The pace of change in today’s digital economy puts new demands on executive leadership, but the results of a global research program by Oxford Economics and SAP show that most companies are stuck in the past.

Some companies are more prepared for the digital future. Oxford Economics identified a set of capabilities and practices that define the best-led organizations—we call them Digital Leaders. At most companies, digital transformation is just beginning: only 8% of respondents to our survey qualify for this elite group in Japan, compared with 16% of the overall sample.

Our analysis of the data shows organizations that meet our criteria see better financial results and have happier, more engaged employees.

Four themes, outlined on the following pages, emerged from our research. By focusing on any shortfalls in these areas, companies can boost their chances of becoming Digital Leaders.

This fact sheet outlines key findings for Japan.
Lack of leadership slows digital transformation

Executives and employees at most companies say management lacks critical digital skills.

- Japanese executives are less likely than their global peers to say senior leadership proficiently uses technology for competitive advantage (23% vs. 56% globally), navigates a changing business environment (27% vs. 53%), or facilitates innovation (33% vs. 57%). Employees tend to agree with this assessment.
- Decision-making is behind in Japan. Executives are much less likely to say decisions can be mapped to company strategies (17% vs. 55% worldwide) or made in real time (21% vs. 43%).

Diversity pays off

Diversity levels are not where they should be for most companies—but it is higher at those with superior executive leadership and better financial performance.

- Japanese executives and employees are less likely to have effective diversity programs in place, but roughly on par with (or slightly ahead of) the global average in diversity change among the board, mid-management, and general workforce over the past three years.
- Executives and employees in Japan are somewhat less likely than their global peers to say diversity change has had a positive impact on culture.

Note: Bullet points represent survey results not pictured in the charts.
Millennial executives are impatient for change

* A new generation is rising up the org chart, and these young executives want more from leadership.

- 30% of executives in Japan are Millennials, compared with 17% worldwide.

- Despite the high percentages of young executives, just 5% of executives in Japan say their company is devoting resources to training the next generation of leaders, and only 27% expect to be doing so three years from now.

- Only 21% of executives and 30% of employees in Japan say roles are filled internally, but recruitment strategies could use work, too: just 15% of executives say they attract highly qualified candidates.

Digital Leaders have more engaged employees

* Employees who work at companies with better executive leadership are more satisfied and engaged—and less likely to leave for a new position.

- There are no employees from our survey from Japan at Digital Leader companies—a sign that Japanese companies should do more to develop digital strategies.

- Job satisfaction and engagement are sorely lacking among Japanese employees. Possible reasons: only 24% say senior leadership is proficient in inspiring and motivating employees, and only 38% say their company offers competitive compensation.
Conclusion

Japanese organizations are on the verge of a leadership crisis. Executive leaders in Japan must improve talent-development strategies and update management skills in critical areas in order to stay competitive. Our research identifies several areas where companies can improve their leadership skills—and their business performance.

- **Communicate a company-wide digital vision.** The best leaders not only have a strategy for going digital—they are sharing it with employees across the organization.

- **Continuously update executive and employee skill sets.** Everyone, from the ground floor to the executive suite, needs digital skills and the ability to learn new ones quickly.

- **Flatten the organization.** Leadership needs to empower managers and workers across the enterprise to make decisions quickly, without bureaucratic bottlenecks.

- **Emphasize diversity.** Companies that cultivate a diverse workforce and take a broad range of employee perspectives into account are better poised to succeed in a global economy—and to keep employees happy and engaged.

- **Listen to young executives.** The growing cohort of Millennial executives has a strong vision for leadership in the digital economy. Taking their advice may be a shortcut to digital transformation.

For more on what it takes to become a Digital Leader, see [www.successfactors.com](http://www.successfactors.com)

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**About the research**

Oxford Economics and SAP surveyed 2,050 senior executives and 2,050 employees from 21 countries in the second quarter of 2016 about leadership and workforce development for the Digital Economy. Roughly 5% of the overall sample comes from Japan.

**Location:** United States, Canada, Brazil, Mexico, Colombia, Singapore, Malaysia, Thailand, Philippines, Indonesia, Australia, New Zealand, Japan, Korea, China, India, France, United Kingdom, Germany, Spain, and Russia

**Industries:** The overall sample is split roughly evenly among Financial Services, Retail, Public Sector, Healthcare, Consumer Goods, Professional Services, Manufacturing, and Technology

**Functions:** The overall sample is split evenly among Finance, HR, IT, Sales/Marketing, and Procurement

**Company size:** 25% $250m–$499 m; 25% $500m–$1 bn; 50% more than $1 bn

**Gender:** 50% male, 50% female

**Age:** 50% of employees are Millennials