

Viewpoint

Developing Great Leaders

Yoshio Ishizaka

Introduction by Douglas A. Ready

Companies whose strategic ambition includes achieving breakaway innovation often make the mistake of focusing exclusively on the „hard“ side of innovation: developing new technologies, new products, and new ways of delivering services to customers; measuring progress toward their innovation objectives; and keeping close tabs on the linkages between innovation and profitability. In our experience, while all these activities are essential, they are not sufficient. For companies to achieve significant and sustained innovation, they must also embrace the „soft“ aspects of becoming innovation-centered: clarifying a compelling set of enduring values, creating a culture of innovation throughout the company, and developing the leadership talent required to sustain this culture.

For the past 20 years, my colleagues and I at the International Consortium for Executive Development Research (ICEDR) have worked in this latter area, helping leading companies build effective people practices. Recently, ICEDR and Arthur D. Little cosponsored a major research project on building global competitive capability. During the study, I interviewed and gathered data from nearly 3,000 executives at 28 global companies around the world. The results of the study clearly underscored the importance of integrating both hard and soft factors to achieve sustainable competitive capability. In fact, we found compelling evidence that the winning firms paid equal attention to the hard factors and the soft ones.

However, the research also showed that achieving this balance is easier said than done. Contradiction after contradiction began appearing in the report. For example, firms clearly indicated that while they placed very high priority on being global leaders in their respective industries, most failed to reward or promote their employees for thinking or behaving „globally.“ Similarly, although firms recognized the critical importance of being able to generate new business, commercialize their innovations, and create a climate of continuous learning and innovation, large gaps in organizational capability persisted in all these areas.

When it came to the matter of developing a culture of leadership throughout these firms, the data were even more troubling. As just one example, the largest gap in the entire study was between the importance given to developing leadership talent in a firm (rated extremely high) and the extent to which leaders were actually rewarded or measured on their capacity to develop other leaders (rated extremely low).

Despite the large gaps between aspirations and capabilities in many firms, some companies today are making great progress in integrating these hard and soft factors in order to build and sustain global capability. One such company is Toyota Motor Corporation. Toyota has a remarkable history of achieving sustained success through innovation over the past three decades. It is a leader in innovation in manufacturing, in sales and distribution, and in work systems design.

In May 1999, at a major forum on building global competitive capability sponsored by ICEDR, I had the great pleasure of meeting Mr. Yoshio Ishizaka, then President and CEO of Toyota Motor Sales, U.S.A., Inc., and now Senior Managing Director at Toyota Motor Corporation in Japan – one of Toyota’s most senior executives worldwide. Mr. Ishizaka shared his views on the importance of developing global leadership talent. I found Mr. Ishizaka’s guiding principles to be wonderfully clear and simple, in the way so many expressions of real wisdom tend to be. They are also a challenging call to action for those concerned with the development of leadership talent within their firms. For while leadership development alone will not create innovation-driven competitive advantage, it’s safe to say that no company will achieve sustainable innovation – or sustainable competitive capability – without sustained leadership development.

Mr. Ishizaka’s Remarks

I have been asked to share my thoughts on what it takes to be a global leader today. I have many ideas for you, but I thought it would be best to start with a little story.

Imagine it is 1967.. .the year the first human heart transplant took place, microwaves hit American store shelves, and Chevrolet launched a small, sporty car called Camaro to combat the highly successful Ford Mustang. You are a 27-year-old Japanese businessman assigned by Toyota Motor Corporation to run the market in Korea. You go there alone. You are responsible for generating vehicle orders, making production plans, working with the Korean government on import licenses, and shipping knockdown parts kits to Korea.

Think historically with me for a minute. In 1967, many Koreans still resented the Japanese because, in years past, Japan had occupied Korea. When you arrive, you are not knowledgeable enough about the Japanese occupation to understand it and do not speak any Korean.

To make matters worse, shortly after you arrive, a local Toyota factory has a fire at its paint shop and loses everything. To continue local assembly, the distributor begins to build a new facility, but can not find any sealer for the roof lining. Without it, production must stop. They need a cylinder of Cemedine, a highly flammable liquid, but there is no time to have it shipped by traditional means. And it is not allowed on airplanes.

What would you have done in this situation? The young person I am talking about went back to Japan, took the cylinder from a Toyota factory, and carried it by bullet train to the airport. He then used all his persuasion skills to get the airline to agree to allow the cylinder on the plane. And, ultimately, he delivered it to Korea in a timely manner.

By now you have probably guessed that this young person in 1967 was me. And, although I am still quite young, I now have a lot more experience. From Korea my career with Toyota led me to all comers of the world. Adapting to unknown environments and new cultures has been a crucial element of my own personal and professional development.

But that was all part of my plan when I joined Toyota in 1964. Although I was not aware of it at the time, my decision to join Toyota echoed a famous line in a Robert Frost poem. The poem is „The Road Not Taken“ and the line is „I took the road less traveled by, and that has made all the difference.“ At the time, I felt the growth of Japanese business would hinge on overseas markets and I wanted to be a pioneer on the global frontier.

Although I was born and educated in Tokyo, which was home to Nissan – Japan’s number one vehicle exporter at the time – I chose the road less traveled. I joined rival Toyota, whose headquarters was located 200 miles west of Tokyo. My first job was to handle marketing and planning issues for the rather small export department.

One reason for the modest size of the export department was Toyota’s inability to crack the U.S. market, the largest automotive market in the world. Toyota set up business in America in 1957 and was trying to sell the Toyopet Crown, one of Japan’s most popular cars. It was built like a tank to withstand rough roads in Japan, but was too slow to keep up on smooth, open U.S. highways. As a result, in 1958, the first year of sales, it had sold just 287 units.

When further improvements failed to fix the problems, Toyota stopped selling the Toyopet in the U.S. car market and survived by selling only Land Cruisers. In Japan, we went back to the drawing board. After extensively studying the needs of American roads and drivers, Toyota returned to the United States in 1965 with the Corona. I was on the team that created the Corona. Fortunately, we had strong confidence in Toyota’s engineering and design capabilities and developed a winning product. The Corona had plenty of power along with things no other small car was offering at the time, such as an optional automatic transmission and factory-installed air conditioning. Plus, it had plenty of driver comforts, such as full, door-to-door carpeting, tinted glass, a padded dash, and other amenities – all for under \$2,000!

It met the needs of American drivers perfectly and was an overnight success. It quickly revived Toyota’s business in the United States and elsewhere in the world. We’ve never forgotten that first tough lesson of business – to meet the needs of our customers wherever they may be in the world. To this day, Toyota delivers customers a bulletproof vehicle with features they want at a fair price.

That experience – of turning a negative situation into a positive result – is still one of the best leadership tips I can offer. But I do have a few others I’ve collected while traveling to more than 1,000 Toyota dealerships in 60 countries on 5 continents.

To develop into an international business leader, I recommend the following course of action.

First, learn what it takes to be successful in your home office. Learn the business and get to know your company, as well as how to operate effectively in its corporate culture. You must have a complete knowledge of your home base before taking an assignment in another country. This knowledge helps you to call upon the right people in the right places when you need resources for your new territory. It also allows you to compare the two locations, how they are the same and how they are different. That way you can take the best from both worlds to build business.

I recommend completing at least two assignments in other countries: one in an industrialized, developed nation and the other in a developing area. I suggest working at least five years in each place to broaden your knowledge and expand your experience.

Upon returning to the home office, my recommendation is to gain experience working as the assistant to a top executive. This will broaden your perspective and enhance your knowledge of how things work within your company. It also will provide some opportunities for you to get to know other top leaders.

Overall, however, I believe it takes at least 20 years to fully develop into a seasoned leader.

So from an executive development standpoint, what does it take today to find and groom a great global business leader? I have eight „Yoshi’s rules“ that I’d like to share with you. I call them: „eight rules to find great jewels.“ Here they are.

1. Find people with open minds and a love of travel.

In order to understand the global business scene, leadership candidates must be prepared to travel to all corners of the planet – and not necessarily on a corporate jet (that comes later if it all works out). Only through vast traveling will leaders have the opportunity to meet people and gain „hands-on“ experience. There is just no substitute for being there. Part of being a champion traveler is keeping an open mind and having the ability to communicate, even when you don’t know the language.

Personally, I have been involved in overseas assignments since 1964. Although I was based in Japan many of those years, I had numerous opportunities to travel and work in other parts of the world. It gave me a broad experience for working with many types of people and learning about other cultures. I have already mentioned my assignment in Korea.

Later, while on assignment in Africa, I met a tribal chief in Nigeria who also served as the local Toyota distributor. We developed a close relationship because I was completely open to his culture and value system. And our connection has lasted long past when we conducted business together. His son is now a management trainee at Toyota Motor Sales in the United States and will soon go back to Africa to help manage the distributorship.

Then there was the time in Gibraltar.. I was asked to step in and help resolve a family dispute that threatened to bankrupt a distributor. My earlier experiences served me well and I was able to help negotiate a solution. A similar assignment in Iceland came my way later. Our distributor almost went bankrupt because of the recession. I extended a lot of help and rescued him.

Those situations taught me that there is no substitute for meeting in person to share experiences and work out differences. For this reason, when I assumed responsibility for the entire European market, I personally visited every country and all key personnel.

2. Hire people who communicate as much by listening as they do by talking.

When you are on an assignment in another country, you have to be a good communicator and that means being a great listener. I’m often asked how I overcame communication barriers during my assignment in Korea and other areas.

Here is what I say:

- Be a good listener.
- Be courteous, no matter what the situation involves.
- Try to bridge the gap between different cultures.
- Encourage everyone to look forward, not backward.
- And, invite key people to travel with you back to your home base so they begin to understand your culture.

Good leaders avoid jumping to conclusions. They don’t fall into the trap of making decisions before they fully understand the views of the others involved. They take time to listen and to know the implications behind what is being said.

3. Look for people who pack a positive attitude.

Good leaders also learn how to leave negative thinking behind. A positive attitude goes a long way when entering a new culture and business environment. There are two sides to having a positive attitude. One is to always believe and verbally express your positive expectations about the future. It’s an attitude that says everything has a solution if we believe it does and we sit down together to work things out. Great leaders create that air of expectancy and people live up to the expectations.

The other side of having a positive attitude is eliminating the negatives. Negative thinking feeds on itself and spreads like wildfire. Negative thinking leads to making excuses, which in turn leads to poor performance. Poor

performance then leads to more negative thinking and the cycle continues in a downward spin. Good leaders also look for barriers that are hurting performance or morale in an organization. Then they do what they can to remove them. They learn to break the negative cycle of thinking and put things back on a positive track.

When I returned to the United States as President of Toyota Motor Sales in 1996, the company was experiencing some challenges in relationships both among our employees and with our dealers. As the new leader, I sensed the need for a common positive image that could unify everyone's drive for the future. As a result, I set the vision for Toyota to become the „most successful and respected car company in America.“ We then aligned our work goals around three major corporate objectives:

- To profitably *grow* our sales to 1.5 million units by the year 2 000
- To fundamentally *change* the way we do business in response to an increasingly competitive market
- And to *develop* our people so we create the most effective organization in the industry

Throughout this time, I stressed the need to look forward and work together. During my employee talks and meetings, I set the clear expectation that we would reach new heights of success by working together and helping each other. I also declared that dealers were our close business partners and needed our help to resolve some customer-satisfaction issues. I never once expressed a negative thought, only a positive feeling that things were going to get better.

And they did.

Specifically, customer satisfaction has improved and sales records are being broken monthly. Our Camry has won back-to-back titles as America's No. 1-selling car. Our dealer relationships are now rated the best in the industry. And recent employee surveys show we have some of the highest company-pride ratings of any company in the world.

Talk about the power of positive thinking.. .good leaders don't leave home without it.

4. Hire people who invest in their minds and bodies.

It is critically important for leaders to stay physically and mentally fit. The mental stress alone of making crucial business decisions can seriously affect a person's physical health.

When I'm traveling extensively, I am careful about what I eat and I try to get plenty of rest. Yes, it is important to attend dinners while on the road. But when I can, I arrange for simpler meals and avoid the rich food that I am often obliged to consume. Also, when possible, I try to return to my room early so I can get plenty of rest for the next day's events.

My personal philosophy is to stay free on the weekends. I know it is tempting to run into the office to deal with one crisis or another. But there is a stronger personal need to get completely away from work for a while. Distance helps provide perspective for decision-making. Before leaving on Friday evenings, I make a list of all pending issues. That way, I can let go for a while and be confident I will know where to start fresh the following Monday.

A balanced life leads to a more healthy state of being and better decisions. In addition, the best leaders usually have strong, healthy families behind them. They need to spend time with their spouses and children. I recommend lots of fresh air and outdoor physical activity.

5. Look for people who are students for life.

Leaders are readers and believe in lifelong learning. I recommend that candidates read not only business books, but also books about the history and culture of the country they will work in. They should talk with other CEOs and managers at lunch and dinner meetings. They can learn a great deal from their peers and mentors.

My conversations often help me better understand people. They also have helped me learn that the automotive industry is as much about people as it is machines.

„Leaders in training“ should take advantage of a wide variety of developmental opportunities. For example, this year, Toyota Motor Sales is sponsoring its first „President's Leadership Institute“ through a partnership with the University of Toyota and the University of Southern California. This Institute will help our next generation of leaders learn key skills to move forward.

While it is primarily a program for Toyota's U.S. sales executives, I took it upon myself to invite representatives from our operations in Japan and Europe, as well as from our North American manufacturing companies. I'm confident that these experiences will help Toyota break down some of the internal silos that often separate people and choke great ideas within an organization.

6. Find people who respect others at all levels.

People who become great leaders realize that respect is the key ingredient that drives all good human relationships. They show respect for others by listening, keeping an open mind, and following local customs. And they quickly learn that to get respect they must first give it.

Being respectful is important for working with people at all levels. It is important, of course, to pay respect and listen carefully to the advice and experience of your boss. But it also is important to respect and listen to the thoughts of people at the front lines of your organization. Often they are the closest to day-to-day business and have some unique insights. The key is not to judge, but to listen and consider.

At one point in my career I was warned about a difficult executive heading our French distributorship. Despite what I heard, I went to meet him with an open mind. I listened with respect to what he said – all day long. He literally spoke about his problems for 12 hours straight. He was so impressed by my interest that he opened up personally and we were able to work together to resolve issues. And today, he is one of my best friends. There's an old saying that I think is particularly good at making this point. It says, „People don't know how much you know, until they know how much you care.“ Respect is simply caring enough for people that you take the time to really see things from their point of view.

7. True leaders believe in building the entire team.

The best leaders I've met over the years not only work on improving themselves; they work hard to make sure everyone around them grows. Often, the most effective organization is collaborative, with people at all levels contributing to the company's vision. Needless to say, leaders must rely on others to reach their goals. This requires building trusting relationships.

Trust, of course, is an advanced form of respect and takes time to build. Leaders do it by listening, caring, and helping team members carefully identify areas for improvement. They then encourage and support their people to improve. The most important aspect, however – and the mark of a true leader – is to support your team members when they make mistakes. Leaders who stick by their people in both good and bad times will earn more than trust. They also will receive extraordinary efforts that can't be purchased for any price or salary.

8. Hire people who know how to have fun.

Finally, I believe a global leader must have the ability to think strategically while finding ways to have fun. People follow people they like. And they like people who know how to have fun.

Life is too short to treat your work as a life-or-death situation. Those leaders who learn to bring some fun to the workplace will always be welcomed. What it really comes down to is learning to enjoy people and relish life while working together. Your work shouldn't be your life, but you should always try to bring some life to your work.

I make it a point during my travels to take time to enjoy the people I'm with. If that means eating a new type of food, trying a new sport, or even meeting an alligator, I'm game. It's moments like these that people remember.

They build a special bond that makes both work and life worth living.

Well, there you have it.. „eight rules to find great jewels.“ These are ideas for building leaders who will make a difference both inside your company and to the outside world. I can think of no other purpose we have that is as important as finding and developing people who are great living examples for others to follow. The world may be shrinking, but the need for great leaders is growing. We must continue to work together to meet that need. It should be our highest calling. Our future and the world's future depend on it.

Yoshio Ishizaka is Senior Managing Director of Toyota Motor Corporation, based in Tokyo. From June 1996 until early 1999 he served as President and CEO of Toyota Motor Sales U.S.A., Inc., overseeing all of Toyota's sales and marketing operations in the United States, excluding Hawaii. In the course of his career with Toyota Motor Corporation, he has served the firm in a variety of roles, including managing operations in New Zealand; managing marketing in Australia; supervising marketing and sales efforts in the United States, while developing the Fl project, later known as Lexus; and serving as general manager of the Europe Division. He was named to Toyota's Board of Directors in 1992.

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This article is based on remarks presented by Mr. Ishizaka at the Next-Generation Strategies, Organizations, and Leadership forum for international executives, sponsored by the International Consortium for Executive Development Research on May 20, 1999.