

# C-Suite Challenge™ 2021

Leading in a Post-COVID-19 Recovery

**JAPAN EDITION**



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## Executive Summary: Meeting the Challenges Ahead

In time, the global economy will recover from COVID-19, but it may be forever changed. The pandemic is posing a unique set of risks and opportunities for companies regardless of size, location, or industry sector. The long-term impacts on the basics of business—how and where work gets done and by whom, what customers want and how they buy it—require asking difficult questions as companies prepare for the recovery. How are organizations reinventing themselves for the digital age and how are they responding to the forced and rapid march toward digital transformation? How should they plan resource allocation and investment decisions, address skill shortages, manage key talent, address the social concerns of stakeholders, and innovative business models to best thrive in a postpandemic world?

With recessions fears still a major concern, our responding CEO in Japan are planning to emerge in the post COVID-19 business environment with leaner and more agile organizations. They are focused on becoming more innovative, the transformation of business models and rapid acceleration of digital transformation that include the automation of tasks while recruiting and retaining top quality talent. They are seeking to create data driven organizations that focus on sustainability and building more agile teams that are a foundation for business model and digital transformation.

Since 1999, The Conference Board CEO Challenge<sup>®</sup> survey has asked CEOs across the globe to identify the most critical issues they face and their strategies to meet them. Since 2017, the C-Suite Challenge has expanded the survey pool beyond CEOs to the entire C-suite. This year's anonymous survey in partnership with the Japan Productivity Center was conducted following the US elections in November 2020. A total of 1,538 C-suite executives, including 909 CEOs across the globe and 118 in Japan, and 629 C-suite executives globally including 68 in Japan responded. While CEO and C-suite priorities certainly vary on a company-to-company basis, we believe this report can serve as a discussion starter and idea prompter within organizations to ensure that the enterprise understands the challenges it faces and the strategic goals it needs to set to meet those challenges. The project, coordinated by **The Conference Board**, was made possible thanks to collaboration with the **Japan Productivity Center** and 14 other organizations around the world that invited their members and contacts to fill in the questionnaire to improve the coverage globally.

### Insights for What's Ahead

When asked which issues *outside of management control* will have the greatest impact on their business in the coming year, CEOs in Japan cite the COVID-19 virus, recession risk, changing consumer buying behaviors, continued global political instability, and vaccine availability as the key potential game changers.

Exhibit 1 What's keeping CEOs in Japan up at night?

External Environment: What issues outside of management control will have the greatest impact on my business?	Internal Environment: What issues within management control will my organization focus on in the coming year?
<b>HIGH IMPACT</b>	<b>HIGH FOCUS</b>
COVID-19	Improve innovation
Recession Risk	Streamline processes
Shifting consumer buying behaviors	Accelerate pace of digital transformation
Global political Instability	Modify business model
Vaccine availability for COVID-19	Focus more on sustainability
<b>LOW IMPACT</b>	<b>LOW FOCUS</b>
Corporate tax rates	Mitigate cyber risk
Inflation	Reduce environmental impact
Lack of accessible childcare	Enhance corporate citizenship
Shareholder activism	Reduce headcount
Gender inequality	Accelerate in-shoring of supply chains

**2021—Light at the End of the Pandemic Tunnel:** CEOs in Japan, like their counterparts globally, believe the distribution of successful COVID-19 vaccines will have a significant impact on their businesses in the coming year. The emergence of vaccines is likely contributing to a more optimistic view of growth prospects for business by taking the worst-case economic scenarios out of play.

**The Business Model Challenge:** In response to shifting customer buying behavior, CEOs in Japan are intensely focused on business model transformation. They see it as an important growth lever, yet it is one of the hardest things for companies to do. Organizations must quickly pivot in response to new risks and opportunities requiring an extraordinary level of alignment across the enterprise as well as changes in organizational culture, structure, leadership, and a continuous evolution of talent and upskilling. While recognizing business model transformation as an important part of their internal strategic focus and a critical driver of improved productivity, they also see *commitment to the current business model* and the *lack of an innovative culture* as major internal obstacles to be overcome in the coming year. Coupled with the view that *un-*

*willingness to change* is the number one internal obstacle cited by Japanese C-Suite executives, this sets up business model transformation as one of the most difficult, yet essential, challenges ahead for Japanese companies.

**Digital Transformation and Task Automation:** To support business model transformation CEOs in Japan say their organizations need to focus on improving innovation, streamlining existing process, and accelerating digital transformation. As part of that transformation, they also envisage the automation of routine tasks as a highly likely long-term legacy of the pandemic. The current crisis means the luxury of having years-long lead time to digitally transform and experiment with new business models is gone. Their responses show recognition that investment in digital technology is only a piece of the transformation puzzle. It is organizational culture, enlightened leadership, and talent that will ultimately create a sustainable competitive advantage in the digital era and post COVID recovery period.

**Levers of Growth:** With consumer behaviors shifting not only because of the pandemic but also because of growing appreciation of the importance of sustainability, CEOs in Japan see the addition of more environmentally and socially sustainable products and services as the number one driver of future growth for their organizations. However, this only ranks sixth for local C-Suite executives, who see the expansion of strategic partnerships as the most critical element of future growth. CEOs also see greater use of data analytics and the development of a more customer-centric culture as key growth levers.

**Productivity Improvements:** Japan has seen stagnant growth for years—the so-called Lost Decades—putting additional pressure on Japanese businesses to seek new ways to bring additional value added as a source for productivity growth. CEOs believe the pandemic provides their organization with opportunities to improve productivity by reorganizing their product and service portfolios to increase customer value, improving employee training as employees moved to higher value work because of the automation of routine task. Elevating employee engagement by redefining the corporate mission to embrace social change and purpose is seen as another key contributor to improved productivity.

**Human Capital Management:** Despite the lingering concerns about recession, CEOs in Japan remain focused on the recruitment and retention of top talent as well as the development of next-generation leaders. Another 2021 human capital management focus is building a more diverse workforce. The focus on the core elements of talent management—recruitment, retention, and development—is an indication that human capital, once narrowly defined as the labor input in an organization’s business model and categorized as an expense, is being recognized by business leaders in Japan as the true engine of a sustainable enterprise. However, Japan’s rapidly aging population and shrinking labor force makes innovative talent management solutions a critical priority for organizations and their leadership. CEO responses show increased recognition that human capital is a valuable intangible asset and workers are critical stakeholders essential for future prosperity.<sup>1</sup> This is supported by 90 percent of responding Japanese CEOs who believe that employees are the primary stakeholders that should reap the benefits of

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<sup>1</sup> Paul Washington, Rebecca L. Ray, PhD, Solange Charas, PhD, and Amy Lui Abel, PhD, *Brave New World: Creating Long-term Value through Human Capital Management and Disclosure*, The Conference Board, December, 2020.

improved productivity, They are committed to a more multi-stakeholder approach by redesigning their Total Rewards strategy, increasing employee engagement, redefining their organization's social mission and seeking more diversity within their employee ranks. With business conditions changing rapidly, setting clear direction and guidance becomes more critical XCEOs in Japan see improving the transparency of internal communications as an important contributor to the potential success of these actions.

**Remote Work Reaching Equilibrium:** A year into the pandemic, remote work may have reached an equilibrium, with few responding CEOs in Japan planning to make significant changes to the current number of remote workers. This indicates that companies may have found a comfort level when it comes to the number of remote workers they employ. *Increasing the number of remote workers* ranks 14<sup>th</sup> out of 21 human capital focus options for 2021, while *decrease the number of remote workers* is dead last which is in line with government statements urging companies to break with tradition and encourage up to 70 percent of employees to work from home to help curb the spread of the virus. Less than one percent of CEOs in Japan cite *bringing workers back to the physical workplace* as a human capital management priority for 2021 while the vast majority expect to see smaller offices and physical workplaces post pandemic. To ensure continued productivity during this shift to more remote work, both CEOs and C-Suite executives in Japan cite *increasing engagement levels among remote workers* as a top ten human capital management focus in the coming year.

**Lessons Learned:** Adaptability, management agility, a clear vision, and a focus on rapid change and excellence in execution are among the key lessons learned during the pandemic that CEOs in Japan say will help them manage the challenges ahead in 2021.

### **Beyond the Pandemic: Long-Term Legacies of COVID-19**

CEOs in Japan see the automation of tasks (a clear outgrowth of their priority to digitally transform their organizations and remake business models), a reduction in business travel, a greater focus on climate change, and smaller offices and workplaces, among the most likely long-term legacies of COVID-19. Among the least likely outcomes: less trust in capitalism and markets, a smaller permanent workforce, and less consumer choice because of industry consolidation.

## Leading in a Post-COVID-19 Recovery

CEOs in Japan expect the continuation of the COVID-19 pandemic, vaccine availability, and changing consumer buying behaviors as the issues *outside of management control* that will have the greatest impact on their business in the coming year. Despite modest GDP growth expectations for Japan in 2021 (The Conference Board forecasts positive 2.5 percent growth in 2021 compared to *negative* 5.2 percent in 2020 for Japan), CEOs in Japan appear unable to shake lingering concerns over recession risk. They rank it as the second highest external stress point for 2021 as to Japan C-suite executives.

This concern may be linked to relatively lackluster consumer confidence numbers for Japan, according to The Conference Board's Global Consumer Confidence Index.<sup>2</sup> Though consumer confidence in the country received a significant boost of 13 points between the second and fourth quarters of 2020 (from 43 to 56) Japan still ranks 65<sup>th</sup> out of the 68 countries in our survey (A reading below 100 indicates more pessimistic consumers than optimistic ones. By comparison Bahrain has the highest confidence score globally at 140).

The COVID-19 health and economic crises dramatically interrupted global economic growth in 2020. While we anticipate a global rebound in 2021 of 4.4 percent year-on-year following a 4.2 percent decline in 2020, the outlook is heavily dependent upon:

- The evolution of the pandemic
- Government policy to control outbreaks
- Continued monetary and fiscal policy supports; and
- Widespread availability of coronavirus treatments and vaccines.

Because of the unpredictability of these variables, there will be significant disparities in terms of which economies will drive the revival, and the pace at which diverse industries, businesses, and households recover.

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<sup>2</sup> For the latest information on The Conference Board Global Consumer Confidence Index please go to: <https://conference-board.org/expertBriefing/Consumer-Confidence-Recent-Evolution-Implications>

Chart 1

CEOs in Japan expect the continuation of the COVID-19 pandemic, recession risk, vaccine availability, and changing consumer buying behaviors to have the greatest impact on their organizations in the coming year

Select the challenges or issues outside management control that you think will have the greatest impact on your business next year.

	Japan CEO	Global CEO	US CEO	China CEO	Germany CEO	Gulf Region (GCC) CEO	Japan C-Suite (non-CEO)
COVID-19	1	1	1	3	1	2	1
Recession risk	2	2	3	1	2	14	2
Shifting consumer/customer buying behaviors	3	4	T-5	4	3	9	3
Global political instability	4	5	10	5	5	8	5
Vaccine availability for COVID-19	5	3	2	T-9	4	3	8
Regulation	T-6	6	4	8	T-6	1	7
Competition	T-6	10	12	T-15	T-9	T-19	4
Impact of climate change	8	14	T-14	23	T-9	18	11
Labor force skills	9	8	8	T-11	8	T-12	13
Global trade disruptions	10	7	7	2	11	6	6
Margin compression	11	9	9	T-21	T-6	4	11
Stakeholder expectations about business role in social/environmental issues	12	20	T-14	T-15	T-25	16	16
More agile competitors	T-13	15	T-18	7	19	10	9
Currency volatility	T-13	16	22	T-11	21	17	10
Lack of infrastructure investment	15	19	21	T-18	T-13	T-12	14
Other	T-16	23	17	T-26	T-16	15	T-18
Volatility in energy prices	T-16	24	T-24	T-18	T-16	7	15
Declining trust in government	T-18	12	13	T-18	15	T-22	T-18
Income/wealth inequality	T-18	21	20	T-15	T-22	T-24	T-18
Access to capital/borrowing costs	T-20	11	T-18	6	T-16	11	17
Government debt levels	T-20	13	T-14	T-24	12	5	T-18
Social justice issues	T-20	18	11	T-9	20	21	T-22
Corporate tax rates	T-23	17	T-5	T-21	T-13	T-24	T-25
Inflation	T-23	22	23	T-11	T-22	T-19	T-22
Shareholder activism	T-25	25	T-26	T-11	T-25	T-24	T-25
Lack of accessible childcare	T-25	26	T-24	T-26	24	T-22	T-25
Gender inequality	27	27	T-26	T-24	27	T-24	T-22
	N=118	N=909	N=123	N=59	N=132	N=23	N=68

Source: The Conference Board

Note: T denotes tied rankings

**2021—light at the end of the pandemic tunnel?** CEOs in Japan believe the distribution of vaccines will have a significant impact on their businesses in 2021 and is likely contributing to a more positive view of future growth by eliminating the worst-case economic scenarios. The effective distribution of vaccines should provide greater clarity and predictability around short-term planning and operations such as when physical workplaces can reopen, the dependability of supply chains, and spending intentions of consumers.

Compared to their global peers, only CEOs in China, where lockdowns have been severe and experimental vaccines have been available to select populations since August 2020, see an effective vaccine release as having less of an impact on the local business environment in 2021. They rate its impact ninth overall as an issue outside of management control—the lowest ranking of any region or country in our survey. Globally it is third and in Japan fifth, with US CEOs giving it the highest ranking globally at number two.

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### Has a Change in US Administrations Altered CEOs' Perceptions?

The transition to a new US administration appears to be having an impact on CEOs' views of the global business environment, not only in the US but in Japan as well.<sup>3</sup> This year's survey, completed after the US elections in November 2020, shows that compared to our recent surveys, US businesses now have diminished levels of concerns about trade disruptions, global political instability, and declining trust in government. However, they also express elevated levels of concerns about corporate tax policies and regulation. In Japan, CEOs, like their counterparts in the United States have diminished concerns about trade disruptions and trust in government. Like their US counterparts they have higher concern about regulation. Interestingly, in our mid-year 2020 survey conducted in June, some 48 percent of CEOs in Japan expected a decrease in globalization as a likely long-term impact of the pandemic.<sup>4</sup> That number declined to just 28 percent in the latest survey following the US elections, which coincides with lessening concern among CEOs in Japan over global trade disruptions.

In the United States just 18 percent of US CEOs see a decrease in globalization as a likely long-term outcome of the COVID-19 pandemic, down from 50 percent in our June midyear survey. The change in US administrations may, at least partially, begin to restore confidence in globalization not only in America but in Japan as well.

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<sup>3</sup> It should be noted that because the list of options in the survey changes, expands and contracts each year to reflect ongoing changes in the business environment, exact year-over-year rankings are not available. Rather the rankings comparisons are meant to show a broad trend in rising or declining sentiment about each option relative to other issues.

<sup>4</sup> Charles Mitchell, Rebecca Ray, Bart van Ark, et al, [C-Suite Challenge™ 2020 - Covid-19 Recovery: What Comes Next](#), The Conference Board, July 2020

## Internal Strategy Focus for 2021

The strategies CEO in Japan say they will focus on in 2021 are aimed at driving cultural changes to improve innovation, productivity, and reinforce rapid digital transformation and business model remakes. In the short term, preparing for growth and recovery will require finding the right balance between prudent fiscal management and cash conservation and investing in the innovations and programs needed to succeed in a new and merging commercial landscape.

Chart 2

The strategies CEOs in Japan are aimed at driving cultural changes to improve innovation, productivity, and reinforce rapid digital transformation and business model remakes

Select the challenges or issues within management control that your company will focus on in the coming year.

	Japan CEO	Global CEO	US CEO	China CEO	Germany CEO	Gulf Region (GCC) CEO	Japan C-Suite (non-CEO)
Improve innovation	1	2	2	1	4	3	5
Streamline processes	2	5	4	8	2	7	2
Accelerate pace of digital transformation	3	1	1	T-5	1	4	1
Modify business model	4	3	6	2	5	2	3
Focus more on sustainability	5	7	9	3	6	11	4
Improve transparency in internal communication	6	12	12	15	9	8	6
Lower costs	7	4	3	T-5	3	1	T-7
Expand innovation through strategic alliances	8	8	8	7	10	5	T-7
Improve governance	9	10	T-18	T-10	7	13	T-9
Update crisis contingency plans	T-10	13	11	T-13	16	15	12
Refine corporate mission/multi stakeholder focus	T-10	14	T-13	12	18	T-18	13
Improve cash flow	T-12	6	7	4	8	6	T-9
Employ mergers, acquisitions, divestitures	T-12	9	5	9	11	10	11
Decentralize decision making	14	16	20	T-13	T-14	9	T-14
Mitigate cyber risk	T-15	11	10	16	11	14	19
Reduce environmental impact	T-15	17	T-13	T-17	T-14	17	T-14
Enhance corporate citizenship	T-17	18	T-13	T-17	17	T-18	17
Other	T-17	20	T-13	T-17	20	16	20
Reduce headcount	19	15	T-18	T-10	13	12	T-14
Accelerate in-shoring of supply chains	20	19	T-13	T-17	19	T-18	18
	N=118	N=909	N=123	N=59	N=132	N=23	N=68

Source: The Conference Board

Note: T denotes tied rankings

**CEOs in Japan say their organizations will focus on improving innovation, streamlining processes, and accelerating digital transformation while remaking existing business models. Organizations appear to understand that the COVID-19 pandemic and resulting economic downturn have ended the luxury of having years to adapt to the digital revolution.** While CEOs see digital transformation as one their top strategic priority for 2021 (it can be both a growth strategy by enhancing customer experience and cost efficiency by creating leaner processes and functions), many organizations are struggling to achieve it. It is important to remember that investment in digital technology is only a piece of the digital transformation puzzle. It is organizational culture, enlightened leadership, and talent that will ultimately create a sustainable competitive advantage. The benefits of digital transformation

can never be fully achieved without a concurrent investment in organizational structure and the human capital aspect of transformation and innovation. For many it also requires a cultural change that allows organizations to openly question their most basic beliefs and assumptions.<sup>5</sup> The responses to our survey show that CEOs in Japan are on the right path to driving digital transformation within their organizations. They are prioritizing such transformational fundamentals as integrating digital technology with business strategy by modifying their business models, building more agile teams, embracing data analytics to drive decisions, engaging in external alliances and collaboration, and developing the next generation of leaders to thrive in a digitally transformed world.

Despite concerns over recession risk, CEOs in Japan are less concerned about lower costs and improving cash flow compared to their global peers.

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## Defining Digital Transformation

The Conference Board defines digital transformation as: The use of digital technologies (such as ubiquitous broadband and cloud storage, mobile technologies, artificial intelligence, and blockchain) and the data they produce to connect organizations, people, physical assets, processes, etc., for the purpose of rapidly developing new products, services, markets, and business models to capitalize on emerging customer needs. It also realizes process efficiencies, and improves the effectiveness of decision making across the organization. Within an enterprise, it often leads to significant changes in business strategy that may reshape a company or disrupt an entire industry.

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***Business model transformation is also a critical focus for 2021 and seen by CEOs as an important growth lever, yet it is one of the hardest things to do as a CEO.*** The business model transformation journey is challenging, and requires moving beyond incremental change in how you sell things to a disruptive questioning and redefining of what it is that you make, what it is that you sell (is it a product, a service, or both?) and how it is sold. It requires asking hard questions about an organization's basic operating assumptions, available talent and skills, and culture. Its impact on an organization goes well beyond the external relationship with customers and how a business goes to market. Organizations must quickly pivot in response to new risks and opportunities emerging from the pandemic requiring an extraordinary level of alignment across the enterprise as well as changes in culture, structure, leadership, and a continuous evolution of talent and upskilling.

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<sup>5</sup> Xiaohui (Janet) Hao, PhD, Sean Hicks, Charles Popper, and Chander Velu, [Realizing the Full Potential of Digital Transformation: Three Areas of Focus](#), The Conference Board, June 2020.

## Organizational Readiness for Transformation

Here are five questions to help kick start the conversation around digital and business model transformation.

1. Does our organization have a holistic digital and business model strategy that goes beyond just implementing technologies?
2. Do our leaders have the vision, knowledge, and skills to lead the transformation? Can they communicate the strategic vision, business case, and operational changes to the workforce?
3. What are the organizational capabilities we will need to execute our new business model? Do we have the expertise and processes to determine the best way to build those capabilities, e.g., using talent, technology, or a combination of both; crowdsourcing; or using ecosystem partners?
4. Does our current organizational culture support the elements of a digitally transformed business model such as collaboration across internal and external boundaries, agility, risk taking, etc.?
5. Do we have the talent and skills needed, where we need it?

Source: [Beyond Technology: Building a New Organizational Culture to Succeed in an Era of Digital Transformation](#), The Conference Board, October 2016.

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## Improving Productivity

**Productivity Improvements:** Japan has seen stagnant productivity growth for years—the so-called Lost Decades—putting additional pressure on Japanese businesses to seek new ways to bring additional value added as a source for productivity growth. CEOs believe the pandemic provides their organization with opportunities to improve productivity by reorganizing their portfolio of products and services to increase customer value, moving employees to higher value work by automating routine task, improving employee training, and elevating employee engagement by redefining the corporate mission to embrace social change and purpose.

But who should reap the benefits of improved productivity? The overwhelming majority of CEOs in Japan believe employees should be the primary beneficiary, followed by customers, and society in general. Only about 20 percent of respondents believe shareholders/investors should be the primary beneficiaries.

Chart 3

CEOs believe the pandemic provides their organization with opportunities to improve productivity by re-organizing their portfolio of products and services to increase customer value, moving employees to higher value work by automating routine tasks, and improving employees' training

Select the major productivity improvement initiatives for "now" and "future" in order to make COVID-19 pandemic an opportunity for reform.

	NOW		In the Future	
Reorganize business portfolio through development of product/service/business in order to create new customer values	1	47.2%	1	45.5%
Train employees to obtain professional skills for productivity improvement	2	40.4%	T-2	20.5%
Adopt project-based management for flexible and agile response	T-3	33.7%	5	15.9%
Allow employees to concentrate on higher added-value works by automating routine tasks	T-3	33.7%	T-2	20.5%
Be a flatter and more de-centralized organization to accelerate decision-making	T-5	32.6%	8	11.4%
Redefine missions corresponding to social changes	T-5	32.6%	T-2	20.5%
Hire talents with professional skills and human networks necessary for productivity improvement	7	24.7%	6	15.9%
Digital investment to visualize essential managerial information for decision-making	8	18.0%	9	9.1%
Strengthen research and development with other organizations i.e. industry-government-academia collaboration	9	13.5%	7	13.6%
Adopt more job-oriented evaluation systems for regular employees	10	6.7%	10	4.5%
Other	11	1.1%	11	2.3%
	N=89		N=44	

Key: Yellow: Number 1 Hot Button Issue, Orange: 2nd most important issue, Green: 3rd most important issue

Source: The Conference Board

Note: T denotes tied rankings

Chart 4

CEOs in Japan believe employees should be the primary beneficiary of productivity improvements

Which stakeholder should be regarded more importantly in the future for fair distribution of the benefits obtained from improved productivity?

Employees	89%
Customers	56%
Society	35%
Company (Organization)	26%
Natural Environment	20%
Shareholders/Investors	19%
Employers	15%
Suppliers/ Business Clients	14%
Partner organizations	5%
Academic institutions (universities, etc.)	3%
Public Entities	2%
Other	1%
Creditors	0%
	N=94

Source: The Conference Board

## Levers of Growth: A Focus on Sustainable Products and Business Model Transformation Driven by Data Analytics and Expanded Partnerships Will Drive Growth

Understanding the nuances behind the changes in buying behavior and which ones will persist in a post-COVID-19 world, will dictate the reimagining and remaking of business models as organizations accelerate digital transformation and meet rising customer experience expectations towards sustainability. The capacity to collaborate with external partners will likely be a decisive factor in future success and is seen by C-Suite executives in Japan as the number one driver for future growth. Locally CEOs see the expansion of strategic partnerships among their top five growth drivers<sup>6</sup>

Amid the disruptive impacts and the transformational speed of digital technologies as well as the rapid emergence of new competitors, business leaders in Japan recognize that few organizations are likely to have the knowledge or the resources to ensure future success by going it alone.

Chart 5

CEOs in Japan are focusing on environmentally friendly offerings and business model transformation as critical levers of future growth

What changes are needed to grow your company in the coming years?

Growth Levers	Japan CEO	Global CEO	Japan C-Suite (non-CEO)
Add more environmentally and socially sustainable offerings	1	12	6
Business model transformation	2	5	2
Expand into new customer segments	3	3	T-3
Use data analytics	4	4	5
Expand strategic partnerships	5	2	1
Develop/offer new products/services	T-6	1	T-3
Develop a more customer-centric culture	T-6	7	T-7
Take more active role in social issues	8	16	14
Offering additional customer experience beyond core products or services	T-9	6	13
Augment products with solution selling	T-9	13	T-7
Increase speed of products and services to market	11	11	T-9
Expand into new channels	T-12	9	12
Change marketing strategy	T-12	10	T-9
Expand into new geographies	14	8	T-15
Increase transparency of customer relationship processes	T-15	14	11
Create more mass customized product/service	T-15	15	T-15
Strengthen Board involvement and governance	T-15	17	T-15
	N=108	N=845	N=67

Source: *The Conference Board*

Note: T denotes tied rankings

<sup>6</sup> Charles Mitchell, Ilaria Maselli, Rebecca L. Ray, PhD, and Bart van Ark, and Denise Dahlhoff, *C-Suite Challenge™ 2020: Collaborating to Compete*, The Conference Board, March 2020.

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## Questions to Help Create an External Collaboration Strategy

Embarking in a collaboration strategy with nontraditional partners and competitors requires asking some hard questions about an organization's basic operating assumptions, business models, available talent and skills, risk tolerance, and organizational culture. Here are eight questions that need to be asked to start the collaboration journey:

1. What might our industry look like in 5-10 years? How will we prepare for future scenarios?
2. Is our current business model sustainable? How can we serve our customers better and create greater value for them by collaborating externally and internally?
3. Who are our competitors? Who are our partners? Should some organizations be both? Can we leverage network economics to drive growth?
4. What is the missing capability in our organization that would be mission impossible to build from scratch?
5. How do we choose the right partner? Do we look for someone with a similar or complementary culture to ours?
6. Do we have clarity around the opportunity a partnership provides? Are we clear about our own objectives as well as understanding our partner's motivations and strategic interests? Does the operating plan truly capitalize on each other's strengths?
7. Have we clearly identified boundary conditions? Is it clear what's on or off the table, including intellectual property (IP) and access to customers?
8. Do we have the resources and commitment to take full advantage of the partnership? Do we understand the implications of not doing this deal?

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## Surmounting Obstacles: A Lack of Quality Talent, Continued Disruptions caused by COVID-19, and Poor Innovation Cultures along with a Commitment to Outdated Business Models Are Internal Blockers

***While CEOs and C-suite executives in Japan mostly align on the critical issues affecting the external business environment in 2021, they have different views on the key internal obstacles their organizations must overcome to achieve success. This divergence may require a closer look at internal alignment and clear identification of problem areas to ensure that resources will have the maximum impact on business outcomes.*** CEOs and the C-suite in Japan generally agree on which external factors outside of management control will have the greatest impact on their organizations in 2021. However, when it comes to the internal obstacles their organizations need to overcome to achieve success in the coming year, there are considerable differences in priorities between CEOs and the

C-suite in Japan. CEOs see ongoing COVID-19 disruptions and the lack of an innovation culture and poor data analytics skills as bigger obstacles than do C-Suite executives, who rate an unwillingness to change and a lack of organization alignment considerably higher on the list of internal obstacles to be overcome.

Chart 6

CEOs in Japan see a lack of quality talent, continued disruptions caused by COVID-19, and poor innovative cultures along with a commitment to outdated business models are internal blockers

**What are the most critical obstacles your company faces in meeting your challenges in the coming year?**

	Japan CEO	Global CEO	Japan C-Suite (Non-CEO)
Lack of quality talent	1	2	2
COVID-19 related disruptions	2	1	7
Commitment to current business model	T-3	9	T-3
Lack of an innovation culture	T-3	4	9
Underleveraged use of data to grow	T-5	6	13
Unwillingness to change	T-5	11	1
Lack of data analytical skills	7	7	T-11
Weak internal communication	8	21	T-5
Lack of strategic vision	9	15	T-5
Lack of organizational alignment	10	17	T-3
Lack of diversity	T-11	19	7
Resource constraints relative to business needs	T-11	3	T-11
Inability to measure performance outcomes	13	20	21
Employees resist change	14	12	18
Legacy technologies	15	10	13
Middle managers resist change	T-16	13	T-16
Siloed internal structures	T-16	8	10
Low levels of employee engagement	18	18	15
HR not strategically focused	19	14	T-16
Regulation	19	5	22
Misaligned compensation structure	21	22	23
Resource allocation favoring short-term	22	16	19
Insular culture	T-23	23	20
Other	T-23	24	24
	N=114	N=891	N=67

Source: *The Conference Board*

Note: T denotes tied rankings

## Human Capital Management

Despite lingering recession fears, CEOs in Japan remain focused on the recruitment and retention of top talent as well as the development of next-generation leaders. The focus on three core basics of talent management—recruitment, and retention, and development—is an indication that human capital, once narrowly defined as the labor input in an organization’s business model and categorized as an expense, is being recognized as the engine of the enterprise. CEO responses show they are recognizing human capital as a valuable intangible asset and that workers are critical stakeholder essential for future growth.<sup>7</sup>

This is supported by 90 percent of responding Japanese CEOs who believe that employees are the primary stakeholders that should share the benefits of improved productivity and they are reinforcing their commitment a more multi-stakeholder approach by redesigning their Total Rewards strategy, increasing employee engagement by redefining their organization’s social mission, seeking more diversity within their employee ranks, and improving the transparency of internal communications.

The COVID-19 pandemic has accelerated many companies’ moves toward a remote and digital working environment and CEOs in Japan are seeking to support their reconfigured workforces by building agile project teams and providing more coaching to better equip employees to adapt to change, manage stress and pressure, and maintain productivity through uncertainty.

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<sup>7</sup> Paul Washington, Rebecca L. Ray, PhD, Solange Charas, PhD, and Amy Lui Abel, PhD, *Brave New World: Creating Long-term Value through Human Capital Management and Disclosure*, The Conference Board, December, 2020.

Chart 7

Despite lingering recession fears, CEOs in Japan remain focused on the recruitment and retention of top talent as well as the development of next-generation leader

Select the issues for human capital management that your company will focus on in the coming year. (Select no more than five)

	Japan CEO	Global CEO	US CEOs	Germany CEOs	Japan C-Suite (Non-CEO)
Recruit, retain top talent	1	1	1	1	1
Develop "Next Gen" leaders	2	2	2	2	2
Redesign Total Rewards structure	3	13	14	17	3
Recruit a more diverse workforce	4	7	4	T-10	6
Build agile teams	5	3	T-7	5	5
Coaching to enhance employee performance	6	5	9	6	4
Create a psychologically safe workplace	7	15	14	14	7
Adopt flexible work policies	8	4	T-7	7	T-9
Increase engagement levels among remote workers	8	14	10	T-18	T-9
Build a more inclusive culture	10	8	5	T-18	T-12
Create a physically safe workplace	11	11	11	12	8
Address mental health needs of employees	12	12	6	9	T-9
Increase online training	13	10	13	8	17
Increase engagement levels among on-site workers	T-14	16	T-18	3	16
Increase the number of remote workers	T-14	17	17	13	T-14
Increase use of contingent, temporary labor	T-16	18	20	15	T-18
Increase virtual work capability	T-16	6	12	4	T-14
Other	T-16	20	21	T-18	T-18
Bringing workers back to the physical workplace	T-19	9	3	T-10	T-18
Ensure equal pay for equal work	T-19	19	14	16	T-12
Decrease the number of remote workers	21	21	T-18	21	T-18
	N=118	N=909	N=123	N=132	N=68

Source: The Conference Board

Note: T denotes tied rankings

## Coaching Leaders into the Future with Empathy and Emotional Intelligence

CEOs see coaching to enhance employee performance as a main focus of their human capital management strategies for the coming year. For organizations to be successful in the post COVID-19 world, leaders need to know how to communicate with and lead their teams while demonstrating empathy, compassion, and self-awareness. A major challenge for leaders is translating empathy and compassion into a virtual world where interactions are limited to structured meetings over various video platforms. Coaching can help leaders quickly develop and enhance social-emotional skills by offering targeted, personalized, and focused development in these areas. Leaders will need to tap into their empathy to build a holistic picture of their employees to support engagement and productivity issues that may arise. Coaches can rethink

how to create opportunities for leaders to demonstrate their empathy and strengthen relationships with their employees by tuning into employee's current needs in these turbulent times. To convey true empathy, leaders need to consistently acknowledge in their internal and external communications the personal and business stresses faced by their employees.

Source: Amy Lui Abel, PhD and Vivian Jaworsky , *Reset & Recovery COVID-19: Coaching Leaders into the Future with Empathy and Emotional Intelligence*, The Conference Board, forthcoming, January 2021

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***A year into the pandemic, remote work may have reached an equilibrium, with few CEOs in Japan planning to make significant changes to the current number of remote workers as part of their human capital management focus in the coming year.***

CEOs in Japan rank *increasing the number of remote workers* 14th out of 21 human capital focus options for 2021, while *decrease the number of remote workers* is dead last. The later response is in line with government statements urging companies to break with tradition and encourage up to 70 percent of employees to work from home to help curb the spread of the virus. US CEOs are more committed to bringing workers back into the physical workplace (they rank this option third, while globally it ranks ninth). Less than one percent of CEOs in Japan cite *bringing workers back to the physical workplace* as a human capital management priority in 2021 and rank it tied for nineteenth (C-Suite executives in Japan rank it tied for 18<sup>th</sup>). The vast majority of CEOs in Japan also expect to see smaller offices and physical workplaces as a highly likely long-term outcome of the pandemic. To ensure continued productivity during this shift to more remote work, both CEOs and C-Suite executives in Japan cite *increasing engagement levels among remote workers* as a top ten human capital management focus in the coming year.

In the coming years, every business leader will have to make important strategic decisions related to remote work. The first decision is to determine if remote work actually works—i.e. are workers more or less productive. To make a more accurate determination, companies will need to improve their in-house performance analytics, such as, work quantity, quality, client feedback, and co-workers' feedback, to determine optimal remote work rates. In many geographies, a hybrid model is likely to emerge, where some workers do not need to be at the office at all, some have to come in infrequently, and some will primarily work at the office. For some companies, especially those that already had a large remote workforce before the pandemic, the impact on corporate culture will be minimal. In others, the impact will be large, especially in highly collaborative firms where workers are considered 'one large family'. Such companies should be more cautious about shifting to remote work and be more proactive in mitigating the disruption to culture, or even reconsider if the current culture in place (even if it is a strong one) is the correct one going forward with remote work.<sup>8</sup>

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<sup>8</sup> Gad Levanon, et al, *COVID-19's Biggest Legacy: Remote Work and Its Implications in the US Post-Pandemic Labor Market*, The Conference Board, February 2021

COVID-19 is also prompting some organizations to reevaluate their approach to compensation management. Some 68 percent of CEOs and 75 percent of C-Suite executives in Japan see *remote work requires different compensation and benefits* as a highly likely long-term legacy of the pandemic. Just 41 percent of CEOs in Germany and 54 percent in China expect compensation adjustments will be necessary in a remote work environment (see Chart 9).

Chart 8

CEOs in Japan are seeking innovative thinkers with the ability to execute to lead the post-COVID-19 recovery

Leadership skills and characteristics

	Japan CEO	Global CEO	Japan C-Suite (Non-CEO)
Innovative thinking	1	1	2
Ability to execute	2	2	3
Building trust and integrity	3	4	4
Inspirational leadership	4	6	1
Reinforcing the organization's vision	5	13	4
Empathy	T-6	8	T-6
Team leadership	T-6	3	9
Global and cultural acumen	T-8	7	T-6
Interpersonal effectiveness	T-8	9	11
Initiative	10	14	9
Business/Management skills	11	12	6
Personal brand development	T-12	20	T-12
Technology savvy	T-12	11	21
Critical thinking skills	14	5	T-15
Stakeholder management skills	T-15	15	T-12
Trustworthiness	T-15	10	14
Self-awareness	17	17	T-17
Project management	18	16	T-15
Other important skills	19	21	T-17
Quantitative skills	20	18	T-17
Peer relations	21	19	T-17
	N=107	N=839	N=65

Source: *The Conference Board*

Note: T denotes tied rankings

## COVID-19 Recovery: The Long-Term Legacies

CEOs in Japan see the automation of tasks (a clear outgrowth of their priority to digitally transform their organizations and remake business models), a reduction in business travel, a greater focus on climate change, and smaller offices and workplaces, among the most likely long-term legacies of COVID-19. Among the least likely outcomes: less trust in capitalism and markets, a smaller permanent workforce, and less consumer choice because of industry consolidation.

To plot an effective long-term strategy, business leaders need to identify the key longer term trends most important for their business and consider scenario planning to test their agility and resiliency for the long haul.

Chart 9

CEOs in Japan see the automation of tasks, a reduction in business travel, and a greater focus on climate change as the most likely long-term legacies of the pandemic

Please rate the likelihood of the following outcomes becoming a more permanent (beyond 3 years or more) part of a changed economic, business, or societal environment in a post COVID-19 pandemic world. Scale from 1-5, 1 being least likely and 5 being most likely.

Potential Long-Term Outcomes	Japan CEO	Global CEO	US CEO	China CEO	Germany CEO	Gulf Region (GCC)	Japan C-Suite (Non-CEO)
More tasks automated	80%	70%	75%	56%	58%	84%	81%
Reduced business travel	76%	74%	78%	58%	77%	69%	76%
Climate change focus will increase	74%	67%	71%	40%	78%	52%	67%
Smaller office/workspace; reduce physical footprint	70%	67%	79%	40%	52%	75%	78%
Remote work requires different compensation and benefits	68%	59%	61%	54%	41%	67%	75%
Businesses increasingly expected to address social goals	68%	55%	62%	28%	46%	54%	74%
Health-care systems better prepare for potential future pandemics	67%	58%	57%	54%	46%	47%	70%
More resilient supply chains (e.g. integrated, closer to home markets)	66%	69%	73%	65%	61%	72%	64%
More efficient supply chains (e.g. longer, distributed)	64%	52%	44%	57%	38%	60%	61%
Large firms will have better access to capital markets than smaller firms	49%	70%	73%	68%	70%	62%	41%
Globalization will increase	39%	36%	35%	34%	37%	49%	39%
Boards play greater role in shaping corporate citizenship	37%	43%	42%	48%	29%	44%	46%
Trust in democratic institutions will diminish	28%	30%	23%	39%	32%	28%	27%
Globalization will decrease	28%	24%	18%	36%	20%	20%	24%
Trust in capitalism and markets will diminish	26%	26%	20%	32%	31%	33%	23%
Smaller permanent workforce	25%	34%	31%	37%	26%	65%	30%
Fewer consumer choices because of industry consolidation	23%	32%	30%	33%	42%	49%	24%

Key: Red; highest rated; Green; second most likely; Orange; third most likely

Source: The Conference Board

Note: T denotes tied rankings

**Social Justice and Climate Risk:** Compared to issues such as the pandemic and recession risk, most CEOs in Japan do not see social justice concerns and climate change as having an outsized **immediate impact** on their business environment in the year ahead. However, the majority do see a growing focus on both climate change mitigation and a need to address social issues in the public arena as likely long-term legacies of COVID-19. This view is being driven by changing stakeholder expectations and increasing regulatory requirements. Interestingly just 28 percent of CEOs in China see *businesses increasingly expected to address social goals* as a long-term legacy of COVID-19 compared to 68 percent in Japan and 55 percent globally. Almost three-quarters of C-suite executives in Japan see businesses increasingly expected to address social goals as a highly likely legacy of the pandemic compared to 62 percent of C-Suite peers globally.

Despite the potential benefits, including enhanced reputation and improved employee engagement, there are challenges to addressing social issues. Organizations should consider their many stakeholders when choosing to respond to such issues. While a response to a more contentious issue may please some stakeholders, it may alienate others. Companies need to be prepared to break new ground in discussing issues of economic fairness. Many companies have a beneficial story to tell about how their business—and philanthropy—helps to broaden the circle of economic opportunity. Companies should marshal the data to tell their story of how they are making a measurable difference. If companies do not identify their own shortcomings, someone else will and the reputational damage can be significant.<sup>9</sup>

**Climate Risk:** Companies in the United States (45 percent), UK (40 percent), Canada (38 percent), and France (38 percent) are most likely to include climate-related risks in their annual reports. With the exception of Australia, where 23 percent of companies now disclose these risks, climate risk reporting remains mostly absent among companies in Asia, despite the fact that many of the economies most vulnerable to climate change risks are in Asia. According to research by The Conference Board, just 14 percent of companies in Japan include climate-related risks in annual reports, yet 74 percent of CEOs and 67 percent of C-Suite executives in Japan expect businesses will focus more intently on climate change and risk as a long-term result of COVID-19.<sup>10</sup>

**Supply Chain Fixes:** Even though concerns about global trade disruption have diminished, the pandemic has exposed vulnerabilities in supply chains. CEOs both globally and in Japan believe the need to address supply chain issues will be among the more important long-term legacies of COVID-19. Even prior to the pandemic, research by The Conference Board showed manufacturers were shifting away from foreign suppliers of inputs toward more local ones. Data confirm the trend is a clear departure from the heydays of outsourcing: the share of local value added has been increasing in mature economies in recent years. The decision to go local is broad-based across industries and countries. Companies that shift toward local suppliers are

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<sup>9</sup> Paul Washington and Merel Spierings, *Insights for Investors and Companies in Addressing Today's Social Issues*, The Conference Board, October 2020.

<sup>10</sup> Thomas Singer, Anuj Saush, and Anke Schrader, *Sustainability Practices. 2020 Edition: Trends in Corporate Sustainability Reporting Amid a Pandemic*, The Conference Board, forthcoming, January 2021.

better positioned to achieve mass customization and respond to rapidly changing customer tastes.<sup>11</sup> The shift is also a response to societal concerns over sustainability.

During the pandemic, many companies learned that a heavily optimized supply chain often lacked the agility to substitute alternate sources of supply. CEOs believe supply chains will be re-examined--both the physical movement of goods and materials and also the digital systems managing these flows. More agility must be built in, and human insight must be introduced into systems that are today fully automated. The many global supply chain vulnerabilities exposed by the COVID-19 crisis will likely force companies to reexamine their reliance on China's manufacturing section leading to a possible decoupling from China as a commercial imperative for a wide swath of firms across numerous industries. However, given that most multinational goods producers have material interest in the China market, this decoupling does not mean exiting China as a production base. Instead, for most, it will mean building supply chain redundancy outside of China.<sup>12</sup>

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### Responding to the Coronavirus Crisis: Insights for Supply Chain Management Leaders<sup>13</sup>

Every company with a supply chain has been affected by the COVID-19 crisis, some to the point of paralysis. In this time of complex and cascading challenges for supply chain professionals, The Conference Board suggests these actions to address the challenges ahead:

- **Get the data.** Assemble the most relevant and granular data on all forces that create supply chain risk. Some will be non-traditional data for normal supply chain optimization activities, such as anecdotal inputs from credible local sources and trusted intermediaries.
- **Update your organizational risk assessment.** COVID-19 brings different risks to multiple areas and processes simultaneously, completely changing the risk map. Along with new risks, the map may reveal opportunities that can help minimize the overall negative impact of the crisis as well as aid in preparation for the new normal, post-pandemic.
- **Work toward redundancy.** Invest in well-designed redundancy for critical-path supply chain components and agile processes to manage them, both for risk mitigation and cost management.

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<sup>11</sup> Ilaria Maselli, Klaas de Vries, and Abdul Erumban, Ataman Ozyildirim, and Erik Lundh, *Going Local: Changing Global Value Chains and the Impact on Revenue and Jobs*, The Conference Board, February 2019.

<sup>12</sup> David Hoffman, *Market Bifurcation and Supply Chain Decoupling Will Accelerate in the Wake of COVID-19*, The Conference Board China Center, May 2020.

<sup>13</sup> [Responding to the Coronavirus Crisis: Insights for Supply Chain Management Leaders](#), The Conference Board, June 2020

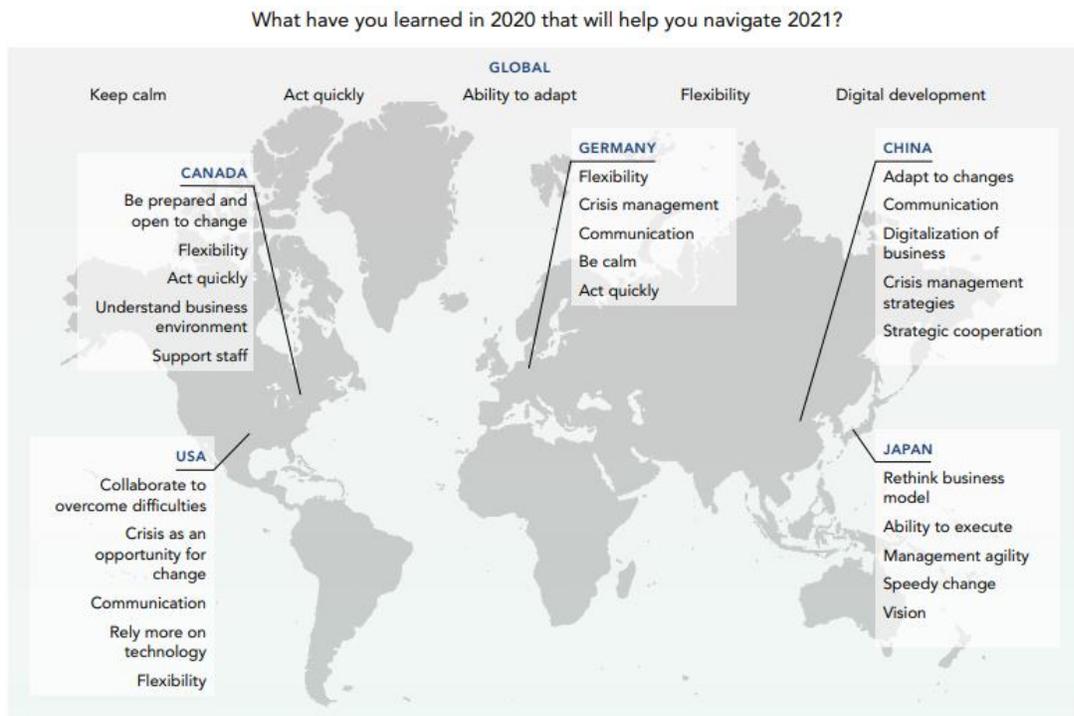
- **Improve tools and processes.** That means installing best-practice tools for supply chain security and supplier compliance, digital twinning for real-time supply chain management and crisis response, telecommuting and groupware for immobilized white-collar workers, and real-time intelligence acquisition for health crises, natural disasters, and political and social upheavals.

## Lessons Learned

**Adaptability, management agility, a clear vision, and a focus on rapid change and excellence in execution are among the key lessons learned during the pandemic that CEOs in Japan say will help them manage the challenges ahead.**

Exhibit 2

As organizations continue to navigate through COVID-19 challenges, CEOs say they are planning for the post pandemic recovery by applying lessons learned during the crisis



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## In Their Own Words

The following are a sample of verbatim responses from CEOs in Japan to the question: What have you learned in 2020 that will help you navigate 2021?

*Even if you can't handle it, find out the truth without being distracted by a large amount of information.*

*Believe in the adaptability of employees to change in a crisis and their willingness to support company management.*

*It is important to constantly question the way we work.*

*Quickly catch the wind and respond with speed.*

*We must ask what is required of society and what can we do, rather than just being focused on business performance? We must be constantly interested in society and its needs knowing that indifference and neglect only make things worse.*

*First, fair and decisive leadership is very important; second, an excellent corporate culture will enable the organization to survive any crisis; third, choosing the right people is the key to execution.*

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## Conclusion: Looking Ahead

Business leaders in Japan understand the urgent need to create truly agile organizations built on a foundation of effective change leadership, employee resilience, and a more open, transparent speak-up culture. This transformation is supported by a world-class data analytics function and rests on a foundation of quality talent and effective leaders.

The strategies the world's business leaders and those in Japan are focusing on in the coming year will create resilient, socially responsible, and high-performing organizations for the future. 2021 C-Suite Challenge survey responses suggest CEOs and C-suite executives in Japan are prepared to embrace the challenges and seize opportunities.

## About this report

The anonymous survey was carried out from November into early December 2020 following the US elections in November. To provide a representative view from respondents from around the world, we weighted the 1,538 responses (909 CEOs, 629 C-suite executives) in aggregates (such as global and major regions) by the square root of the respondent's country share in global output (GDP) divided by the respondent's share in the total number of responses from his/her country. While CEO and C-suite priorities certainly vary on a company-to-company basis, we believe this report can serve as a discussion starter and idea prompter within organizations to ensure that the enterprise understands the challenges it faces, the strategic goals it needs to set to meet those challenges, and the strategies and tactics required to be competitive in a global marketplace. The project, coordinated by The Conference Board, was made possible thanks to collaboration with 14 institutes around the world that invited their members and contacts to fill in the questionnaire to improve the coverage globally.

		CEO (Count)	CEO (%)	no-CEO (Count)	no-CEO (%)
Where is your company's global headquarters located?	Australia/New Zealand	1	0%	2	0.3%
	Central America	2	0%	1	0.2%
	China	55	7%	31	5.4%
	Europe	249	30%	214	37.2%
	India	4	0%	1	0.2%
	Japan	105	13%	70	12.2%
	Middle East	19	2%	21	3.6%
	North America	272	33%	152	26.4%
	Rest of Asia	3	0%	3	0.5%
	South America	107	13%	76	13.2%
	Southeast Asia	5	1%	5	0.9%
	<b>Total</b>	<b>822</b>	<b>100%</b>	<b>576</b>	<b>100.0%</b>
Industry (Recoded)	Finance	80	10%	66	12%
	Manufacturing	207	27%	152	28%
	Service	478	62%	316	59%
	<b>Total</b>	<b>765</b>	<b>100%</b>	<b>534</b>	<b>100%</b>
Region (Recoded)	China	59	6%	34	5%
	Canada	155	17%	16	3%
	Germany	132	15%	79	13%
	EU excl. DEU	149	16%	134	21%
	Gulf Region	23	3%	21	3%
	Japan	118	13%	68	11%
	USA	123	14%	144	23%
	Rest of World	150	17%	133	21%
	<b>Total</b>	<b>909</b>	<b>100%</b>	<b>629</b>	<b>100%</b>
Revenue (Recoded)	Less than \$100 million	518	63%	179	31%
	\$100 million to under \$5 billion	220	27%	208	36%
	\$5 billion and above	83	10%	184	32%
	<b>Total</b>	<b>821</b>	<b>100%</b>	<b>571</b>	<b>100%</b>

## About the Conference Board



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## About the Japan Productivity Center



The Japan Productivity Center (JPC) is a non-profit organization (NPO) and non-governmental organization (NGO) established in April 1994 through the merger of the Japan Productivity Center (JPC) and the Social and Economic Congress of Japan (SECJ). The JPC was established in 1955 by a Cabinet meeting to enhance the economic development of postwar Japan through the Productivity Movement. Since then, the JPC has continued to play a major role in promoting productivity in Japan's industrial society and in improving the quality of people's lives.

## Acknowledgements

We would like to thank our partners, without whom this report would not have been possible. We are grateful to Konstantinos Panitsas, Research Analyst, Europe, and Judit Torok, Senior Research Analyst, for their invaluable assistance. We are also grateful to the core research team who contributed greatly to this project. They include:

**Charles Mitchell**, Executive Director, Knowledge Content and Quality, at The Conference Board

**Ataman Ozyildirim**, Senior Director Economics Research & Global Research Chair at The Conference Board.

**Rebecca L. Ray**, PhD, Executive Vice President, Human Capital at The Conference Board

**Dana Peterson**, Chief Economist & Center Leader of Economy, Strategy & Finance at The Conference Board.

**Ilaria Maselli**, Senior Economist for Europe at The Conference Board Europe.

**Denise Dahlhoff**, Senior Researcher, Consumer Research at The Conference Board

Regional Partners

