

Making the Switch from a Telephone Operator to an IP Broadband Business Company

*Shunzo Morishita,
President of NTT West*

Overview

For this second installment of “View from the Top,” we were honored to speak with Shunzo Morishita, President of NTT West. As a major member of the NTT Group, NTT West is actively involved in efforts to commercialize the Next Generation Network (NGN) by providing practical NGN infrastructure facilities and services. At the same time, the company is working to reduce costs, increase profitability, and rebuild customer relationships. We asked Mr. Morishita to tell us how NTT West plans to welcome the dawn of this new network era.



Establishing an NGN infrastructure for the expansion of new services

—*Mr. Morishita, please tell us about the current state of NTT West.*

The NTT West Group has set itself a target embodied by the words “Let’s change to an IP broadband company by 2010,” and last year it launched its medium-term management reforms. Plans are now being made to reform the company over the next three years under the slogan “Make Progress, 2010.”

With that being said, exactly what does NTT West plan to do to achieve this target by 2010? For one thing, we must make a transition from a business model dependent on the telephone to one based on IP broadband services. It is clear that revenues from the fixed telephone business will continue to fall and that dependence on the telephone will become increasingly difficult as broadband services continue to expand. With this in mind, we have commenced with our medium-term management reforms based on the three pillars of increasing profitability, maintaining and improving service quality, and achieving extensive cost reductions, all while making the transition to an IP broadband company by 2010. After the prepara-

tory period in 2007, we will establish and implement specific business plans over the next three years from 2008 to 2010. As the first year of this three-year plan, I believe that 2008 is going to be a very important year!

—*How is NTT West approaching the NGN?*

Building the NGN infrastructure lies at the heart of our medium-term management reforms. To this end, we must determine how to promote and firmly establish an infrastructure and tools for the ubiquitous society, how to provide our customers with new services based on this infrastructure, and how to maintain and improve infrastructure and service quality.

As you probably know, NGN commercial services will begin in parts of the Osaka and Tokyo metropolitan areas in March 2008. The NGN aims to provide the flexibility and economy of an IP network while maintaining the reliability and stability of the traditional telephone network. Improving the network can be the starting point, but it is equally important to determine what kind of services to provide and how to go about creating new value. These issues concern not just the world of telecommunications but industry, the economy, and our social activities as well.

Making use of group synergy, NTT West accepts the challenge of developing new services and mechanisms toward the realization of a genuine ubiquitous society.

**Essential elements of NGN expansion:
Joint development of content
and formation of alliances**

—A major technical foundation of NGN is IPv6. How is NTT West approaching this technology?

NTT West set up the V6 Premium Forum in September 2006. IPv6, Internet protocol version 6, is an extension of the widely used IPv4. It provides a huge address space for use by a wide variety of applications, so it is expected to be applicable to diverse communication services in the ubiquitous era. The V6 Premium Forum, which currently consists of about 135 companies including manufacturers, IT (information technology) vendors, and content providers, holds study meetings about new services that use IPv6. There are plans to link up with the Next-Generation Services Joint-Development Forum announced by the NTT Holding Company and to undertake the actual development of new services.

Constructing the NGN infrastructure is a huge responsibility for NTT West, but creating new services on this foundation and opening up new markets is not something that only one company can do. While taking on a leadership role, NTT West knows it must form alliances with many companies that have their own specialized fields.

The ubiquitous society based on IPv6 has the potential to make great changes to the economy as well as to our personal lifestyles and activities. To this end, we must inject some *spirit* in the form of services into the NGN infrastructure that possesses the elements for changing the infrastructure of our daily lives. It is useless for us as a communications operator to attempt this by ourselves. We must form tie-ups with all sorts of entities, from Internet service providers, manufacturers, and software companies to universities, medical care providers, commercial enterprises, and individuals too. In this way, a wide variety of tools and content will be interconnected bringing great changes to social mechanisms. The NTT West Group must take on the role of a catalyst to make this a reality.

**Quantifying the embodiment of CSR
as corporate culture at NTT West—
Trying to produce a measure
of digitization effects**

—What social role should NTT West take as part of its ICT activities?

Today, business enterprises are being tossed about by the rough waters of structural reforms and intense competition, and more and more companies are adopting the attitude of *whatever it takes to beat the competition is fine*. This reflects a lack of corporate ethics. Against this background, companies must build their corporate systems afresh taking into account social issues.

In particular, in the information and communications technology (ICT) society, questions are being asked about the way in which companies manage customer information. This can be asked not only about NTT West but the entire NTT Group. At NTT West, we have begun to address this issue by investigating how customer information can be tightly managed and by adopting a thorough program that ensures compliance with the law. Also, as part of our efforts in fulfilling our social responsibilities, we have been promoting “Customer First Activities” at the company since 2004. These activities emphasize the importance of listening to what the customer has to say and establishing a contact point with the customer. They are based on the idea that if each and every employee does not grow and become a professional, he or she will not be able to respond to customer needs.

—What was your thinking behind the establishment of Customer First Activities?

Well, in 1999 when NTT West was created, *getting into the black* was foremost in the minds of employees. Eliminating red figures, through rationalization or decreased costs, became the top priority of NTT West. However, the pursuit of rationalization and greater efficiencies has a tendency to sacrifice service, which is the point of contact with the customer.

NTT West provides services across a wide coverage area, and because the market tends to be scattered, operating efficiency is poor. Consequently, with the aim of rationalizing, we decided to reduce the number of inefficient customer service locations, but this proved inconvenient for customers in areas deprived of customer service counters.

But now, with the company in the black, we have taken a second look at our contact point with the customer. We have come to recognize the importance of listening to customers to determine what kinds of services are needed, and we have established a “Customer First Activities” program to this end.

—*It seems that all of these efforts are related to CSR at NTT West.*

That’s right. We have been involved with corporate social responsibility (CSR) for some time, but in 2007, with the aim of organizing and formalizing our CSR activities, we decided upon 20 CSR items and created evaluation measures. These are divided into problem categories corresponding to customers, global environment, community, employees, and shareholders. We established action plans for each of these categories and created a mechanism that would enable these plans to be evaluated in units of branch offices. These CSR items are not ambiguous or conceptual in nature. They are clearly defined so that each can be individually pursued and assessed in numerical terms. Of course, there is still room for argument about the validity of evaluating all of these items quantitatively, but I think it’s more important to make CSR tangible within the context of everyday work than to obtain a conceptual understanding of CSR in one’s head. Also, considering the extensive coverage area of NTT West, the need has been felt for a technique that enables all employees to evaluate their CSR activities together. We are putting this approach into practice with the aim of instilling CSR skills in each and every employee and firmly establishing CSR in our corporate culture.

Promoting effective use of R&D resources and ongoing development of new technologies

—*Mr. Morishita, aren’t great expectations being placed on the NTT Group to research and develop novel technologies for the new era?*

Compared with the telephone era, society today is changing at a much greater speed, and services in the broadband field are expanding. This requires us to take up the challenge of developing new things in partnership with many parties. The concept of a *professional employee* that I am promoting is, of course, applicable to any field, and I want to see employees in the development department become development professionals.

As for IPv6, which I mentioned earlier, our development department has already accumulated a substantial amount of know-how, and our developers are no doubt making good progress in developing new services. By the way, NTT Laboratories of NTT Holding Company has taken up the research and development of a wide range of fields including the NGN, and I would like to see the ongoing development of new technologies and services in conjunction with an appropriate allocation of resources.

Interviewee profile

■ Career highlights

Shunzo Morishita joined Nippon Telegraph and Telephone Public Corporation (now NTT) in 1970. Since then, he has held a variety of prominent positions including NTT Mobile Communications Network Inc. (now NTT DoCoMo) Vice President, Executive Manager of Communication Technology System Department; NTT Senior Vice President, Executive Manager of Plant Planning Department; NTT East Executive Vice President, Executive Manager of Technology Department; NTT East Executive Vice President, Senior Executive Manager of Business Communications Headquarters; and NTT East Senior Executive Vice President. He has been in his present position since 2004.