

## Building a Global Standard System to Win in Global Markets



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### Overview

As the fourth industrial revolution takes hold around the world, Japan has much to achieve if it is going to maintain its international competitiveness in innovation. To this end, the Annual Report on the Japanese Economy and Public Finance 2018 issued by the Cabinet Office, Government of Japan, stated that Japan must establish a competitive edge in four areas of innovation: products, processes, marketing, and organization. We asked Masaaki Moribayashi, Senior Executive Vice President of NTT Communications, what will be necessary for NTT Communications to firmly establish itself as an international enterprise.

*Keywords: global, reorganization, cloud solution*

### Changing the way we provide services by grasping the culture and lifestyle of local people

*—It is said that your mission is to make NTT Communications into a company that can win in global markets.*

I had always thought that I would like to make NTT Communications into a competitive company that can win in global markets, and I believe I have had the opportunity to do so. We are now in a period of reorganization with global business in mind, and I truly feel that we are taking concrete steps in this direction. I want to demonstrate our strengths to the fullest while pondering how best to complete this process of reorganization, and I want to focus on building the company into a robust enterprise in truly global markets. These are the dominant themes that occupy my mind at present.

Our business in global markets is growing year by year, but domestic sales still dominate. Outside Japan, people in our industry know about NTT

Communications, but among the general public, few do, so our brand image has yet to penetrate society. There is therefore much room left for improvement in terms of increasing our name value and expanding our business in countries around the world.

In the 15 years I spent working in the United States, Hong Kong, and Europe, I was able to develop a good understanding of business characteristics in various regions of the world and to observe Japan from the outside. It is probably thought that keeping up with conditions in Japan can be difficult when you are overseas, but surprisingly, you can see Japan with an even sharper perspective when you are outside the country. In those 15 years, I came to understand well the strengths and weaknesses of both Japan and NTT.

Japan is unique in both a good sense and bad sense. In business, for example, the seniority system, lifetime employment, and hiring system of Japanese corporations are unique. While it is common in Japan to think that you cannot become a section chief until you reach a certain age, this is completely incomprehensible to people in other countries. In addition, no

one is dismissed from a company in Japan other than for some extraordinary reason, and people for the most part do not negotiate their pay increases. In other countries, however, the norm is individual negotiation for pay and raises, so negotiations between an individual and the company that hires the individual are common, which is similar to the case of professional athletes negotiating for annual compensation.

However, if we are speaking about common practices, Japan is overwhelmingly better in the quality of service. For example, meals are delicious wherever you go, and parcels are delivered on time as promised. There is no other country with such attentive and efficient service. In England, I was generally unable to specify a time for delivery, and even if I could, it was not unusual for my parcel to arrive at a different time. In addition, it often took a long time to complete some kind of repair that I had requested. All in all, I could not receive the same kind of polite and reliable service that is taken for granted in Japan. We must be able to make this quality of service that is commonplace in Japan into one of our strengths in global markets. However, I think that it can be said that Japanese companies on the whole are not very proficient at making the best use of that strength.

*—It seems that the way we apply the high quality of Japanese technology and service has to change.*

Let me take railway operations in Japan and England as an example. Japan's railway network is so strictly controlled that even a train running one minute late prompts an apology. In England, there is no detailed timetable for subways (the Underground) or buses, just a notice on the station's electronic message board stating "The train will arrive X minutes later on platform X" just before that train arrives.

You might think it would be much appreciated if Japan's manner of accurate timetables and reliable operation were introduced in England, but it is not that simple. The fact is, there is no system that can implement Japan's railway mechanism, and there is no demand to run trains on such a strict schedule by spending money to construct such a system. In short, it seems to me that the approach to service in England is different. I believe that the principle "You will not sell anything unless you market things that fit the circumstances of that country" applies to all countries. And the same goes for the services provided by NTT Communications. Given Japan's reputation for superb quality, it would be easy to think that there are



people who would be glad if Japanese services were to be sold in global markets. However, if the price is too high, the reply you get might be "We have no need for this" despite the attractive quality and functions.

Another good example from not so long ago concerns microwave ovens in the United States. First of all, Americans already had large, built-in ovens that were used for baking and roasting, and they had been around for decades. When microwave ovens were introduced in the U.S. to the general public in the 70s, they were simple devices with only a heating function, resulting in a fairly low-priced product. This is what appealed to them—fast heating of food. In contrast, the microwave ovens manufactured in Japan were high-function appliances that could change the manner of warming depending on the type of food that needed to be heated. This was useful and well-received because built-in ovens in Japan were not very common.

These differences were not a matter of a difference in technology but simply what the consumers looked for in a microwave oven. Americans, namely, wanted something they could pop food into and heat up quickly. For those consumers who had no need for functions other than pop-in and heat, such high-function microwave ovens could be thought of as expensive, over-engineered appliances that were essentially useless. Without a clear understanding of such a difference in social norms and required specifications, you cannot succeed in business.

Consequently, after obtaining a clear understanding of such cultural differences, our approach is to first market services of a global standard. Then, for customers who need more than standard services, we offer optional services that provide good value for the

money. That is, I believe that our best course of action is to offer quality services appropriate to a global standard while also preparing an attractive lineup of options for customers wanting advanced services and products. In this way, all customers can choose what is best for them.

**Making a big turn toward “solution provision”  
—trial and error through on-the-job training is  
the best shortcut**

*—So your strategy for winning in global markets is to begin by understanding other cultures and grasping the needs of customers.*

That’s right. The key point here is to achieve a thorough understanding of our customers’ needs based on the concept of “design thinking” and to then determine how we can provide services that meet those needs as much as possible in an efficient manner. Another point discussed within the company is which of our strengths to bring to the forefront to compete effectively. For example, the cloud services provided by Amazon are of a magnitude greater in scale than ours due to bold upfront investment, so if we were to compare our services with theirs simply on the basis of a single function, we would be at a disadvantage. We are therefore steering the company in a direction in which we compete by providing solutions that customers need. To give a simple example, I am sure you would not go to a restaurant to eat ready-to-eat instant *ramen* (noodles). What does a customer desire in a restaurant? Well, in addition to the food itself, the customer wants to enjoy a meal and a dining experience that fits one’s needs such as good service from the staff and maybe a nice interior and comfortable

environment. Additionally, if one just wants to eat instant ramen, one can do so at home without having to take the trouble of going to a restaurant.

In terms of cloud services, we must change the way we work in providing such services. That is, instead of simply providing instant ramen (a single resource), we must adopt a method that determines what kind of meal (cloud solution) the customer would like to eat in what way and in what kind of environment and that identifies what is really needed by the customer. For this reason, we need many qualified people who can understand the customer’s business and who possess extensive technical knowledge to make optimal proposals based on design thinking. Unfortunately, we still lack sufficient human resources in this regard. However, we have many people with great potential, and I would like these people to become experienced in the real business world as much as possible.

Although knowledge can be obtained to some extent through training and classes, you cannot learn everything in this way. It might be an old approach, but following a highly proficient senior around and observing that person’s work in detail, and then making proposals on your own and failing any number of times, is the best shortcut to learning. When I took up my post in Europe, I witnessed the local practice in which new employees would *shadow*, or follow around, a talented senior employee to learn about work. These new employees might stumble in their job at first, but they learned and grew, and some even recorded top sales just two years later. On seeing results like these, I realized that this was the quickest way to get new people to learn.

*—Have you previously been faced with a serious situation, such as pushing through reform or supervising a huge project?*

I have had a variety of valuable experiences, but the one that stands out the most is my involvement in the datacenter business during my time in Hong Kong. Our company had a case in the past involving the purchase of datacenters. With the bursting of the bubble economy, however, those datacenters had become useless assets. Nevertheless, in the midst of opposing opinions, we acquired a company that owned datacenter buildings that were hardly being used and launched a genuine datacenter business. At that time, as head of NTT Com Asia in Hong Kong, I listened to what the people under me were saying and became convinced that we could succeed. With a positive frame of mind and believing in our ability to



succeed, I made the decision without hesitation. On explaining my course of action to my seniors, I told them that my approach to work is to believe in my own eyes and ears and to make firm decisions without being swayed by dissenting voices around me, and they came to understand my position.

Additionally, after arriving in Europe in 2009, the experiences I had in integrating NTT Europe and NTT Europe Online were also very valuable, and they have become, in a sense, a dress rehearsal for the upcoming reorganization of the NTT Group's global business. Because of these experiences, I feel very positive and not overly worried about this reorganization. When I come across employees who are somewhat anxious about the whole thing, I tell them to have a positive attitude and not to worry.

When two separate companies are instructed to cooperate with each other, it is often the case that employees tend to focus on the company that they belong to. Even when the employees from each company come together to meet and brainstorm about some project, they tend to return with the proposal to their own workplace and discuss it again among themselves. However, if these two companies come to be integrated into one company, these employees return to one place instead of two and naturally come together. I had this experience when integrating those two companies in Europe. As long as you can control the flow, interactions will flow naturally. It can be difficult to direct that flow, so it is vitally important that top management repeatedly convey clear messages about strategy and direction to employees. The direction that everything must point to must be established. My mission in this reorganization of our global business, while a major challenge, makes for very enjoyable and worthwhile work. My basic philosophy is to think positive—don't worry too much and things will just keep moving in the right direction.

*—It appears to be a time for creating new traditions in addition to the corporate DNA that the company has so far inherited.*

Yes, it is essential that we add *partnering* to our DNA. NTT has historically been a company where many people have the mind frame of “I want to do all kinds of things on my own” and “I want to market what we create.” Of course, it is vitally important that we differentiate ourselves through services incorporating our technologies and strengths. But at the same time, we will be left behind in the business markets if



we do not adopt a style that builds firm partnerships with other companies or people having excellent systems and services, creates ecosystems, and provides solutions instead of doing everything on our own. Even in the case of a company that we consider to be a competitor, the field in which we compete may actually be just a partial field, so there are times when it is better to join hands with that company. As reflected by the saying “The enemy of your enemy is your friend,” it is important that we adopt a flexible approach so as to grow the business by tying up with a competing company when necessary.

When something good makes its appearance in the world, working on something similar in a copycat manner means you are already too late. Our resources and the money that we can invest are limited, so we cannot adopt a position of self-sufficiency in all things. At the risk of repeating myself, we will not survive in our business markets unless we decide on what direction to take and on what we have to do while offering services that utilize superb technologies and systems in the outside world.

This way of thinking has penetrated the company for the most part, but I would like to accelerate its application. However, I could steer the company in the wrong direction if I do not select what is good for us with a clear vision. These types of decisions constitute the mission of top management. I have said that partnering is important for us, but the flip side of this is thinking how to make positive use of our own technologies. It is not our purpose as a company to sell the technology of another company. If we ourselves do not have robust and impressive technologies, our strengths will not be apparent and partnering will be infeasible. Fortunately, we have technologies

developed by the NTT laboratories. Going forward, we must provide solutions that include these technologies more than ever.

### **Keywords for growth: speed, agility, and a positive outlook**

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*—Please tell us what you think the role of the NTT laboratories is and what types of technologies you look forward to.*

In my previous work, I was also involved in cloud services, and in this regard, I have high expectations for security-related technologies under development at the NTT laboratories such as data concealment and secure computation. Our customers who use cloud services are very concerned about data security, so I would like to make these technologies into services as one of our strengths. The technologies of NTT are highly competitive in the world, and the laboratories are developing pioneering, breakthrough technologies. I would like to ask our researchers to create new technologies in rapid succession for use in society. These technologies do not have to be perfect—they can be in a form that can quickly make new ideas practical for commercial use. Seeking perfection takes time and can result in lost opportunities. Putting workable technology out into the world and receiving feedback provides a basis for the next step in research and development (R&D). In short, I would be most appreciative if our researchers could pursue R&D in such an agile manner.

*—Mr. Moribayashi, could you leave a message for all NTT Communications employees?*

I would be happy to. The NTT Group, including NTT Communications, has an exceptionally large number of highly professional employees. But at the company level, I think that these very capable people have yet to realize their full potential. I would like to establish a system and environment in which every employee can take on more challenging work with more responsibility, and I would like to ask everyone to take more initiative in their work. Some people may still have the seniority system or hierarchy in mind, but I would like to give anyone with ability and drive a chance, and I want to provide an environment in which everyone can demonstrate their abilities fully. If every employee can broaden his or her current range of activities and can take on work with more responsibility, I think an amazing amount of power will be generated within the company.

Finally, considering the many excellent employees of diverse nationalities that we have in our global operations, I would like to create a more stimulating environment in which they can flourish in their work.

#### **Interviewee profile**

##### ■ Career highlights

Masaaki Moribayashi joined Nippon Telegraph and Telephone Public Corporation (now NTT) in 1984. He became President and Managing Director of NTT Europe Ltd. in 2009 and Senior Vice President and Head of Cloud Services of NTT Communications Corporation in 2016. He took up his present position in June 2018.