

Supporting the Social Infrastructure with a Challenging Spirit!—Connecting and Designing the Future of Japan

Yoshihiro Kuroda
Executive Vice President, NTT WEST

Overview

This is an era of ever-increasing use of the Internet. Enabling stress-free use of the Internet requires much effort, experience, and wisdom, and this is provided by NTT employees who work tirelessly behind the scenes to maintain a rock-solid infrastructure. How should NTT WEST take up the challenge of creating an even friendlier communications environment? We asked Yoshihiro Kuroda, NTT WEST Executive Vice President, about the company's business strategy and future outlook.

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Achieving business objectives through constant effort and steady work

—Mr. Kuroda, can you first update us on business conditions in the NTT WEST Group?

NTT WEST aims to create new lifestyles that will change the way people live and work using Hikari (optical) broadband services. In fiscal year 2015 (April 1, 2015–March 31, 2016), the company declared three key objectives: transforming the business strategy, contributing to regional revitalization, and promoting the business areas with the potential for growth.

To achieve the first objective of transforming our business strategy, we changed our business strategy from a B2C (business-to-consumer) business model to the Hikari Collaboration Model and positioned business-user sales as an additional revenue stream for the company.

Let me explain why setting these three objectives was necessary, using telecommunication facilities as an example. The fact is, the work of providing an optical service for consumers is simply a cycle of opening up lines and discontinuing services. For example, in the peak period of February and March, the workload is 1.5 times greater than that of other months. Somehow, we get all this work done within that period through an all-out mobilization of NTT WEST personnel. Later, however, on breaking down the work performed, we would find that the number of orders for opening up lines was almost the same as that for discontinuing services, meaning there was no increase in the number of subscribers. As a result, the company's revenue would not increase, and a large amount of operating expenses would go to waste, so this is not a sustainable model.

This is why we created the Hikari Collaboration Model. This is a collaborative business mechanism that involves the wholesaling of FLET'S HIKARI,

our flagship fiber optic broadband service, to various players that see value in combining broadband capabilities with their own services. The Hikari Collaboration Model drastically reformed the business model across the entire NTT Group and helped us rethink the way in which operating expenses were used. On launching the service in February 2015, the goal was to achieve a net increase of 200,000 subscribers, but this number was actually exceeded, demonstrating a positive response to the model.

Furthermore, in terms of business-user sales, we essentially achieved the initial target of 600 billion yen, though we narrowly missed the target of an operating profit. As we go forward, we have to improve earnings in order to make business-user sales a pillar of our business.

To improve earnings in business-user services, we need to reduce overall facility costs. We therefore established a plan to reduce facility costs by 80 billion yen over a three-year period starting in fiscal year 2015 by implementing a variety of measures such as discontinuing selected services, removing unnecessary facilities, and curtailing operating costs.

—What are the key issues that must be addressed in achieving these business objectives? How do you plan to face the future?

In the Hikari Collaboration Model, we have been working with service players in preparing to enable consumers to use our services in a smooth and one-stop manner. In addition, we must construct a mechanism that makes it easy for Hikari Collaboration service players to sell Hikari services. To this end, we enabled a portion of our troubleshooting system to be used by those players.

Consequently, we have been receiving feedback and proposals from Hikari Collaboration service players on ways of using our Hikari service that we had not thought of before, so the opportunities to use our infrastructure in more beneficial ways have increased. Furthermore, in business-user sales, we must combine a variety of services as required and provide those services in the time requested. Upgrading our delivery system and customer control functions are therefore issues that we need to address.

It is also important that we create the systems and facilities to support these Hikari services. As more and more people come to use video streaming websites to enjoy videos on their smartphones or tablets, the volume of traffic is increasing. Thus, with this and the “big event” in 2020 (Tokyo Summer Olympic and



Paralympic Games) in mind, we are increasing network capacity and data transmission speeds. In terms of Wi-Fi, we are working with local governments on projects to expand access points in conjunction with regional revitalization. Also of concern here is the provision of optical access facilities that will enable new technologies to be used in remote sightseeing areas, including mountainous regions. However, since tourist sites such as Kumano Kodo (ancient pilgrimage routes) and Shirakawa-go (historic villages) that are popular with foreign tourists are often in areas surrounded by nature, a communication infrastructure that avoids damage to cultural assets and the beautiful surroundings must be set up. To this end, we are installing access points in low-profile locations and conducting service trials at a steady pace.

Going to the source of a problem to learn about it in person

—It appears that taking on reform has also provided you with useful feedback.

We have learned a great deal. In Hikari Collaboration sales, having extensive talks with service players over a one-year period has helped us to see key points that we were not initially aware of. We found many problems in our business-user services, where we had not made major efforts in the past compared with mass consumer services. I tend to sense problems in the form of noise (complaints) coming from here and there, and to deal with a particular problem, it’s important to find it and fix it immediately. When a problem arises in the field, my job is to see what kind of support the head office can offer. That is, when I visit a particular location, I talk directly to the people

involved to find out if any problems exist and what can be done about them. My goal here is to work out what the head office can do and what on-site personnel can do to help resolve the problem. Listening to people and checking out the true nature of the problem in person helps me to make good decisions and minimize mistakes. In the field, it's important that I listen to people having all sorts of viewpoints, including department and section managers. A small number of opinions can be biased, so listening to as many people as possible helps me to understand the various aspects of a particular matter.

This practice of mine of meeting with people and listening to what they have to say in person is something that I have done at meetings and gatherings not only within the company but outside as well. I favor this face-to-face approach because I can pick up things that I cannot hear over the telephone, and I can get more details. I am not asking people to visit our head office but rather I myself am making a visit to talk to them on their territory. This enables more direct and frank discussions.

It is also important that we constantly reassess our way of doing things—if we don't, we can't be adept at meeting our customers' expectations. For example, though we make predictions and plans regarding facilities three to five years in advance, it can still happen that traffic dramatically rises beyond our

expectations, which would require us to take emergency measures. It is therefore essential that I keep a close watch on marketing trends and even individual customer trends and technical possibilities in order to make comprehensive judgments about facility upgrades. We must always have some leeway to respond and adapt as needed.

—So there is a need for comprehensive judgments and timely responses that consider not just technology but marketing and consumer trends, too.

That's right. However, it's not simply a matter of making preparations and providing adequate services in time for some upcoming event with specific needs. That is, while forecasts can be made to some extent with regard to an increase in the volume of video traffic, there are some aspects of the Internet of Things (IoT) that cannot be predicted; there is no telling how it will change in the years to come. We must consider how those things that cannot be seen today might be reflected in future network services. The use of IoT will certainly be extended to agriculture and other industries, but we need to carefully examine what types of business models and what types of networks will be required.

Meanwhile, we cannot forget about the need to strike a balance between corporate growth and social contributions. The NTT Group takes great pride in supporting Japan's social infrastructure and providing a telecommunication infrastructure. To fulfill this mission perpetually into the future, it must continue to grow as a single firm. To this end, I would like to create a "virtuous cycle" in which we make appropriate investments to provide an even better infrastructure for beneficial use by our customers, and then reinvest profits from this use to improve our infrastructure once again.

At present, the working group that we convene to create new services consists of employees recruited from various departments inside the company, including sales, service development, research and development (R&D), and facilities. This working group came about in response to comments voiced within the company such as "I don't know which department to talk to when a problem arises, so I want to learn about the work of each department so that I can consult with the right people." Thus, to meet this need, it was decided that some employees in related departments, from sales to R&D, would make time in their busy schedules to participate in a working group. All of the members of these departments are



proud of the work that they do, so arriving at a consensus takes some time. However, once discussions pass a certain point, the goal may come into view just as fog gives way to sunshine. If the goal is nowhere in sight, however, there may be some hesitancy to proceed and a desire to give up, but I recommend that the group go back to square one and try another approach. I feel that my role here is to give the group a clear direction, so while the goal may change a little according to varying opinions and the results of meetings, I strive to convey the objective clearly and to see that it is shared by all concerned.

In short, I want to have a goal to aim for, while placing importance on a sense of process and time. Results are not necessarily proportional to the time spent on achieving them. However, reprimanding others because the results that I envisioned are not being obtained will only serve to weaken everyone's motivation. I would rather praise a job well done and use that as a motivating force to get everyone to work toward a common objective.

Don't be afraid of change—take up the challenge!

—Mr. Kuroda, what advice would you give to our researchers?

As everybody knows, a variety of companies and research laboratories make announcements about new technologies and services on a daily basis. In the past, NTT has served as a driving force for all fields related to information communications in Japan, but we have entered an era in which this role has become increasingly difficult. However, I believe that NTT should abandon the closed innovation policy and instead, evaluate technologies developed by a variety of companies and combine them with its proprietary technologies to create something new. This is the kind of firm that NTT should become.

Starting from scratch and spending development time in terms of years as we have been doing up to now is no longer a viable approach if we are to keep up with the needs of the times. Even with specialists in targeted technologies, I would like to see us create new technologies and services from the viewpoint of a “producer.” In this regard, I think it's a good idea to visit operating companies such as NTT WEST as often as possible. Seeing problems with your own eyes and talking with people face to face should provide you with a treasure trove of ideas.



—Finally, can you leave a message for all NTT WEST employees?

Employees who work in development and service departments will eventually encounter “work with no answers, and work with no certain future.” Similarly, among department and section managers, an increasing number of people are probably having such an experience. In such a situation, a capable colleague around me nevertheless proceeded one step at a time. At first, it appeared to me that it was difficult for him to proceed with the work without a concrete clue, but he just did what he could do step-by-step without thinking about it too much, and in the end, got the job done swiftly and successfully.

I often use the word “challenge.” I ask our employees to take on a bold attitude in their work without fear of change. Real risk lies in making no changes to techniques, strategies, or methods. It's okay to fail! No one loses their job by failing. At the same time, there is nothing more exciting than making a proposal, executing it, and succeeding. In the past, when I was in charge of service development, I pushed through one new service after another, but the only one remaining today is IP (Internet protocol) telephony. Of course, having a perfect record is just an ideal—it never goes that well in real life. But if you do not take up the challenge of creating something regardless of results, you may never be successful.

Actually, the company is setting up an environment to make it easier for everyone to take up challenges. As a trial this fiscal year, we are authorizing a budget for proposals voluntarily presented from each department in order to stimulate a challenging spirit. Whether the result is a success or failure is immaterial. I believe that some form of knowledge will be obtained whatever the result and that the curiosity

generated and sense of accomplishment obtained above and beyond everyday routine will itself constitute success.

Please have the courage to explore new possibilities!

Interviewee profile

■ Career highlights

Yoshihiro Kuroda entered Nippon Telegraph and Telephone Public Corporation (now NTT) in April 1981. After serving at NTT Communications Corporation as Director of Consumer & Office Users Business Division, Strategy Planning Department and Director of Human Resource Development Group, he became Senior Director of NTT General Affairs Department in 2008, Director of NTT WEST Hiroshima office and General Manager of NTT WEST Chugoku regional headquarters in 2011, and Executive Director of NTT WEST Network Department in 2014. He took up his current position in June 2015.