CONCEPT

Values that Remain Unchanged as Digitalization Transforms Work

A Next-generation Approach to Work-life Balance

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Many companies are reviewing their business portfolios in light of the changes in the structure of industry and in business models resulting from advances in digitalization, pursuing corporate restructuring and other management reforms. Boosting intellectual productivity as a way to achieve sustainable growth has become an urgent task for Japanese companies in particular, which are confronting changes in the structure of society brought about by a falling population. Along with reforms to working practices and the form of the organization, the cultivation of staff who can develop businesses for this new era is essential if companies are to respond flexibly to rapidly changing circumstances. In the face of accelerating changes in business and working practices that utilize ever-advancing digital technology, what sort of staff will be needed, and what are the "work styles" that will boost intellectual productivity? Toshihide Yahiro, President of Hitachi Consulting Co., Ltd., who is at the forefront of corporate reform, puts these questions to Executive Vice President Setsuo Shibahara, who has been involved in corporate reorganization and work style reform at Hitachi in the field of information and telecommunication systems business.

People a Critical Factor as Digitalization Drives Both Homogenization and Differentiation

Yahiro: A variety of staff-related issues are becoming apparent in the current industrial environment, ranging from a straight-out shortage of workers to competition in recruiting talented staff. Along with the "work style reforms" being pursued by the government, there are also hopes that the use of digital technologies such as artificial intelligence (AI) and robotics can help overcome labor and skills shortages, and a feeling that more attention than ever is being paid to the issues of human resources (HR) and work style. Given the falling

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population, changing working practices to boost intellectual productivity is essential to sustaining growth in Japanese society. While a steady stream of new services are emerging that utilize technologies such as cloud computing and the Internet of Things (IoT), most of the leadership in this area is coming from a small elite group of organizations, such as venture businesses, which have high productivity that large companies could well see as a threat. What are your thoughts on this changing business environment we find ourselves in?

Shibahara: By taking advantage of things like open source software (OSS) and cloud services, it has become possible for small teams to develop new services and operate businesses in information technology (IT), especially data applications, without having to first establish their own computing or other resources. This change in the business environment is a significant factor in the success that venture businesses have enjoyed. While there

are times when we find ourselves in competition with these new players, the core stance of Hitachi is to establish win-win relationships of collaborative creation that benefit as much as possible from the distinctive characteristics of the parties involved. I would like to see us take active steps to incorporate the consistently aggressive approach that venture businesses are able to adopt and their ability to create vibrant workplaces. Along with being quick to put the latest IT from North America to use in our Japanese businesses, we have also, for example, had continuous involvement in new business development in Silicon Valley since 2007. Our aims there include studying and collecting the latest technical information and building stronger relationships with the venture business community, working with numerous US startups to help them establish new businesses. In May 2017, we signed a strategic partnership contract with Plug and Play, a U.S. company that supports

and nurtures innovative startups, being one of the world's leading global venture capital and accelerator businesses, while at our Financial Innovation Laboratory in Silicon Valley, we are working with startups in the FinTech sector and participating in the development of new financial services.

Meanwhile, service and system development undertaken by IT vendors like Hitachi often involves customer projects that require a large number of engineers to work on, and there is believed to be scope for boosting productivity by changing business processes and working practices. One example is the potential for efficiency gains and labor savings through the application of digital technologies to ancillary activities where less progress has been made on system development in the past, including the use of telework, robotic process automation (RPA), and AI. It is anticipated that this will lift intellectual productivity by enabling a focus on the creative work that only people can do.

Toshihide Yahiro

After first working at The Long-Term Credit Bank of Japan studying investment banking in the IT sector, he joined the Ministry of Economy, Trade and Industry from Sony Corporation as one of the ministry's first round of mid-career hires. He remained at the ministry until 2010, with roles that included serving as the Director for Information Economy, Information Policy Unit, Commerce and Information Policy Bureau, as Director of the Information Service Industry Division, in the Minister's Secretariat (with responsibility for boosting demand), and as Director for the New Industry & Job Creation Policy, Economic & Industrial Policy Bureau. He then joined Sharp Corporation where he was engaged in work on new cloud-based services, serving as head of the newly created Cloud Computing Technology Development Group and as deputy head of the Research & Development Group. He left Sharp in 2012. After serving as a board member of Hitachi Consulting Co., Ltd., he took up his current position in 2014.

Yahiro: While the advances in digitalization are helping to improve work efficiency, they are also acting to make business more homogenous. Any individual or any company can reach a certain level simply by utilizing the surfeit of information and open-source technologies. Looked at the other way, it makes it harder for companies to differentiate themselves. So, when we look at where differences will arise, it is in the ability to maximize performance across the entire organization by encouraging communication and by making better use of the capabilities of the individuals who make up that organization. In my own area, we are getting an increasing number of inquiries about experimental initiatives that go right down to the details, such as whether it is possible to use optical topography and the latest neuroscience to tease out the latent faculties of the brain, or whether communication can be encouraged by enabling the color of walls to be changed. As digital technologies proliferate, my feeling is that the challenges lie in how to enhance those areas that are the exclusive preserve of people, and how to take advantage of the things we talk about as workplace skills, like teamwork and the sharing of tacit knowledge.

Shibahara: As you say, the changing business environment calls for different skills than the past as well as ways of putting those skills to use. Hitachi puts a lot of effort into its Social Innovation Business. As this business proceeds by way of collaborative creation with customers and other partners, it calls for staff whose strengths include such skills as being able to share a vision with customers, being able to identify the real issues, and being able to identify the points at which value can be created through digital technology, including when working in areas outside their own specialization. Against this background, Hitachi is starting to change how it handles HR, having launched a new "HR-tech" initiative involving the establishment of a department dedicated to the analysis of various forms of HR data for use in areas like recruitment, training, and staff

deployment. Hitachi's activities in this field have attracted interest from other companies, including our use of people analytics in recruitment and our development of surveys on staff productivity and deployment that provide information about how productive individual employees are as well as their level of satisfaction with their positions and assignments.

Using Diversity to Cope with Changes in the Human Resources Needed

Yahiro: Just as data analysis is already used as a means of team-building in sport, scientific approaches to staffing should also become possible in the future as more data is collected. Meanwhile, changes in the type of value that businesses deliver, from tangibles to intangibles and from functionality to experience, are changing the type of human resources needed. Dealing effectively with these changes will be clearly a challenge for management.

Shibahara: At Hitachi in particular, a shift in staffing is needed away from a focus on problem solving and toward value creation. My personal view, however, is that balance is critical. While the business as a whole may be shifting toward services, social innovation will continue to require

technologies and products to underpin those services. We still need the staff that a company like Hitachi requires to fulfil its social responsibilities, namely continuing to recognize the importance of tangible areas.

Yahiro: I agree with you. Many people appreciate that Hitachi's Corporate Credo of "Contributing to society through the development of superior, original technology and products" will continue to shine even as times change, with people around the world recognizing the attractions of Hitachi both as a place to work and as a partner in collaborative creation. I believe that we also need people who can make this appeal more effectively. Rather than products alone, what will become increasingly important in the future is how to use products as a basis for creating new value and how to get more people on board. To achieve this, we are also working through a process of trial and error in recruitment and elsewhere aimed at uncovering people who can win over those around them and foster a common feeling. It may well be that the acquisition of such people will become an important feature of our future HR portfolio.

Shibahara: While in-house staff development will obviously remain vital, amid the transition from an era of competition to one of collaborative creation, the recruitment of talented staff from

talent will also serve to encourage reform, acting as a stimulus to existing staff, including ourselves. Based on a "pioneering spirit," which makes up part of Hitachi's founding spirit, I believe that pursuing diversity in management through globalization and openness will be essential to the acquisition of new talent.

Establishing an Ecosystem Connecting People, Companies, and Society around Individuals' Personal Missions

Yahiro: Progress in digitalization is also driving changes in business models. A change in mindset will be needed if Hitachi is to succeed in delivering value in ways that draw on the advantage it holds in its accumulation of technologies. Will changes in the mindsets of both companies and employees be needed with regard to working practices as well?

Shibahara: The shrinking workforce will mean that people will continue working well into old age. Rather than just changing the labor market and workplace environment, we may have reached a point where we need to reassess working practices in terms of how people want to spend their lives. Workplace productivity is a function not just of digitalization, but also of the motivation and fulfillment that people derive from their work. There are those who are motivated to put in an effort at work by things they enjoy outside of work.

Yahiro: Although high hopes are also being placed on the use of AI or RPA (which you referred to earlier) as a way to enable people to demonstrate their intellectual creativity, it does not necessarily follow that workplace productivity can be increased simply by giving people more time. One could also say that people are acquiring a greater capability for designing their own lives through interaction with AI.

Shibahara: I believe so. A point made by Professor Takashi Maeno of Keio University, a leader in the study of happiness who has also studied the fusion

outside will play a key role in successfully taking on the new challenges you mentioned and in getting through these major changes. The company, Hitachi Vantara Corporation, of which I am chairman, was launched in 2017, incorporating both Hitachi Data Systems Corporation, a storage manufacturer, and Pentaho Corporation, a developer of big data analytics software. Hitachi Vantara operates globally, with a digital solutions business that combines products, operational technology (OT), and IT. Hitachi has reoriented itself toward the era of the IoT across the company, with the restructuring of its business portfolio being one of the first steps in this direction. This involves a new approach to HR in which we scout for specialist expertise from major global companies to take up senior roles in our different businesses. While my reaction is one of gratitude when such talented people choose to join us (laughs), for many of them it was their sympathy with Hitachi's Corporate Credo that prompted them to come. Because Hitachi works in the field of infrastructure as well as IT, these recruits see their participation in our Social Innovation Business as an opportunity to work in an area that can make an extensive contribution to society. While I am delighted to see that our Corporate Credo and the values built on top of it make sense to people in Europe and America, I am also very conscious that we need to approach our business with a sense of urgency if we are to avoid undermining their hopes. Accordingly, this recruitment of outside

of happiness and management studies, is that happy people have higher productivity than those who are unhappy. He has also observed four common attributes in people who are happy in their work, namely initiative (self-realization and growth), gratitude (relationships and thanks), optimism (a forward-looking attitude), and individuality (independence and an ability to proceed at their own pace). To use ordinary greetings as a way to strengthen relationships between people, Hitachi has introduced its O-A-Shi-Su Program* for encouraging greetings between staff, primarily at workplaces associated with the field of information and telecommunication systems business. In fact, I believe that basics like this are a way to boost productivity by expanding output rather than cutting costs.

While the availability of convenient tools increases the amount of work that individuals can perform by making it easier than doing the work manually, what this frequently leads to, in practice, is even longer working hours than before. Which is the happier option for people? Which is greater: the joy or the fulfillment of work? These are important questions about the nature of present-day society. In terms of work style reform, productivity is unlikely to increase if consideration is only given to work-related aspects. What is important is to give full consideration to the work-life balance of employees and to create a society that can deliver on this. In this respect, it may be that a societal mindset is needed.

Yahiro: This means reconsidering work in terms of the role it plays in our lives. I doubt that very many people think all that deeply about their future work and the design of their lives while still at school. What is important is to transform our society into one in which people can learn new skills and make changes in their lives, including

* A workplace communication initiative run by Hitachi's business division of information and telecommunication systems since July 2016 aimed at encouraging people to greet each other. The name "O-A-Shi-Su" derives from the first syllables of a series of Japanese greetings: "ohayo gozaimasu/otuskaresama desu," "arigato gozaimasu," "shitsurei shimasu," and "sumimasen/moshi-wake arimasen."

access to recurrent education, and one that also allows them to lead fulfilling lives outside work. This is because taking a work-centered view of life regardless of other factors may well be one of the reasons behind long working hours.

Shibahara: One of the things that happened when I was working on things like reducing overtime hours during my time as president of Hitachi Solutions, Ltd. was that people would approach the company with concerns about family members who were secretly continuing to work at home. This arose out of staff who were driven by their sense of responsibility as an employee to bring work home and who continued working without sleep or rest, something to which their managers turned a blind eye. This situation prompted us to set up a facility whereby people could consult the company about the working habits of family members. The problem of long working hours is a particularly serious one in the context of work style reform. As reducing working hours without changing workloads only places more stress on staff, this is an area where we need to act collectively, by, for example, allowing people to put aside work that does not need to be done and working together to shorten unreasonably long meetings. The greatest problem with working long hours is the effect it has on health. This is something that each of us needs to be conscious of, and we need to create an environment in which we can communicate with the people around us and share the burden when things get busy. When

you think about it like that, you appreciate why work style reform requires wide-ranging and multi-faceted action.

Yahiro: I believe that, by having our own interests and a sense of purpose in our lives, including work, we are able to participate in the ecosystems formed between people in the sense that new perspectives and connections with other people made through activities outside the company also play out at work and bring about a positive environment. I think it will be important in the future for people to be centered and to have their own mission, participating on their own behalf in activities both inside and outside the company, and that supporting and exploiting such activities can help companies to energize their organizations and businesses.

Targeting Social Innovation Achieved through Working Practices

Yahiro: Work style reform is a concern, not just for Hitachi, but also for many of our customers. Along with undertaking its own reforms in HR and elsewhere, pursuing a digital transformation encompassing work and working practices, Hitachi also has a role to play in the transformation of society and the realization of Society 5.0 by supporting work style reforms at customers' businesses with a variety of digital solutions.

Shibahara: HR-tech and our various work style reform solutions are instances of this. Clearly, making greater use of data in a variety of different sectors will facilitate work style reform. It is possible, for example, to boost profits while reducing workloads by investing wisely based on the analysis of data on things like market trends and the way in which products are used. This is also a good way to enhance international competitiveness.

Society 5.0 means a society in which added-value is created by using data as the basis for linking different services together. With regard to new ways of working in such a society, my personal opinion is that this should also serve as a means of regional revitalization. In development projects like the Kashiwa-no-ha Smart City taking place in Japan, I believe that if urban developments can demonstrate new ways of being for cities, people, and work in terms of health and happiness, then they also have the potential to provide answers to the problems facing the regions.

Yahiro: One example might be cities in which people are able to work healthily, including use of telework, thanks to efficiency improvements and labor savings made by linking logistics and distribution channels together on Hitachi's Lumada IoT platform. This is something I would like to see Hitachi attempt in practice across the entire group.

Many of Hitachi's customers and other partners work on the infrastructure that broadly underpins society. If engaging in work style reform with such partners results in staff enjoying happiness and health while also improving the quality of infrastructure services, we can ask for nothing more. Having more people who enjoy their work will also help deal with Japan's fiscal challenges by controlling the cost of social security, creating genuine social innovation.

Shibahara: The expectations placed on business change with time and circumstances and companies themselves need to keep changing in order to meet these expectations. Nevertheless, people's health and happiness are core values that persist regardless of changing times. I believe that work style reform needs to keep changing to protect these timeless values. I hope that all of Hitachi will keep delivering social innovation through work style reform based on collaborative creation.