

JAPAN'S CEOs IN CRISIS

A recent string of corporate scandals has led to a flurry of C-suite resignations, but the perception that Japan's CEOs are more prone to fall on their swords than their Western counterparts is misleading



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Penitent man... Dentsu CEO Tadashi Ishii announced his resignation in December over the *karoshi* (overwork) scandal

“When a company-wide culture tolerates such extremes as non-delivery for customers, mistreatment of employees, lying — it's time for the boss to go”

PHOTO: AFP

Japanese companies undoubtedly still face challenges in adopting global standards of corporate governance, including what to do with the CEO when scandal hits.

Often, a rigid, hierarchal management creates unrealistic targets. When these are assigned in a traditional work culture not accustomed to questioning authority — and almost certainly terrified of failure — it can be a recipe for non-disclosure just when asking for help is arguably what's needed most.

That said, I'm the first to defend Japanese management against criticism. It's always more useful to have constructive dialogue rather than categorise an entire group of individuals.

Don't believe that every Japanese CEO exits when faced with a crisis. Several prominent corporations have faced serious crises over the past couple of years, yet their CEOs stayed at the helm, accepted responsibility and had the courage to right the wrong. In cases where the CEOs left, I'd suggest the circumstances were so serious that the companies had little alternative.

But when the 'worst' does happen, how should a board decide whether the CEO stays or goes? I'd suggest robust dialogue on the following questions:

● **Is this a one-off issue that the current leadership can address or is it an endemic problem?**

Good CEOs delegate so can be forgiven for not knowing every detail. However, when a

company-wide culture tolerates such extremes as non-delivery for customers, mistreatment of employees, lying — it's time for the boss to go.

● **Has trust been obliterated?**

Is a hospital no longer healthy? Does a safety mechanism cause harm? When trust has been compromised to the point of no return, a new leader is often the only way to regain confidence.

● **Has the CEO become a distraction?**

Does public opinion blame the CEO personally? What did the CEO know, when, and what action was taken? Worse yet, did the CEO 'do it'?

● **Does the CEO embrace international risk management practice and standards?**

It's crucial that insular-minded Japanese leadership welcome independent third-party views which tells it like it is, and offer greater insights into global best practices.

● **Can the CEO keep pace in a world which shapes reputation in 140 characters at warp speed?**

Slow response inflames or kills in social media conversations around a crisis. Bad news isn't contained within borders. Japanese CEOs need to make social media a greater priority.

It's been a tough ride for a number of Japanese companies and their CEOs over the past year. Some of have performed well, some haven't. But can't the same be said about the Americas, Africa, the Middle East? ■