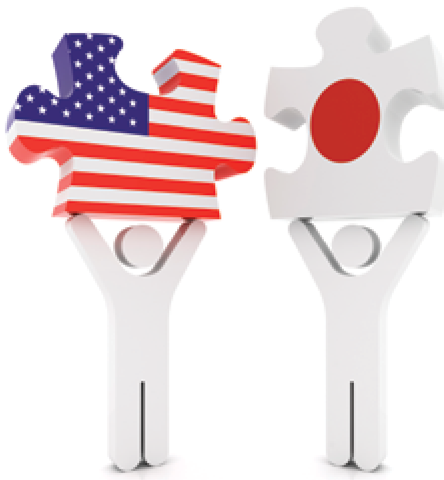

Hopes were high following Japan's December 2012 election of Prime Minister Shinzo Abe. His new economic stimulus policy, dubbed Abenomics, was designed to catapult the economy out of a near 20-year stall and fuel a second major global expansion after the Japan GDP peaked in 1997 at 523 trillion yen. But a little over two years later, recovery and renewed global expansion are still beyond the horizon. For the first time, Japanese companies are laying off thousands of employees in Japan and are forced to look outside Japan for growth. Japan Inc.'s famous "jobs for life" unwritten promise has been broken. One glitch is that the stimulus policy did not directly address Japan's leadership challenges in global expansion. In order for Abenomics to truly take hold, corporate Japan, including both the keiretsu behemoths and the small family owned Japanese companies, must address key leadership challenges in their overseas operations.

Having worked for Japanese companies on both sides of the Pacific and successfully placed and trained leaders for the U.S. operations of Japanese companies, I can say from experience, in English or Japanese, that Japanese companies face a cavernous cultural divide when expanding to the West.

Historically, corporations have assigned an expat Japanese manager to live in the United States for an indefinite period of time to be general manager or country manager of U.S. operations. These Japanese general managers are asked to find their own American replacement when the time is right, and then they return to the Japan home office. This has been less than ideal. Even though the Japanese managers understand their home office culture well and are supported by top management politically, they typically do not understand the U.S. marketplace or the U.S. division's culture. This means they cannot be effective at making a difference in growing the business in the West for at least a few years, and many are never effective. The expats end up playing an uncom-

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fortable interference roll between the headquarters in Japan and the U.S. subsidiary without pleasing either side.

Often if Japanese companies decide to hire a U.S. local national, they have a tough time finding one that fits their particular corporate culture. Overall Japanese companies operate by the concept of nemawashi or consensus management, whereas most American companies operate by strong individual contribution. A U.S.-trained leader without strong knowledge of and first-hand experience with nemawashi can be doomed from the start.

At Japanese companies, teams recommend proposals and then execute them. No one person stands out with a big idea and a cowboy-to-the-rescue style. The way employees get promoted at Japanese companies is by proving they can work well in the team. It's all for one and one for all. In U.S. companies, it's all about the individual contributor getting ahead, sometimes at the expense of fellow workers. The way to get promoted is to impress the boss and upper management with individual contribution.

In recruiting senior level executives for Japanese companies in the U.S., it's crucial to have a clear understanding of these types of cultural differences. The successful recruiter must know how to assess what executives would work well in a Japanese consensus-style management company. New Japanese heads of U.S. operations not only must be aligned with Japanese company culture norms and style but also must be able to gain the respect of the U.S. team. This is a fine balance that can take ongoing coaching to achieve a winning fit.

Japanese companies are beginning to recognize leadership shortcomings when it comes to global expansion, which is an important step toward positive change. A 2013 Accenture study based on a survey of 250 senior executives at Japanese companies found that:

- 54% say they cannot attract and retain talent in overseas markets
- 42% say they have cross-border cultural barriers
- 34% say there is a lack of global mindset in top leadership teams
- 66% say they are not creating clear and compelling paths for professional growth and advancement
- 60% say they do not offer higher salaries than overseas competitors
- 70% say they do not offer competitive training and development programs
- 72% say they are not promoting overseas hires to top positions within the overseas operations
- 78% say that their company is increasing autonomy for overseas operations and allowing for local decision making

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Another recent trend for Japanese companies that's gaining ground is hiring and promoting more women into senior management roles. This is especially crucial when recruiting in the U.S. I recently surveyed 44 Japanese executives, and 86% responded that one of their objectives for 2015 was to increase the number of female hires in their global operations. This attitude shift will expand the candidate pool significantly if Japanese companies truly are prepared to hire the best-in-class candidate even if that candidate is a woman.

When I asked them about the biggest human resource challenge to their global expansion plans, 41% said it was a lack of understanding of the human resource practices and culture of the foreign country.

The recruiter can fulfill a vital role to bridge that gap, retain the right foreign staff, coach both the new hire and Japanese headquarters through the cultural concerns, and instill a new global mindset in the top leadership team both at home and abroad.

An exciting new development is that Japanese companies for the first time are starting to hire outside board members. Rochelle Kopp, founder and managing principal of Japan Intercultural Consulting, an expert in cross-cultural business training for Japanese companies, says "as Japanese companies increase their business focus outside of Japan and seek to strengthen their corporate governance with more diverse perspectives, they are bringing in more outside directors and directors who are not Japanese."

Historically, large Japanese companies have only been governed by inside boards, which in essence are the senior management team. They rarely looked outside for advice. Occasionally they would turn to consultants for advice but would never hire an outside board of directors for corporate governance. Within the last few years, we have seen Japanese companies start to hire outside board members similar to Fortune 500 companies, including seeking top women executives as prospective board members.

So as Abenomics gets a second wind from cheaper oil and a falling yen, Japanese companies, with their eye on growth in foreign markets, need to gear up to fill both management and board leadership gaps and provide sufficient budgets for ongoing training to ensure local managers can achieve their objectives. ■