

“Managing from the Heart” Changes Society—Solving Regional Problems in the Spirit of “That’s a Good Idea. Let’s Give It a Try!”



Naoki Shibutani
Senior Executive Vice President, NTT EAST

Overview

NTT EAST is committed to achieving prosperous regional communities and sustainable development. On the basis of its original mission as a telecom carrier to *connect people*, it is now undertaking a new initiative as *an information and communication technology (ICT) solutions company moving together with regional communities* with the aim of solving the issues confronting its regional customers through the use of ICT. We asked Naoki Shibutani, Senior Executive Vice President, to tell us about the stance that NTT EAST needs to take to solve social problems and the progress it has made toward 2020.

Keywords: digital transformation, regional revitalization, ICT

Our basic stance: “listening to customers about every problem”

—Mr. Shibutani, may we begin by asking you about the business summary of NTT EAST?

The diffusion of optical circuits typified by our FLET’S Internet connection services has progressed in Japan, and the demand is currently slowing down. Accordingly, our sales are decreasing, but effective cost reductions are producing a steady rise in profits. For fiscal year 2018 (April 1, 2018—March 31, 2019), we expect to achieve an operating income of 233 billion yen, which is in line with our initial target. In particular, the target for our flagship FLET’S HIKARI fiber-optic broadband services was to obtain 400,000 new subscribers, and we are close to achieving that figure.

In addition, sales for high-value-added products such as Wi-Fi and cybersecurity services are gradually increasing, while the number of fixed-line (land-line) subscribers is decreasing.

Operating income continued to increase for six straight years under our previous president, and it looks to increase in the first year of our current president as well. In short, we expect to achieve seven consecutive years of profitability, which means that our business conditions are right on track. Behind these achievements lie the tireless efforts of our employees. We have achieved great success in promoting activities to take work that we had previously been outsourcing and doing it on our own without fear of failing. This is enabling us to improve our skills and reduce costs and to create a mechanism that can contribute to profits by leveraging our unique strengths in the field.

—*The NTT Group Medium-Term Management Strategy was announced in November 2018. What will you as Chief Digital Officer focus your efforts on?*

The NTT holding company is promoting digital transformation (DX) as a pillar of the NTT Group, and at NTT EAST, we have begun to educate ourselves as a company about this next pillar of management. Here, DX can be broadly divided into our own internal DX and our customers' DX. To start this off, we are advancing DX within the company, and to this end, the facility department, sales department, administrative department, and other departments are using new tools in an attempt to make their respective business operations more efficient and to bring about change.

For example, there are successful cases of radically reducing workload by using text mining from artificial intelligence (AI) at call centers and using robotic process automation for large-volume delivery order processing. Our DNA is stamped with a culture of improvement and horizontal expansion in which we are constantly reviewing our work and trying to make it more efficient while striving to share these improvements with other departments. Our employees in the field are proactively disseminating best practices within the company. Of course, it's the head office that will take the lead in rolling out a major system, but in the field, it's on-site employees who understand the field best and thus make improvements in the system on their own. If some questions arise about using a certain tool, the DX team from the head office can provide some support. In this way, both the head office and personnel in the field are cooperating and making progress. I get a positive sense about such efforts, and I believe that the DX movement will facilitate the further evolution of our corporate culture.

Furthermore, with regard to our customers' DX, we gave thought as to what NTT EAST could do for the future of Japan while leveraging our strengths, and we came to the conclusion that solving social problems and engaging in regional revitalization were the paths to take. In short, we aim to provide help in solving regional problems.

Our customers that we are in contact with on a regular basis span various fields such as manufacturing and the agricultural and fishing industries, and they are located in multiple regions. A common topic here is that while great efforts are being made to connect one's work and company with the next genera-



tion of workers and to plant roots in a certain region, the aging society and the lack of people to inherit skills and know-how make this a difficult task. Moreover, while hearing often about new technologies such as AI and the Internet of Things (IoT), many of our customers don't really know how to use such technologies in their operations. We think that we can work closely with our customers in coming up with solutions to such problems regardless of the scale of their enterprise. For example, regarding AI and IoT, sensors and cameras could be used to accumulate data on the status of livestock or crops, and the results of analyzing such data by AI could be checked on the customer's home terminal. Such a capability could eliminate the need to make frequent visits to the farm for inspections, provide more sleep and leisure time, and enable appropriate delivery periods for farm products to be predicted. We have already begun to help with such familiar problems and are compiling case studies in which customers are very pleased with the results.

It is my hope that using new technologies in this way will help create a future that can make the companies of our regional customers strong and healthy. It is this idea that forms the pillar of solving regional problems. In general, this approach may be called "creating a smart world," but we call it "listening to customers about every problem" to lessen the sense of distance between us and customers, and we approach our work from this stance of listening to customers about their problems.

On the service and technology front, the telephone era has been succeeded by the Internet protocol (IP) era, and we are entering a period in which new targets must therefore be established. In this regard, we must upgrade the IP network to handle 4K/8K video. We also need to create mechanisms that will simplify the

use of AI and IoT and integrate them with the cloud, and we need to give substance to edge computing through real-world problem solving and case studies. There has been much talk recently about the fifth generation (5G), but this assumes the use of wireless communications for the most part. However, we can speculate on the possibility of achieving an even safer, more secure, and more convenient society by skillfully combining 5G with optical circuits based on FTTH (fiber to the home).

Objective: keep NTT EAST out of the news in 2020

—The 2020 events that are only a year away will be staged in the NTT EAST region. Please tell us what initiatives NTT EAST plans to take toward 2020.

Before taking up my present position, I was in charge of matters dealing with the Olympics and Paralympics. For this reason, I attended the Rio 2016 Olympics as part of an inspection tour and had the opportunity to speak with an on-site manager. He said “Keeping the name of our company out of the news during this Olympics and Paralympics period would be a great result!” I nodded in affirmation. This is because any appearance of the NTT EAST name in the news during the events in 2020 would likely be due to the occurrence of some incidents, a failure in



broadcasting a certain event, or a failure to prevent a cyberattack. In other words, while we will make every effort to facilitate a successful event based on the catchphrase *Conveying dreams and inspiration to the world*, we will strive to remain in the background just as the manager at the Rio Olympics did. At present, we are focusing our efforts on down-to-earth tasks such as underground work and inspections for laying cable while making steady progress in the provision of facilities.

We are now proceeding with these preparations surely and steadily, which suggests that everything is on track, but the fact is, some things are not proceeding as planned. For example, there are about 40 venues including the broadcasting center that need work, but many of these venues are nevertheless carrying on business as usual. We can't very well interrupt events that are customarily held every year at these venues, since halting business operations because of construction work would have the unfortunate effect of reducing revenues at those facilities. Besides, the final work to be done after all electrical work has been completed at each facility is our responsibility. As you can probably infer from what I have said so far, we will be charged with completing all sorts of tasks in the two or three months preceding the actual games in July 2020, from installing LAN (local area network) cable to deploying mobile circuits for Wi-Fi and mobile phones, as well as setting up cybersecurity measures and checking terminal connections at all 40 venues. I can imagine a frenzy of activity, and just thinking about it is stressful. Circumstances are such that doing things as usual simply does not guarantee that things will go smoothly.

—This is obviously a big challenge that needs to be faced. How do you plan to deal with it?

Actually, I was the NTT Fukushima branch manager at the time of the Great East Japan Earthquake in 2011. So many things happened at that time that one day would hardly be long enough to tell you everything. But let me say here that I am providing my know-how in dealing with emergency situations to the Olympics and Paralympics team so that we can overcome any unforeseen problems, even those on the scale of that disaster.

The Great East Japan Earthquake was an unprecedented experience for NTT EAST. Amid conflicting information on the scale of the earthquake and damage to the nuclear power station, we found ourselves in an extreme situation in which we had to immediately

and accurately decide what damaged facilities to prioritize and how to restore them given the importance of communications as a social infrastructure. This was also a situation of extreme difficulty for myself as the top manager in charge of this area, but information from people directly affected by the disaster gradually began to come in. For example, there were restoration requests from prefectural and municipal offices whose communication cables had been severed by the earthquake, and amid the rapid spread of evacuation instructions, there were requests to secure emergency communications from local governments and hospitals in areas where evacuations had been delayed.

I wanted to restore communications for such people as soon as possible, but at the same time, I wanted to ensure the safety of our employees involved in restoration work at disaster-stricken locations still deemed to be dangerous. Filled with these emotions, I found it very hard to make each and every decision, but I don't know how many times I received encouragement from my fellow employees, who were also victims of this disaster themselves, to do as much as we could for everyone living in the affected regions.

These experiences taught me a valuable lesson: don't yell at times of an emergency. At such times, bad news is coming in constantly, and looking for people to blame or yelling things such as "Why wasn't that done earlier?" "You couldn't do it more like this?" or "Whose fault was that?" only makes matters worse. It gives rise to a situation that hinders the collection of information or the obtaining of critical information and that, in the end, is not helpful in relief and restoration efforts. It's exactly at the time of an emergency that one must remain calm and give priority to what you can do best; you can reflect on the effects of what you have done later.

In "managing from the heart," support and warmth become a driving force

—So creating a positive environment at the time of an emergency is extremely important! As an executive leading from the top, what else do you aim to provide?

I place great importance on "managing from the heart." I was the manager of the NTT EAST amateur baseball team when it won the prestigious Intercity Baseball Tournament two years ago for the first time in 36 years. However, in the first year that I became manager, we were eliminated in the preliminary



rounds, which was a crushing disappointment for the entire team. From my experience dealing with the Great East Japan Earthquake, I came to understand that one's mental attitude is important in shaking off adversity and using hard times as an opportunity to grow. A person is moved not by one's mind but by one's heart.

While there are some people who think that there is no power stronger than fear, I am not one of them. In contrast to using fear or pressure or anger, I am always trying to show that connecting with other people through the heart produces the best results. I believe that a smile and an open atmosphere can increase motivation. This holds for both business and baseball.

Returning to the baseball team, if the players were in a match that they felt likely to lose, they could be inspired to win simply by hoping for a mistake by the opposing team. However, negative feelings, in the end, would tend to come back at us. For example, saying something negative about the opposing team or jeering at them generated a bad mood, which came back to haunt us, causing us to lose an important match. After I told the players about this, they nodded in agreement and refocused their attention from the other team to themselves and began to cheer each other on, saying things like "Good pitch!" or "You struck out this time but that was a good swing—you'll do better next time!" Hearts connect under positive conditions. In this way, the players' got a boost with every match and started to do better, eventually rising to the top and winning the championship. Connecting in a heart-to-heart manner through positive conversation is no different from the way in which work should be done on a daily basis. I would like to get more people to agree with me on this "managing from the heart" approach.

—I've also become an advocate and fan of this approach. With that mindset and your diverse experiences, what kind of wisdom should NTT EAST apply to business from here on?

My desire to change the current state of affairs is quite strong. In this regard, I believe that there are two kinds of people: one that demonstrates his or her abilities in structured work and one that is especially skillful in applying all of one's abilities to assigned work in one's own way. I'm of the latter type. Since there is no framework, I can freely act according to current conditions and broaden my interactions with a wide array of people including customers. In this way, I encounter hardships all the time, but once a project is completed, I look upon that work as something that was enjoyable and worthwhile. This was true at the time of the Great East Japan Earthquake and during my work overseas.

When I think of my experiences in Japan and other countries, there are two things that come to mind with respect to the future of NTT EAST. The first is Japan's innovation dilemma that arises from the fact that Japan is a well-developed country without many serious problems. For example, the cashless society is progressing in various Asian countries due in part to a lack of confidence in their currencies, and it's exactly in regions where the transportation network has not fully developed that autonomous cars are rapidly progressing. Japan, meanwhile, has trusted institutions and a solid infrastructure. So the question for Japan is how to overcome its innovation dilemma originating in this environment.

The second thing that comes to mind is that human resource development looks to be an important key in overcoming this dilemma. In contrast to Japan where the lifetime employment system is still deep-rooted, societies in which changing jobs is a common and accepted practice can be found in the United States and other countries throughout the world. If the scope of our employees' experiences is too narrow, we won't be able to support a major social transformation, so I think it's necessary for us to fill that gap and reform ourselves. For example, I would like to help our young employees have intercultural experiences by sending them out into the world or by dispatching them out to the field such as to medical-care institutions, educational sites, rice-growing farms, sake breweries, and construction sites of partner companies. In this way, they will be able to gain experience by grasping real-world problems and to acquire practical skills in applying ICT (information and commu-

nication technology). This experience should prove useful in coming up with new ideas and creating new groundbreaking business opportunities.

—Mr. Shibutani, can you leave us with a message for all NTT EAST employees?

I was born in Kyoto, and in the Kansai (western Japan) dialect, we say "*E yan, yatteminahare!*" (That's a good idea, let's give it a try!) NTT EAST employees have a very strong desire to contribute to society and have a very self-sacrificing spirit. There are many people in general who are highly motivated and spare no effort when starting on a project, but when they take their first steps and confront a certain challenge, they often lose confidence and start to hesitate. There are also many managers who have been brought up in such an environment, and when they receive proposals from subordinates, they are apt to give reasons why those proposals are not feasible or to recount stories of their own failures in such work. In this way, they drain all the optimism from their subordinates and nip the bud of innovation without even noticing. They may have the best of intentions, but if so, I wish they would first respond on a more positive note by saying "*E yan!*" (That's a good idea!), or in the Kanto (Tokyo) dialect, "*li jan.*" They could also say more encouraging things such as, "You could get better results by doing it this way," "I failed here, but making this improvement might work!" or "Now that I've laid the groundwork here, go ahead and give it a try." In other words, it's best to let people try something even if they fail. I believe that accumulating experience in this way is the best way to learn. My aim is to encourage people to take up challenging work by saying to them "*E yan!*"

—A very stimulating talk! To conclude, what would you like to say to our researchers?

Needless to say, all researchers are expected to come up with results appropriate to their research, but I am concerned that perhaps those results go only half way in making a connection with business. For this reason, I would like our researchers to choose between two things in their work. The first is to focus their energy on doing globally leading, cutting-edge research that can change the world and make history instead of short-term targets for the sake of commercial viability. As for the second, I would be delighted if our researchers could go out with us into the field to brainstorm with people actually engaged in

agriculture, fishing, and other industries on how best to use advanced technologies for the benefit of society.

Interviewee profile

■ Career highlights

Naoki Shibutani entered Nippon Telegraph and Telephone Corporation in 1985. He worked in NTT Department I beginning in 1999 and then served as NTT EAST Senior Manager of the Planning Department starting in 2001 (and was a guest researcher at the Center for Strategic and International Studies (CSIS), Washington, D.C.). In his career, he has also served as Department Manager of the Plant Planning Department, Plant Section, Network Business Headquarters; Manager of the Fukushima branch office; Senior Vice President and Executive Manager of the Plant Planning Department, Network Business Headquarters; and Senior Vice President and Executive Manager of the Tokyo Olympic & Paralympic Promotion Office. He assumed his present position in June 2018.