

NTT DATA



AN INTERVIEW WITH

Keiichiro Yanagi

NTT Data: An Influential Japanese Company Going Global

Keiichiro Yanagi is senior executive vice president at NTT Data Corporation, one of the world's top 10 IT services providers, headquartered in Tokyo, Japan. A 34-year veteran of the company who joined straight from university, he is now a board member with responsibilities for global HR and corporate strategy. Here he explains some of the challenges large Japanese companies face when transforming from domestic to global enterprises, and how NTT Data is successfully addressing these issues.

NTT Data has grown from being a company focused on the domestic market in Japan to become a multinational player with a global presence. What were some key milestones along the way?

KY: The company has achieved 30-plus years of unbroken growth and is still growing like a start-up, except that we're not a start-up. This fact is a good representation of our journey overall and something that I am very proud of.

We always planned that our overseas growth would evolve through three distinct stages. The first was that we would increase our physical presence outside Japan, which we did with the help of targeted acquisitions in the U.S. and Europe. The second phase was that we would leverage our growing international presence to become a "recognized global brand," and aim for 50% of our overall revenues to come from outside Japan. The third phase would see us becoming a "trusted global innovator," with the majority of our overall revenues coming from overseas.

Earlier this year, when publishing our fiscal 2017 results, we announced that we had completed the second phase of this evolution, having become a brand recognized in many countries beyond Japan, with overseas revenues heading towards the 50% target. We are now, therefore, firmly focused on the third phase—on becoming a "trusted global innovator"—a phase that we expect to last until around 2025.

Our acquisition of Dell Services in the U.S. was obviously a major milestone along this journey. More than two-thirds of

our employees now work outside of Japan; our focus from now will be on leveraging that overseas presence to drive up global revenues, and to become a trusted business partner of clients throughout the world.

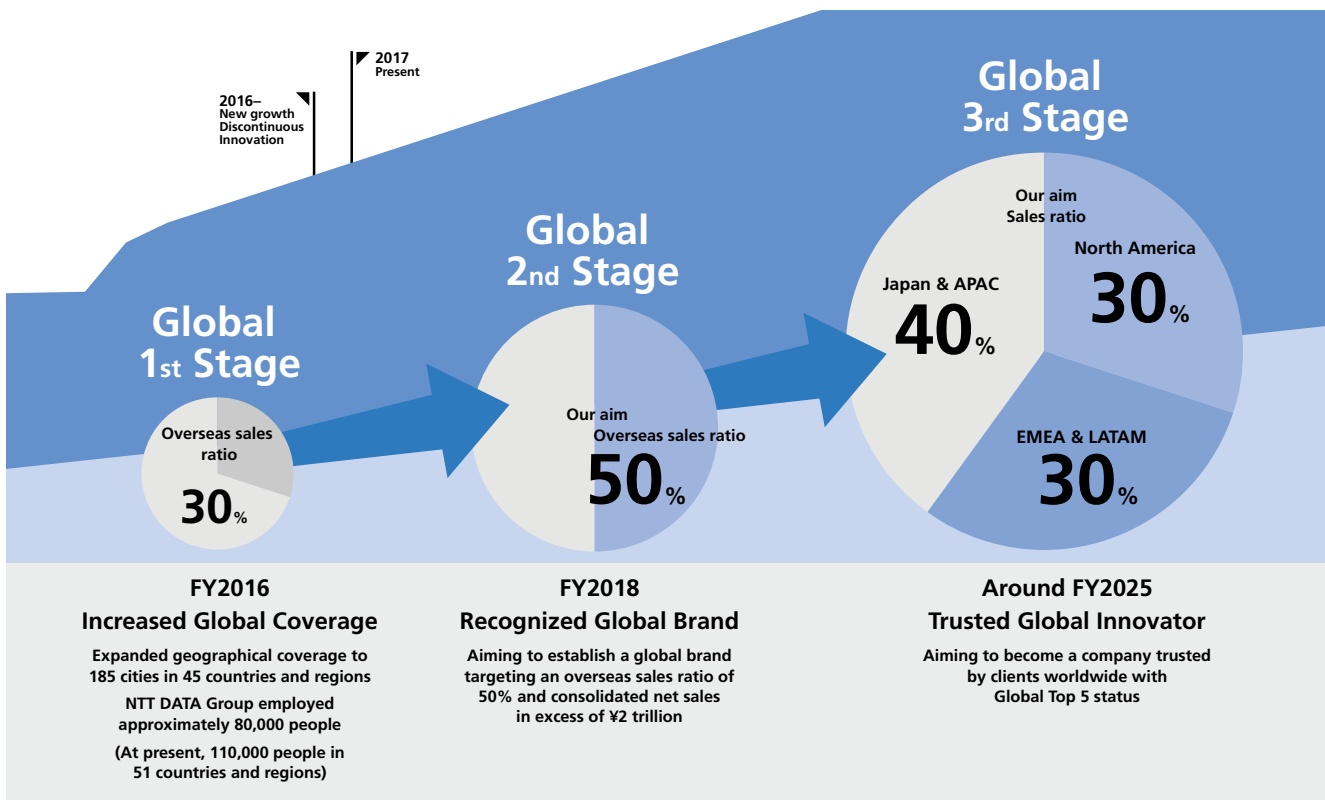
How has your competition changed as you've evolved from a predominantly Japan-focused IT services company into more of a global provider?

KY: When we talk about competition, there are obviously two aspects: competition for business and competition for talent. And the former clearly influences the latter.

Our business competitors 10 to 15 years ago were generally other large Japanese IT service providers in Japan; most of them, like NTT Data, offered lifetime employment and on-the-job training from scratch. That's clearly changed; now we find ourselves increasingly competing with U.S. and European companies and with newer IT companies in fast-developing countries like India. Our prospective employees assess us, and the opportunities we offer, in comparison with those companies, which means having to adapt our hiring and retention processes, especially in Japan.

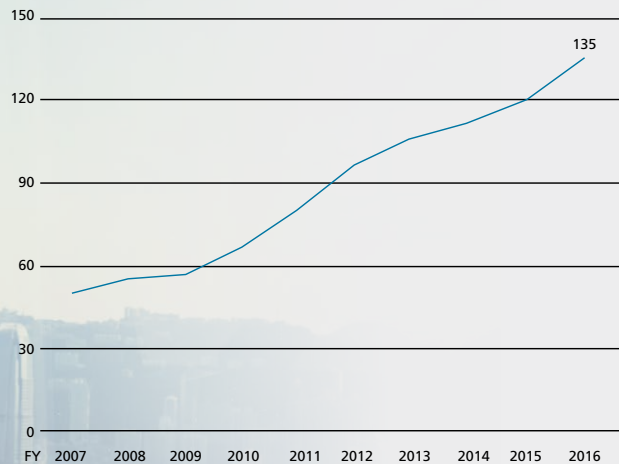
How is NTT Data's management of its human resources evolving in response to your growing presence in the U.S. and other overseas markets?

KY: At NTT Data, we give our overseas subsidiaries a lot of flexibility in terms of how they recruit, manage, and





Number of Female Managers
(People)



remunerate their staff. We certainly don't impose any Japanese conventions on them. The things that motivate employees and inspire performance vary from country to country, so one size definitely does not fit all. This isn't just a "Japan versus the rest of the world" comparison—there are significant differences in workplace culture between the U.S. and Europe, and between individual countries in Europe. The same can be said about Japan and the rest of Asia too.

We recognize that becoming global doesn't mean that our employee management style in Japan will change overnight. We see it more as a gradual evolution. Large companies like NTT Data have traditionally offered lifetime employment, with many employees joining straight from college and spending their entire careers there. Staff turnover is low and mid-career hires are rare. But that is changing, particularly in the technology industry, and so the gap between the Japanese employment model and the U.S. model is narrowing.

Japan is also no different from the U.S. in that our brightest and most creative young minds tend to be more restless and will often seek opportunities to further their careers in other companies. Although NTT Data's current annual turnover of staff is just 2% in Japan, with the increased influx of younger employees we see this rising. We will undoubtedly see an increase in mid-career hires to replace those who move on, and our processes will evolve to handle that.

Our central management takes a long-term perspective to growth—not just on a quarterly basis. For example, we foster a corporate culture in which local management are encouraged to implement projects that contribute to and stimulate the wider organization. These projects add to the attractiveness of the company, which in turn supports our talent acquisition in an era when competition is severe.

And although much autonomy is given to these leaders of overseas group companies, we are all connected through

shared values. That's a fundamental and, I think, unique concept that underlies diversity at NTT Data.

Are your recruitment criteria for Japanese college graduates changing? And how about recruitment of non-Japanese in Japan?

KY: With many of our corporate functions now having oversight of overseas operations, and our sales teams increasingly needing to liaise with colleagues outside Japan, English is clearly becoming a more important criteria in recruiting here in Japan, and all of our HQ departments with overseas responsibilities have English speakers as a result.

With our increased global presence, we are recently attracting graduates who want to work for a truly international company. In that sense, we find ourselves competing as much with major general trading companies or airlines as with other technology companies for talent. But, regardless of an individual's English ability, we are interested in those with an international mindset and those with a keen interest in technology or with the potential to develop good consultancy skills.

We've been recruiting foreign graduates of Japanese universities into our Japan operation for some time now, and currently have around 190 non-Japanese employees from 23 countries here. Many of these recruits speak Japanese, and most have a technology or engineering background. The company in Japan has a much more international feel to it nowadays.

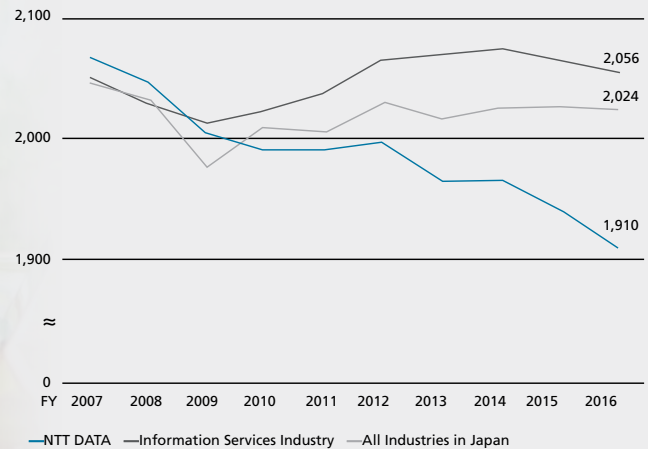
Japan as a country has something of a reputation for being rather insular and not so accommodating for people from other countries. Is that still the case?

KY: As much as I'd like to deny that allegation, it is still largely true. More than 98% of the population is ethnically Japanese.

I think Japan needs to accelerate its globalization efforts and show more awareness of the needs of different cultures and



Trends in Annual Working Hours per Employee (Hours)



Source: Proprietary data / Japan Information Technology Services Industry Association basic statistical survey report / Ministry of Health, Labour and Welfare Monthly Labour Statistical Survey

religions. As a country, we need to make it easier for non-Japanese to travel and live here comfortably.

For example, vegetarians and others with special dietary needs may still find it difficult to eat out in Japan, particularly in rural areas. There are very few facilities for those with specific religious beliefs, such as prayer areas for Muslims. Global companies like ours have a responsibility to do more to lead the way.

Diversity is a hot topic in the U.S.—what’s your record like within NTT Data?

KY: Diversity has been high on NTT Data’s agenda for some years now, both in our Japan operation and in our overseas offices. In Japan a major focus has been encouraging more women into the workplace and removing the barriers that impede their career progress. Of course, we intentionally focus our graduate recruitment on those with engineering or technology backgrounds, and it’s a fact of life that the majority of those still tend to be male.

Having said that, as a result of various initiatives, since 2008 we’ve managed to raise the ratio of women in our new graduate hires in Japan from 25% to 35%, and the number of women in management positions has almost trebled. A key factor in this has been our drive to reduce the long working hours which are commonplace in Japan, which have tended to make it more difficult for women in the workforce.

While we are progressing, we know we still have work to do, and we are committed to this effort. For example, an employee-driven group known as “Women Inspiring NTT Data” has been established with chapters in North America, South America, Europe, and Asia. And last year, 13 of our female leaders from international offices were

invited to attend the Global Summit of Women where guest speaker Ilka Friese, managing director and CFO of NTT Data Germany, shared our global promise to tackle gender issues and enhance opportunities for women in business and leadership.

So it might be some time before we see a non-Japanese or female CEO at NTT Data?

KY: We’re moving consciously along the clear path of globalization and diversification that I mentioned earlier, and are now entering what we call our Global 3rd Stage. This is very much focused on building out our overseas capabilities to position NTT Data as a trusted global innovator. In that context, and given the autonomy our local offices enjoy, I’m not sure how important it is that we have a CEO in Japan who is of this or that nationality or gender.

Some consumer-oriented and sales-oriented Japanese companies have non-Japanese CEOs, but we are more of an enterprise- or government-focused business, where as I mentioned earlier, senior-level business relations with clients and partners are important, particularly in Japan.

Having said that, with already three-quarters of our workforce being overseas, and with an increasing percentage of our revenues coming from outside Japan, it’s quite feasible by the projected completion of this 3rd Stage of our development, in six or seven years from now, that we might have a CEO who comes from outside NTT Data, and that he or she might be non-Japanese.

How important are teamwork skills in your company?

KY: People often generalize that in the U.S. more value is placed on individual competency and innovation, whereas

in Japan the emphasis is on harmony and teamwork. In my view, both approaches are important and have their place in a working environment. Sometimes you need an innovative approach that comes up with an off-the-wall solution; sometimes you need a large team working in harmony to solve a client issue.

One unique aspect of our business is that we work on high-level integration of infrastructure systems at many of the world's biggest companies, and have vast experience in national-scale financial and public projects.

As you might imagine, the most critical factor in successfully accomplishing projects of this scale is being able to harness and manage the collaboration of the great many workers involved. This is largely possible because NTT Data employees share common methodologies and a strong sense of commitment to quality. Our people acquire this work ethic during their early days at NTT Data, instilled by project managers who have spent years with the company. I think that this is the core of our corporate culture—our DNA—that shapes the development of human resources and mobilizes teams in the workplace, and is perhaps the clearest demonstration of how our strong teamwork links directly to business growth.

Another significant contributor to growth is the way we incorporate teamwork into our core managerial skills and competencies. For example, we have a rule at NTT Data that whenever we report a problem to our manager we are required to suggest a solution at the same time. Back when I was heading one of our group companies, I had a team member come to me for help with a problem, and I simply asked, "What do *you* think we can do to solve the problem?" The guy was dumbfounded and said, "But isn't it your job to provide direction and come up with solutions?" We share our problems, find solutions together, and grow as a result.

In Japan you have a saying "the nail that sticks out gets hammered flat," meaning that people are expected to conform and not stand out. Is that changing?

KY: It's interesting that at NTT Data, a lot of the nails that stuck out in the past have now become senior executives. Not all of them had smooth or predictable paths to the top. And if a nail is sticking out for a good reason, we welcome it. So that expression definitely doesn't apply to us. Of course, it's easier to manage staff in a uniform way and apply standardized rules across teams and organizations. In my experience, smarter managers tend to value diversity in a team and are happy to apply diverse methods to move the team forward. Having said that, there are situations where you want uniformity and conformity—for example, during a crisis situation where fast, maybe almost military-style, communication may be required between departments; in situations like that, you may not want too many opinions—or any nails sticking up.

"We incorporate teamwork into our core managerial skills and competencies. For example, we have a rule at NTT Data that whenever we report a problem to our manager we are required to suggest a solution at the same time."

What personal experiences have shaped your own thinking and the way you approach your job?

KY: When I was six years old, my father was posted to the U.S. and so I found myself in a regular U.S. elementary school in New York state for two years. In Japan I'd been taught not to speak out of turn or stand out, but I soon learned that in the U.S. if you don't speak up, people tend to ignore you and you get left behind. That lesson has stuck with me.

When back in Japan at a regular Japanese school, I stayed in a dormitory that was run by a Canadian. The dorm was always untidy, and the Canadian guy was always angry with us. I was one of the more senior boys, and I asked everyone to help me clean the dorm. We made the place spotless, and after that I was his "go-to" guy. So I learned that even in Japan, it's sometimes better to put your hand up.

Do you see any other major differences between the way U.S.-based and Japan-based companies are run?

KY: It's tempting to focus on the differences. But the reality is that in today's world we face challenges that have very little to do with where we've come from—they are the challenges that companies in fast-moving industries are facing everywhere. The challenge of being a partner rather than just a vendor, proactively proposing ways that clients can win market share or run their businesses more efficiently, rather than waiting for the client to express a need for something which you then go away and build.

Of course, there are cultural and historical factors which have led to differences in corporate culture between, say, U.S. and Japanese companies, or between European and U.S. companies. And I think it's important for companies like NTT Data with global ambitions to respect those differences and not try to suppress them or micromanage them away. I guess you could call that respecting the diversity of the globe, which may be the most important diversity of all. [AQ](#)