

Transforming the Business Structure to Expand Service Business



Motoyuki Ii

**Senior Executive Vice President,
Senior Executive Manager of Corporate Sales
Promotion Headquarters, NTT EAST**

Overview

NTT EAST is boldly shifting its management resources to expand its scope of business based on a locally focused organizational system. The number of contracts for the optical access service involving the Hikari Collaboration Model topped 4 million in August 2016, and NTT EAST is aggressively pursuing initiatives for revitalizing regional economies under the banner of *new business creation*. We asked Senior Executive Vice President Motoyuki Ii to tell us about this major change in the corporate mindset and the actual efforts underway to make this change a reality.

Keywords: optical access service, business user, transformation

Achieving a major change in corporate mindset toward profit-oriented management

—Mr. Ii, can you first tell us about the current state of activities at NTT EAST?

Our operating income for fiscal year 2015 totaled 161.8 billion yen, marking record earnings for two consecutive fiscal years. Actually, this figure represents profit from cost cutting. True growth, however, comes from raising revenue. It is therefore vitally important that we broaden our scope of business. Last fiscal year, we announced a major shift in our business structure toward profit-oriented management in the company's medium-term management strategy.

The three main goals of this transformation are to *strengthen the business user market, promote the Hikari Collaboration Model, and improve management efficiency and productivity*. To put it simply, sales costs up to now have focused on the proliferation of optical access services for individual consumers, but with the number of subscribers now exceeding the 10-million mark, this growth trend is slowing.

Considering that the deployment of optical access services to this market has largely been achieved, we are steering the company in a new direction toward the effective use of optical access services and information and communication technology (ICT), not only in business but also in local governments and institutions such as schools and hospitals. Furthermore, in addition to introducing and implementing optical access services and ICT, we have begun to propose *solutions*, that is, ways of using these technologies for the benefit of our customers.

—Up to now, it appears that the management process was running smoothly. How did this radical change in the corporate mindset come about?

The company culture and way of thinking, whether in the time of Nippon Telegraph and Telephone Public Corporation or in the early phase of deploying optical access services, was always “It will work out somehow as long as we do our best.” However, times have changed—we can no longer survive solely by selling technology. It has become vitally important

that we provide technology and services together. In doing so, however, we have noticed that we cannot provide all of the services that our customers need by ourselves.

One way of making proposals that satisfy our customers would be to look for partners that can provide needed services and to present our customers with our offers together. However, to be honest, working together with other enterprises as partners has never been our strong point. A simple reason for this is that we have not worked in such a collaborative manner in the past. Yet, if we don't make an effort to create such a system, it will be difficult to change direction. In short, it is imperative that we take specific measures to reform our mindset from a company based on the principle of direct management to one based on collaboration.

Currently, President Masayuki Yamamura and all directors are using the word "transformation" when talking to employees and on-site staff about the need to change the way we have been doing things and revise our corporate mindset and behavior. A key to achieve transformation is to change our mindset. Although it's important to present a specific action plan, true transformation will not necessarily follow. This is because simply doing what one is told is not normally accompanied by thought and mind. In contrast, an action plan that is accompanied by a sense of agreement as in "Yes, this is how we can change!" will naturally lead to changes in behavior.

When we look at the market environment, we can see that the effects of Abenomics (economic policies promoted by Prime Minister Shinzo Abe) have not yet reached the small- and medium-sized businesses that make up part of our customer base. I feel that these customers have not yet benefited from those policies. That's all the more reason we need to collaborate with partners. I believe that collaboration will mutually enhance both our value and our partners' value and stimulate the entire market. To this end, I urge those in the planning department to refrain from just managing from a desk and go out into the field. In this way, they can work together with our customers and see firsthand what the problems are. In fact, these two types of behavior—pursuing collaboration and getting out into the field—have led to building strong connections with our customers.

To give a specific example, positive effects have been achieved by changing the way we hold seminars. In the past, we would present our services and technologies as a whole in Tokyo much like a trade show. Now, however, instead of holding one large



seminar in this way, we are holding multiple seminars in various prefectures, each of which targets customers of particular industries or scales of business and adopts practical themes. Furthermore, as we cannot invite a large number of customers ourselves, we hold these seminars together with our regional partners, exchange business cards, and engage in face-to-face communication. After such seminars, customers with whom we have formed a relationship can access our website, which creates the potential for digital marketing and an opportunity to meet their needs in the form of a beneficial cycle. Of course, holding a number of seminars annually is a lot of work, but our staff is up to the challenge.

Work philosophy: Putting the attitude of a leader into words

—When did you begin to feel the importance of transformation? Is there anything that you have done on your own accord toward transformation?

That would be about eight years ago during my time as manager of the Niigata branch office. I felt that there was a need for reform in the way we performed our daily duties, and I conveyed this sentiment to my subordinates as my work philosophy. Doing so was actually a big change for me as well. I wrote up this work philosophy with the intention of conveying what I was thinking in my own words to unify the direction of the entire organization. I think the style of "watch me and follow me without saying anything" is an old style of management that doesn't work today.

There are five points in my work philosophy. Let me introduce a couple of them here. The first is that the most important thing in work is reforming the

current state of things, and the driving force behind this reform is a change in behavior. In order to change behavior, a change in mindset is necessary. Achieving a change in mindset requires work that throws out everything from the past. This means throwing out experiences of both successes and failures. That is, while success may be possible now despite failing sometime in the past, the inverse is also true. However, I stated that conviction and will cannot be thrown out or forgotten regardless of the result.

Another point is that the mission of a leader is not simply to set the direction but also to change the mindset and behavior of the organization's members and to foster the development of their abilities. At present, about 11,000 employees belong to the Corporate Sales Promotion Headquarters that I am in charge of, which means that I am leading about one-third of the company's human resources. Making a mistake in the way that I lead here can naturally result in major damage to the company. I, of course, feel the pressure from such a role, but I cannot present an anxious face as a leader. Instead, I try to lift and stimulate the spirit of my staff with words like "You can do it!" and "Everything's OK!"

Transformation comes with risk. There is, of course, a mental resistance to throwing everything out if conditions have so far been favorable and successes have been achieved. However, the market can change rapidly while one is resting on one's laurels.



I am privileged to take on that responsibility in times of transformation and to fulfill my mission.

—In what specific ways are you taking up this challenge?

Let me use a freight train as an example. The president at the very front of the train is the first to negotiate a curve on the tracks. There is therefore a time lag before everyone else on the train down to the very last car reaches that curve. We are now waiting for that last car to round the curve. The person at the very front must be patient with this time lag. However, the mission of a manager is to cope promptly with issues, so taking a big swing with great force like a pendulum is required to produce enough energy to move the entire organization. A path with such a large curve is actually unfolding right now.

For example, I feel that our mindset with regard to the business user market has undergone a great change this last year. Up till recently, we have endeavored to propose service upgrades to existing customers and to maintain contracts. Since last year, however, we have been pursuing walk-in sales. This is a marketing strategy in which the 400 personnel in charge of sales to small- and medium-sized businesses make visits as "ICT concierges" to ask them what they might need or what problems they might have.

Incidentally, these staff members visited about 60,000 companies in one year, and they visited some companies a number of times. I told them that these visits—whether successful or not—would provide them with a lot of experience while improving their sales skills and building up their know-how. The results after one year of this challenge were orders from 2500 companies, or about 4% of the companies visited. These may not seem like very impressive figures, but such a demanding experience itself relates to transformation. Currently, most of our new employees pass through this program.

Furthermore, we have traditionally used a made-to-order technique for medium-sized firms, local governments, and institutions such as schools and hospitals in which we propose and provide solutions tailored to their needs. However, we have now switched to a completely opposite ready-made technique in which we prepare patterns of proven proposals to which minor adjustments can be made. In the past, fitting a proposal to an individual customer's needs from scratch was time consuming and labor intensive, which placed a burden on the customer as well. Now,

however, we visit every last one of our potential customers for which this ready-made technique might hold true, taking with us a hospital pattern if the customer happens to be a hospital and a school pattern if a school. I believe that such experiences and results will become the foundation of our transformation.

Set a goal, find a role model, and create your own style

—Mr. Ii, what would you say to all NTT EAST employees?

First, please do not give up easily. I first learned to fish during my time as manager of the Niigata branch office. There are certain things about fishing that relate to business. If you change your fishing spot because you are not catching any fish, you may not be able to time that move with the occurrence of rip currents where fishing is good, and the time taken by moving might be longer than the actual fishing time. However, if you set a clear goal and proceed with conviction, there will definitely come a time when your target and movement coincide! In addition, you cannot forget that large fish are more prevalent in deeper waters than shallow, but moving to deeper fishing grounds to catch bigger fish requires some means of getting out to sea. This requires the use of a boat, but a fishing boat requires a license. In this way, pursuing even one thing to the end results in acquiring detailed knowledge of that subject. In the same way, please take up your work in a determined and persistent manner. As I mentioned earlier, sales may be successful only 4% of the time no matter how many times you meet personally with customers, but continuing on without giving up will eventually reveal something new and useful. Facing a challenge repeatedly can be viewed as good practice. For example, you can think of yourself as an actor on stage when visiting a client. At that time, you should use a senior colleague as a role model with a good technique to imitate, and then rehearse that technique over and over again. After that, you should then create your own style of working.

—Finally, what kind of attitude would you like our researchers to adopt in their work?

To put it bluntly, I would like them to create earth-shattering things. Being the sales unit of the company, we introduce and propose the results of research to



our customers as needed. However, presenting groundbreaking results is all the more impressive. Actually, our customers greatly enjoy demonstrations of our latest technologies and services when we show them around NTT laboratories. Such activities generate conversation and can lead to new business. I would like to delight and impress our customers with our research results even more. At present, there is increasing interest in artificial intelligence. It is becoming known that our technologies and services, which are already being commended in the real world, as in the meeting minutes of the Diet's Lower House, are many and varied and have the potential to be a driving force in the world. There are therefore high expectations of NTT. Against this background, I would like to ask our researchers to produce even more amazing results going forward.

Interviewee profile

■ Career highlights

Motoyuki Ii joined Nippon Telegraph and Telephone Public Corporation (now NTT) in 1983. After becoming Manager of NTT EAST Niigata branch office in July 2007, he became NTT EAST Senior Vice President and concurrent Executive Manager of the Plant Department and Strategy Planning Department, Network Business Headquarters, in June 2011. He then became Executive Vice President and Senior Executive Manager of Corporate Sales Promotion Headquarters in June 2015, and took up his present position in June 2016.