



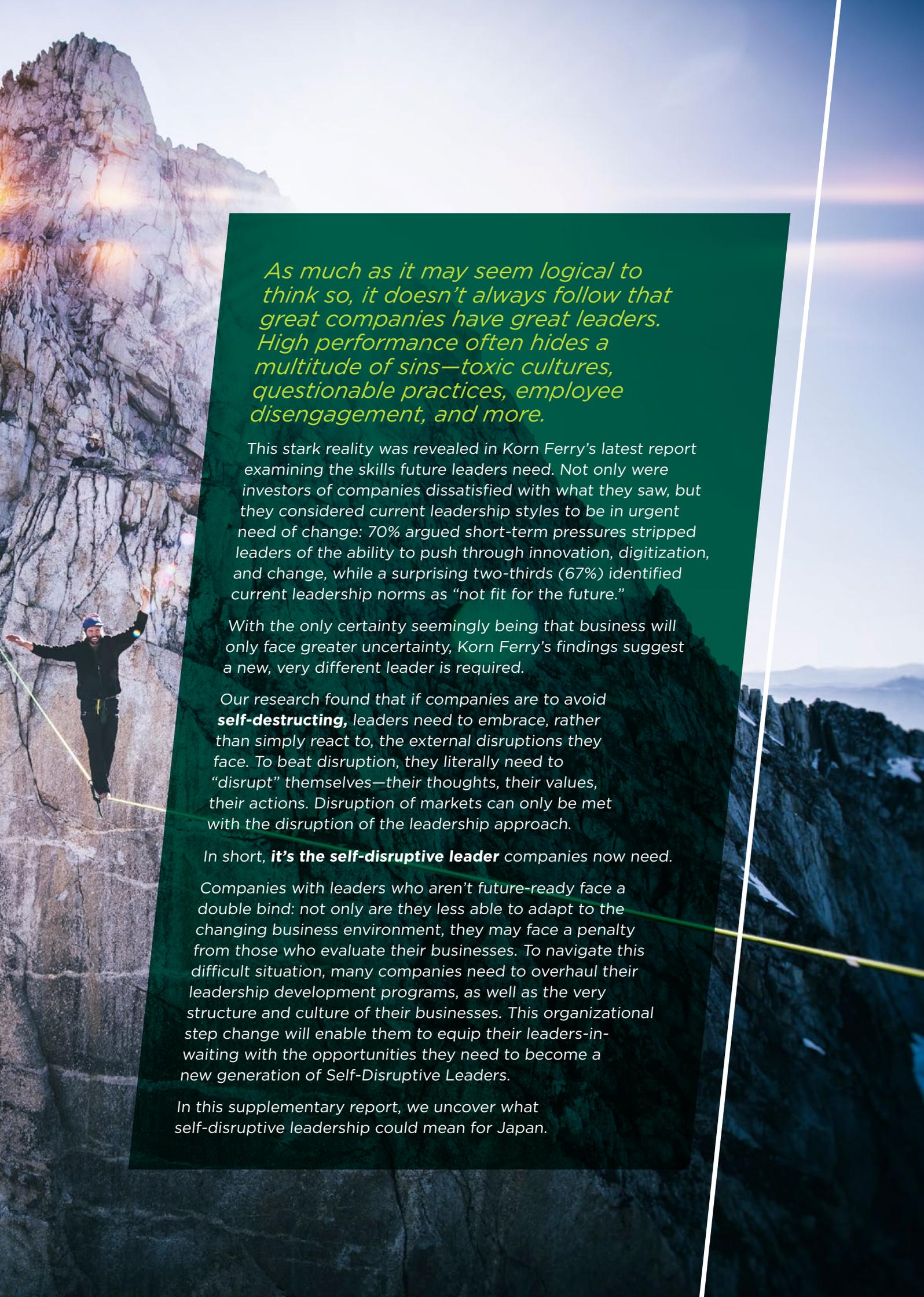
THE SELF- DISRUPTIVE LEADER

MARKET REPORT: JAPAN

The Self-Disruptive Leader is part of Korn Ferry's three-year examination of the transforming and disrupted Future of Work



***Leadership
will make
or break
businesses.***

A person in a black jacket and blue cap is rappelling down a steep, rocky mountain face. The person is holding a yellow rope and has their arms outstretched. The background shows a vast, rugged mountain landscape under a clear sky. The text is overlaid on a dark green, semi-transparent rectangular area.

As much as it may seem logical to think so, it doesn't always follow that great companies have great leaders. High performance often hides a multitude of sins—toxic cultures, questionable practices, employee disengagement, and more.

This stark reality was revealed in Korn Ferry's latest report examining the skills future leaders need. Not only were investors of companies dissatisfied with what they saw, but they considered current leadership styles to be in urgent need of change: 70% argued short-term pressures stripped leaders of the ability to push through innovation, digitization, and change, while a surprising two-thirds (67%) identified current leadership norms as "not fit for the future."

With the only certainty seemingly being that business will only face greater uncertainty, Korn Ferry's findings suggest a new, very different leader is required.

Our research found that if companies are to avoid **self-destructing**, leaders need to embrace, rather than simply react to, the external disruptions they face. To beat disruption, they literally need to "disrupt" themselves—their thoughts, their values, their actions. Disruption of markets can only be met with the disruption of the leadership approach.

In short, **it's the self-disruptive leader** companies now need.

Companies with leaders who aren't future-ready face a double bind: not only are they less able to adapt to the changing business environment, they may face a penalty from those who evaluate their businesses. To navigate this difficult situation, many companies need to overhaul their leadership development programs, as well as the very structure and culture of their businesses. This organizational step change will enable them to equip their leaders-in-waiting with the opportunities they need to become a new generation of Self-Disruptive Leaders.

In this supplementary report, we uncover what self-disruptive leadership could mean for Japan.

Investors call for a new model of leadership.

The combined impact of disruptive global megatrends has forced organizations to evolve rapidly—sometimes frantically—thereby making leadership crucial to their continued success: Competent leaders are even more vital in a complex and continually evolving ecosystem. Companies that fail to satisfy the market that they have the right people at the top risk dwindling investment.

And yet our research shows that **only 15% of today's leaders** can be considered self-disruptors.

There is an urgent need to develop a pipeline of future-ready leaders today. Investors and analysts in Japan rate talent as very important across enterprises, but especially at the top: 76% cite an exceptional CEO as critical to an organization's success. Meanwhile, 72% of investors say the need for transformation is going to make leadership more important to company performance within the next three years.

But the demand for this strong, innovative drive isn't confined to one individual at the top: investors want leadership strength across the C-suite and beyond. In Japan, 84% of respondents cited boards of directors as crucial to corporate performance, with 56% demanding top skills and capacities in the senior leadership team.

No more business as usual.

Investors in Japan see the squeeze on the companies they rate and invest in: 82% believe these companies are confronting disruptive challenges, and 86% believe companies need to deliver some transformational change.

Technology is compounding organizations' stresses, as it allows changes in one industry to swamp others—new competitors now emerge from anywhere. Tech companies now constitute the six largest companies in the world, and the expansion of this sector's horizons seems boundless. Constant tech-related shake-ups make strategy planning a real challenge: 76% of Japanese investors say it is harder to forecast threats when competition can come from anywhere. This has led 78% of investors to value future vision and orientation over past performance. In fact, globally, a company's financial performance and earnings growth is now the least compelling factor for those making investment decisions.

Instead, Japanese investors want organizations to launch into a major reconsideration and transformation of their practices on talent and leadership:

But exactly how do organizations get from here to tomorrow, and how do they identify, attract, develop, retain, promote, and expand the number of leaders they must have to succeed in the future of work?



The market context for the Self-Disruptive Leader.

80%

Japanese investors who believe that traditional and legacy leadership will not be fit for the future.

72%

Japanese investors who said they'd give leaders increased financial scope to make the changes necessary to bring their businesses in line with the future.

70%

Japanese investors who said the pressure for short-term performance works against leaders' ability to deliver innovation, digitization, and change.

70%

Japanese investors who said they would give leaders more time to effect major change.

Introducing the “Self-Disruptive Leader.”

Models of good leadership are often based on replicating the characteristics and capabilities that have succeeded in the past. But while many of these qualities are important, this approach neglects the importance of the future. In a world characterized by rapid change, yesterday’s paradigms risk becoming redundant, or even harmful. Predicting exactly what the future will require is an impossible task, so leaders instead must equip themselves with a strong portfolio of future-oriented and change-ready skills in order to keep responding to fluctuating market demands with dynamism and insight.

We call these adaptive change-makers “self-disruptive leaders.” Today’s business environment is characterized by rapidly changing strategies, business model innovation, and operational transformation. While leaders trapped in yesterday’s mindset often struggle to find their place and voice in this new business world, Self-Disruptive Leaders are highly learning agile, self-aware, emotionally and socially intelligent, purpose-driven, and assured but humble. They proactively modify their own methods and attitudes, enabling them to keep pace with the rapidly transforming environments that threaten slower-moving peers. Flexible mindsets at the top permeate throughout these businesses and enable every individual to navigate change and succeed in a shifting landscape. Leaders who make their teams dependent block growth; rather, those who can get organizations behind their vision and then empower others to execute on it are well-positioned to achieve.



A person is climbing a white ladder that is leaning against a reddish-brown rock face. The person is wearing a black shirt, orange pants, and a climbing harness. The ladder is made of white rungs and is positioned vertically. The background is a dark green, textured surface.

The qualities that differentiate the Self-Disruptive Leader can be summarized by the ADAPT dimensions:

A

Anticipate: Demonstrate contextual intelligence to make quick judgments and create opportunities; focus on the societal needs that the organization wants to serve; provide a direction to unify collective efforts even among disoriented environments.

D

Drive: Energize people by fostering a sense of purpose; manage the mental and physical energy of themselves and others; nurture a positive environment to keep people hopeful, optimistic, and intrinsically motivated.

A

Accelerate: Manage the flow of knowledge to produce constant innovation and desired business outcomes; use agile processes, quick prototyping, and iterative approaches to rapidly implement and commercialize ideas.

P

Partner: Connect and form partnerships across increasingly permeable functional and organizational boundaries; enable the exchange of ideas; combine complementary capabilities to enable high performance.

T

Trust: Form a new relationship between the organization and the individual that centers on mutual growth; integrate diverse perspectives and values; help individuals to uncover their sense of purpose and facilitate them in providing their maximum contribution.

How we uncovered the self-disruptive leader.

By analyzing the leadership profiles of 150,000 leaders from the Korn Ferry Institute's proprietary data, the study uncovered the five ADAPT qualities of effective, future-focused leadership—qualities which correlate with a country's ability to innovate, according to the Global Innovation Index, as well as with a company's likelihood of being an acclaimed brand. Additionally, the study uses opinion research from 795 investors and analysts to model the gap (in 18 key global markets) between the current supply of these high-performance qualities and the market's demand for them, to reveal just how wide leadership skills shortages are globally and by market. (For more information on the methodology or to download the full Self-Disruptive Leader global report, please visit: kornferry.com/self-disrupt.)



What does self-disruptive leadership mean for Japan?

Japanese business leaders have admired legendary founders such as Konosuke Matsushita of Panasonic, Masaru Ibuka of Sony, Soichiro Honda of Honda, among others, and have learned a lot from their philosophies in lifetime employment practice. Their methods were passed down, enabling Japanese companies—even when confronted with everyday challenges—to succeed in the era of industrialization.

However, in the digital era, these philosophies have started to hinder the transformation of Japanese companies. Disrupting a founder's philosophy has been deemed taboo in Japanese organizations; inviting new leaders externally is also difficult in lifetime employment practices. Japanese leaders now face the challenge of building self-disruptive qualities or risk being disrupted in the face of digitization.

***Kenichi Takano,
President, Japan,
Korn Ferry***

The current state in Japan.

In Japan, investors on average believe that only 25% of all leaders in the country are equipped to lead future businesses. The situation is similar to the global average. Japan is also experiencing digital transformation at a rapid pace. However, the nation's industrial-era success makes it difficult for Japanese leaders to unlearn founders' philosophies and cope with the new age of digitization.

What Japan has, what Japan wants.

Although there is global demand for all aspects of self-disruptive behavior in leaders, each market has different strengths and weaknesses in its current stock. What's more, investors in different markets have distinctive priorities when it comes to what they want most from leaders. As a result, the greatest skill shortfall varies in different places, and leaders in each economy need to focus on a different ADAPT dimension to satisfy market demand.

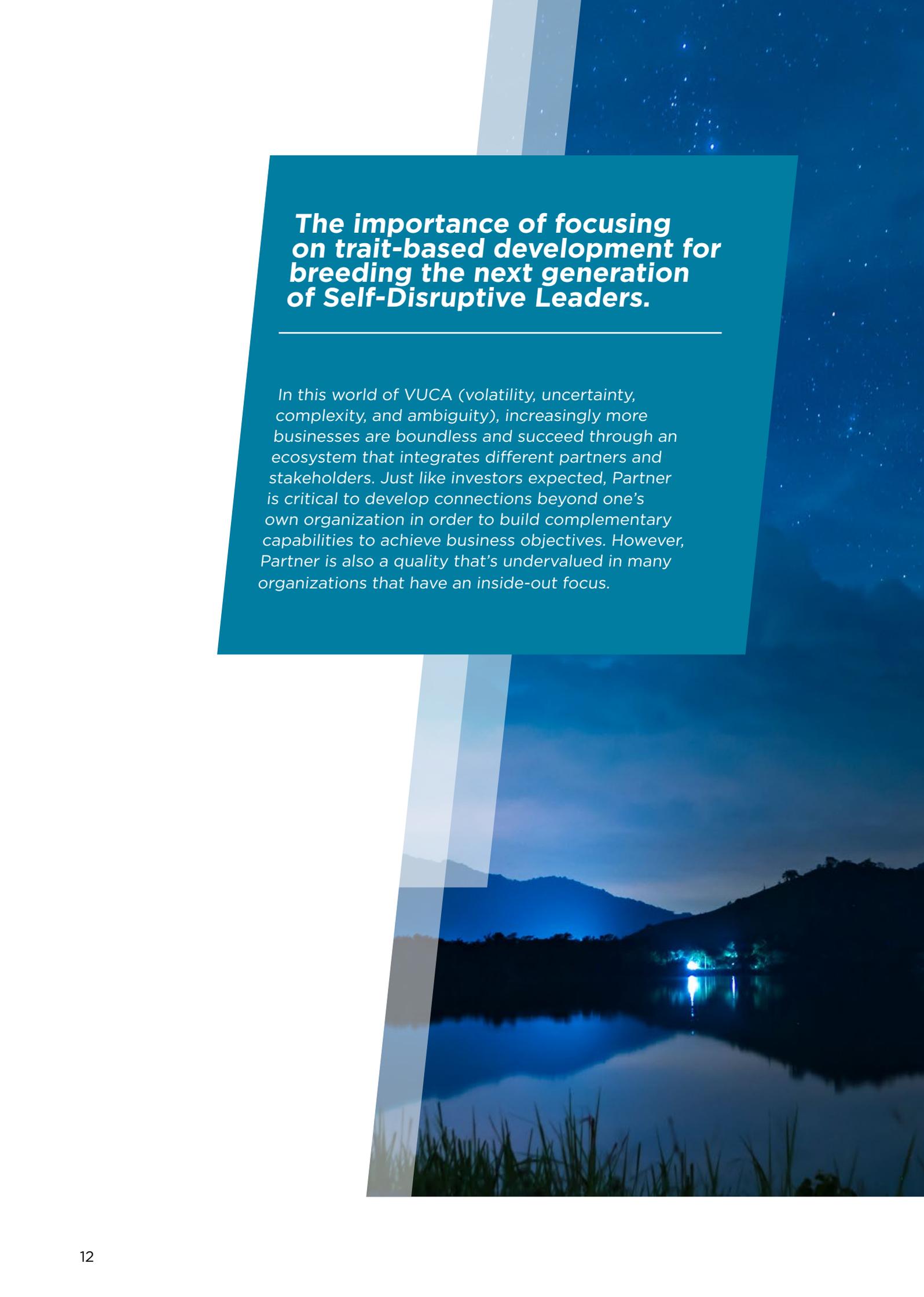
Japan is one of the economies that had the largest mismatch between investor expectations and current leadership capabilities. Investors placed high value on Trust, yet current leaders are weakest on this attribute. Lifetime employment practices and Japanese-centric management styles have nurtured organizational cultures where the founders' philosophies are embedded. However, this preservation makes it difficult to foment a diverse culture. In a culture that traditionally stresses collectivism and harmony, leaders may undervalue personalized caring and opportunity for authentic self-expression. Leaders may be encouraged to look into the future, and reflect on how they can attract and leverage talent among younger generations.

Drive is another capability where there's a significant mismatch. Frequently, employees are asked to work and contribute on the edge of their competence. Workplace stress is mounting, and anxiety is accumulating among the ambiguity. Japanese people are risk averse by nature. They admire mature business leaders who prepare everything pessimistically, which hinders forward thinking and the exploration of new challenges. It's on leaders to create a positive and energizing environment to support worker creativity.

Japanese companies do, however, excel on the **Accelerate** dimension. They are good at kaizen—continuous improvement with quick prototyping—and iterative approaches

The gap between leaders' abilities and market expectations.





The importance of focusing on trait-based development for breeding the next generation of Self-Disruptive Leaders.

In this world of VUCA (volatility, uncertainty, complexity, and ambiguity), increasingly more businesses are boundless and succeed through an ecosystem that integrates different partners and stakeholders. Just like investors expected, Partner is critical to develop connections beyond one's own organization in order to build complementary capabilities to achieve business objectives. However, Partner is also a quality that's undervalued in many organizations that have an inside-out focus.

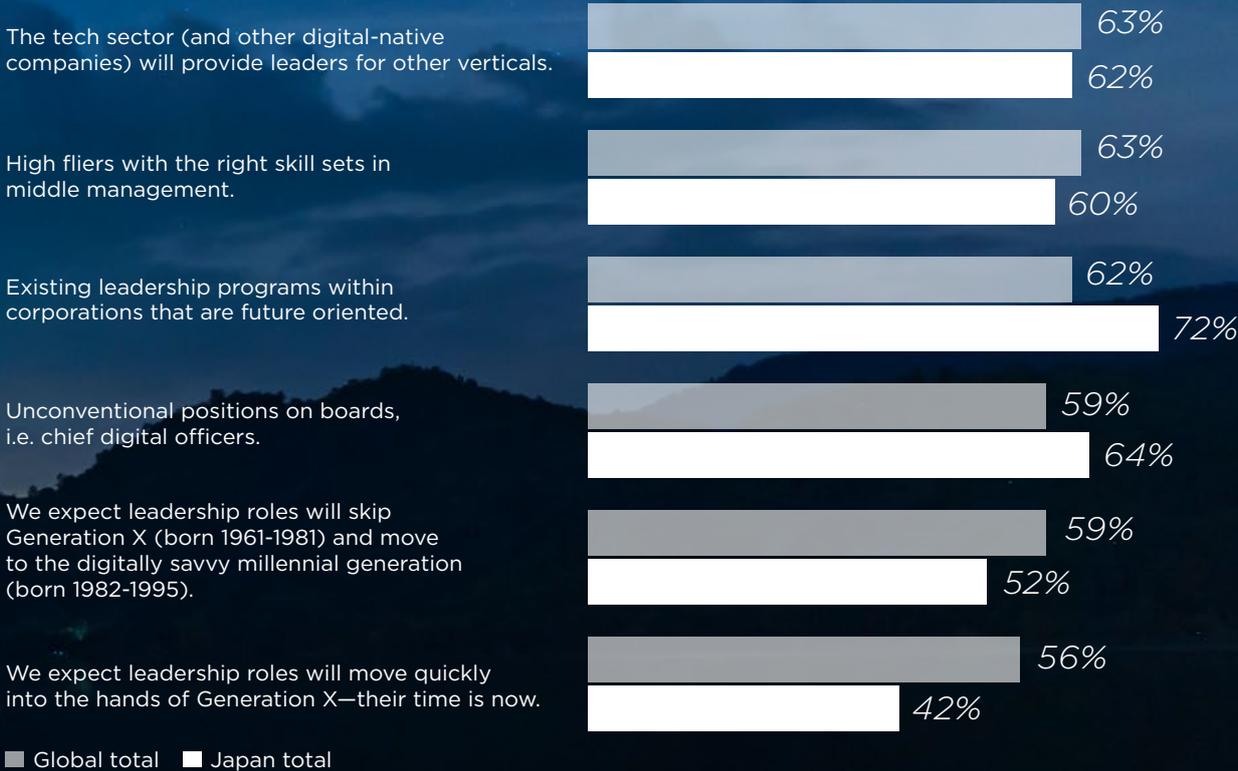
Where will self-disruptive leaders come from in the future?

Future leaders will come from emerging companies, such as Masayoshi Son, founder of Softbank. In the early stages of industrialization, legendary founders such as Konosuke Matsushita, Soichiro Honda, and others took risks, energized people, and drove business growth: They were not possessed by an established philosophy.

The younger generation will also drive the growth of Self-Disruptive leadership, because they are more open to innovation, exploration, and a new way of thinking. Since many large Japanese companies depend on lifetime employment practices, discovering and developing the next generation of leaders will be critical for survival.

To make the most of this talent pool, any individuals with potential must be allowed to test their aptitude at a higher leadership role. To become leaders, they'll need exposure and guidance in dealing with executive job functions such as enterprise value, profit and loss, balance sheets, and external stakeholders. They must circulate throughout an organization to stimulate their minds, learn new skills, experience different ways of working, and build important relationships with colleagues of many different backgrounds, experiences, and capacities.

Investors view on where Self-Disruptive Leaders will come from:



In Japan, an overwhelming number of investors—72% to be exact—believe that existing leadership programs within future-oriented corporations will supply self-disruptive leaders.

Rediscovering existing potential.

Self-disruptive leaders won't be found using well-worn practices. Instead, organizations will need to think about talent as a system if they want to tackle this complex and multilateral issue. Recruitment, compensation, training, development, and succession planning may need a full revamp to ensure that organizations widen and maintain a flow of diverse talent, especially of hard-to-find Self-Disruptive Leaders. In beginning to develop this system, businesses should focus on three key points:

- **Develop new mindsets.** Traditional leadership development focuses on skills and behaviors, but this needs to be supplemented with mindset development to successfully advance new Self-Disruptive Leaders.
- **Open up leadership development opportunities.** Leadership development must become available to more people. In the past, it often has been elitist and focused on certain individuals; it needs to move toward a collective model that empowers everyone in a company to develop their leadership capabilities.
- **Foster always-on development.** Organizations need to facilitate always-on development not only by providing learning opportunities, but by helping busy employees navigate training easily and rewarding them for learning. Simultaneously, individuals at all levels need to take ownership of their own development. Together, this will build an employment contract built on mutual growth.

Although these changes may seem daunting to current executives and directors, companies must act with urgency to put these structures in place. This evolution matters: the market already knows that companies need to do more to help tomorrow's Self-Disruptive Leaders climb up through the business, with 63% of investors and analysts globally saying high fliers with the right skills and capacities in middle management will be vital in the future of work.





The final word.

Traditional training routes aren't equipped to solve the leadership crisis, often producing outmoded mindsets that can't keep up with the rate of change. Instead, a revolution in how companies develop leaders is vital for closing the leadership pipeline gap.

To capitalize on an increasingly disruptive world, companies must accelerate their identification, recruitment, retention, development, and promotion of leaders with self-disruptive potential at all levels of the business. Organizations must develop a culture that empowers everyone within them to challenge their own thinking and disrupt themselves.

This final point underpins the solution to the leadership crisis: leadership can no longer be isolated and inscrutable. By cascading ADAPT proficiencies throughout the organization, companies will develop a self-perpetuating ecosystem of leaders, ready for whatever the future of work brings.

For more information on self-disruptive leadership in Japan, and how to prepare for it, contact:

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To download a full copy of the global Self-Disruptive Leader report, please visit: kornferry.com/self-disrupt.



About Korn Ferry

Korn Ferry is a global organizational consulting firm. We help clients synchronize strategy and talent to drive superior performance. We work with organizations to design their structures, roles, and responsibilities. We help them hire the right people to bring their strategy to life. And we advise them on how to reward, develop, and motivate their people.