Strengthening the Digital Solutions Business Structure and Transforming the Company

The world is changing at an increasing speed. Deloitte estimates that the amount of data being generated is doubling every 18-24 months, changing the dynamics of how businesses operate and compete in the new digital era. Businesses face a choice – adapt or be left behind. Hitachi is no different. Indeed, the Company is already helping customers adapt to their changing business landscapes even as it adapts itself. Hitachi Vantara is a new Hitachi business formed to take the lead in integrating Hitachi's expertise in information technology and operational technology to forge a new future for the company in the era of the Internet of Things. That future is centered on being an innovation partner to customers to help them discover and fully exploit the value in their data. In this article, Daniel Kuenzi gives you a look inside the transformation of Hitachi Vantara, a multibillion dollar Hitachi Group company, into a global digital leader.

Daniel Kuenzi

1. Introduction

The employees and leaders of Hitachi Vantara have a unique vantage point to watch changes in how the world's businesses operate. For decades Hitachi has worked with thousands of customers around the world to help them manage their data. Earlier this decade businesses were formed as a result of data ubiquity, with most of the world's population and businesses becoming fully connected through the Internet. For example, location-based applications, such as Uber* that use Internet-enabled smart phones to help people reserve private transportation services, have completely disrupted the taxi industry in many countries. The disintermediation seen in the Uber example signals part of a broader shift in how real-time, continuous access to information and data can

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* UBER is a trademark of Uber Technologies, Inc.

re-shape entire industries. In response to the threats and opportunities posed by 'digital disruption', many long-lived businesses are rapidly adding new capabilities to help them derive insights and value from their various data sources. Hitachi has helped one of its customers, Caterpillar Marine, to collect, blend, and analyze data from marine propulsion systems in order to predict maintenance needs on their vessels (see **Figure 1**). These companies are at the forefront of a trend called "digital transformation." As seen in these examples, digital transformation is making companies more safe, efficient and valuable to their customers, and in doing so, is helping society advance.

2. Customer Case Study on Digital Transformation

Hitachi Vantara has also seen changes in the buying habits of customers and how they plan their companies' use of information technology. Companies have

Figure 1 — Collaborative Creation with Caterpillar Marine
Hitachi Vantara helped Caterpillar Marine to collect, blend and analyze data from marine propulsion systems in order to predict maintenance needs on their vessels.

shifted from buying technologies that they had to combine themselves – sometimes for the first time ever – to buying systems that they knew already worked together to give them the outcomes they want. Over the last few years, Hitachi has also experienced the impact of customers moving from information technology (IT) systems deployed on-premise to a greater mix of IT systems that are hosted remotely in a cloud-based environment. Through these changes to its own industry structure, one constant is that customers are constantly looking for ways to better manage and extract value from their data.

Data now has more value than ever. How a company finds the value in their data and applies it to their business is often the difference between growth, increased profitability, and customer satisfaction and conversely extinction. To see first-hand what the world's businesses need to gain value from their data, it is essential to spend a long time in the data centers, trading floors, remote offices, assembly lines, retail stores, and other locations where customers are.

3. Establishing a Structure to Promote Global Digital Strategy
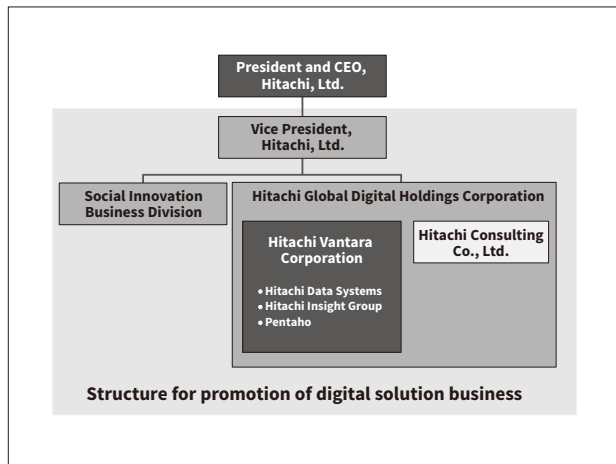
With unique insights into the needs of customers and the ways in which Hitachi could help them prosper

and capture the value of their data, the Company saw an opportunity in 2017 to transform its own business. At its fingertips was a broad portfolio of innovation, development, and experience from across Hitachi. It had three operating groups with proven solutions that used data to drive business outcomes for commercial, industrial, and public-sector enterprises. Given the pace of disruption happening in the market, those enterprises needed to integrate their capabilities and streamline their own businesses to build the most responsive technologies, systems, and services.

To ensure an organizational structure that would stay responsive to an ever-evolving market, Hitachi organized a transformation around customers by reimagining their experiences across all their touchpoints with Hitachi Vantara. Within 6 months, the operations of Hitachi Data Systems, Hitachi Insight Group, and Pentaho were unified into a single operating entity, Hitachi Vantara. Along with Hitachi Consulting Co., Ltd. and Social Innovation Business (SIB), Hitachi Vantara is part of Hitachi Global Digital Holdings (HGDH), responsible for driving the digital business and strategy for Hitachi globally. As part of this newly formed group, Hitachi Vantara will capitalize on Hitachi's experience, by bringing together operational technologies (OT) from the front business units with its own information technologies (IT) capabilities to

Figure 2 — Structure for Promotion of Hitachi Digital Solutions Business

Created through the integration of Hitachi Data Systems, Hitachi Insight Group, and Pentaho, Hitachi Vantara Corporation is part of the Hitachi Global Digital Holdings Corporation.
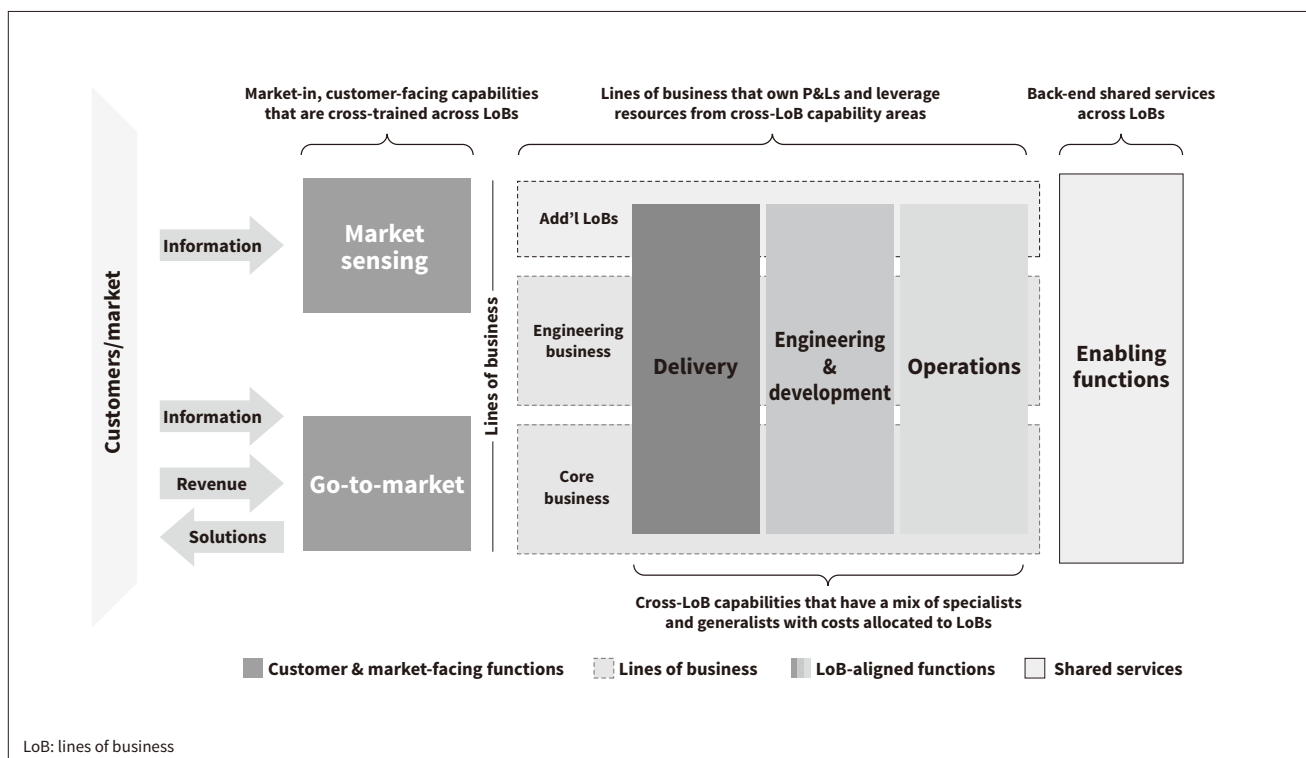

develop new IoT offerings (see **Figure 2**). The transformation of Hitachi Vantara is in the early stages of a multiyear program, and the new name and unified operations are just the foundation. There are several major initiatives that it is pursuing aggressively that will enable Hitachi to become a globally recognized market leader in IoT over the next few years.

4. Team Project to Lead the Transformation

A pivotal element to the transformation was the launch of the Transformation Office, responsible for driving a wide-ranging set of change initiatives that define the future strategy and operational structures of the organization. Hitachi Vantara named the comprehensive transformation project "Mirai," which is Japanese for "Future." Through Mirai, it performed a careful evaluation of its business portfolio, strategy, and operations in order to plan the future by advancing new and existing portfolios of products and services. Mirai is an ambitious effort to multiply the combined value of three original business units by aligning their different business models into a single strategy and operating model. (see **Figure 3**) Through this effort, Hitachi Vantara has defined a unified product strategy and portfolio, along with the services and go-to-market strategy required to become a leader in IoT solutions and achieve the Social Innovation vision for the company in order to change the way the world works.

Figure 3 — Market-in Approach

The recommended model emphasized a 'market-in' approach with services, engineering, and operations deeply integrated across lines of business.

LoB: lines of business

5. A Well-defined Operating Model Lays the Groundwork for Execution of the Organization's Strategy

While Hitachi Vantara will continue evolving and expanding its portfolio towards Analytics and IoT solutions, its core business of IT infrastructure, content and data storage will remain a priority and it will continue to make investments in its portfolio to help customers innovate in the data center. As customers digitally transform their operations, the importance of data management will only grow. Even while some traditional workloads will shift to the cloud, edge computing around IoT use cases represents a massive revenue opportunity for Hitachi Vantara. High network bandwidth costs and latency issues will require that much of the data generated in remote Industrial IoT environments be processed and stored at the edge, on factory floors for example. By integrating the three operations, Hitachi Vantara will be more responsive to the market opportunities that span different parts of its portfolio.

To accelerate the realization of the unified strategy, the Mirai transformation focuses on three strategic initiatives:

(1) Define and execute Hitachi Vantara's goals to advance a unified set of products, services, and solutions that it will bring to market.

(2) Identify the capabilities needed in the new organization and execute talent programs to identify and nurture these capabilities.

(3) Understand and implement the business processes, technology systems and management systems that are required to transform quickly and accurately.

In addition, Hitachi Vantara is creating scalable, global digital business architecture to bring new products and solutions to market, which will advance its strategy as an everything-as-a-service (XaaS)/IoT company.

6. Workstreams Accelerate the Future

Transforming a multi-billion-dollar company is a large and complex undertaking that requires the organization's leadership to rethink the entire business strategy and operating model. Getting it "right" requires an enormous level of planning and coordinated efforts in order to steer thousands of employees around the world, maintain billions of dollars in revenue, all while expanding its suite of products and solutions. To give a sense of the magnitude of these efforts, Hitachi Vantara established nearly 50 individual workstreams in 10 groups, including (see **Figure 4**):

Figure 4 — The 10 Workstreams of the Mirai Project
Hitachi Vantara tightly coordinated all the Mirai workstreams through the Transformation Nerve Center to create a cohesive transformation that accelerates constantly.
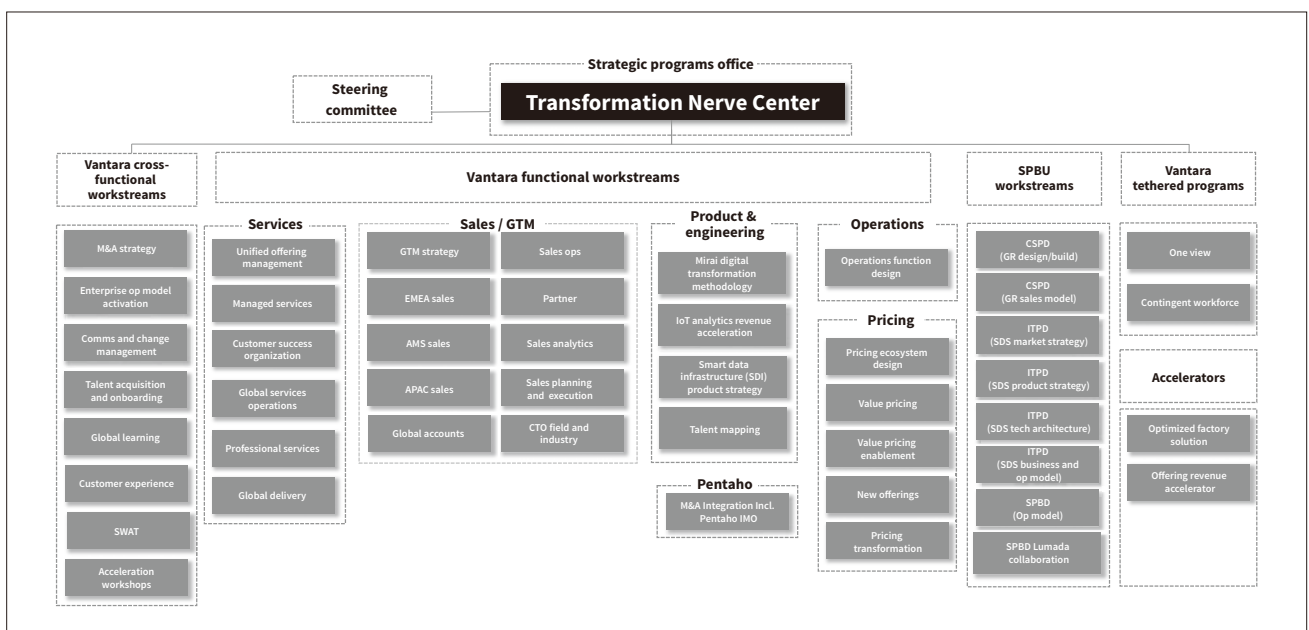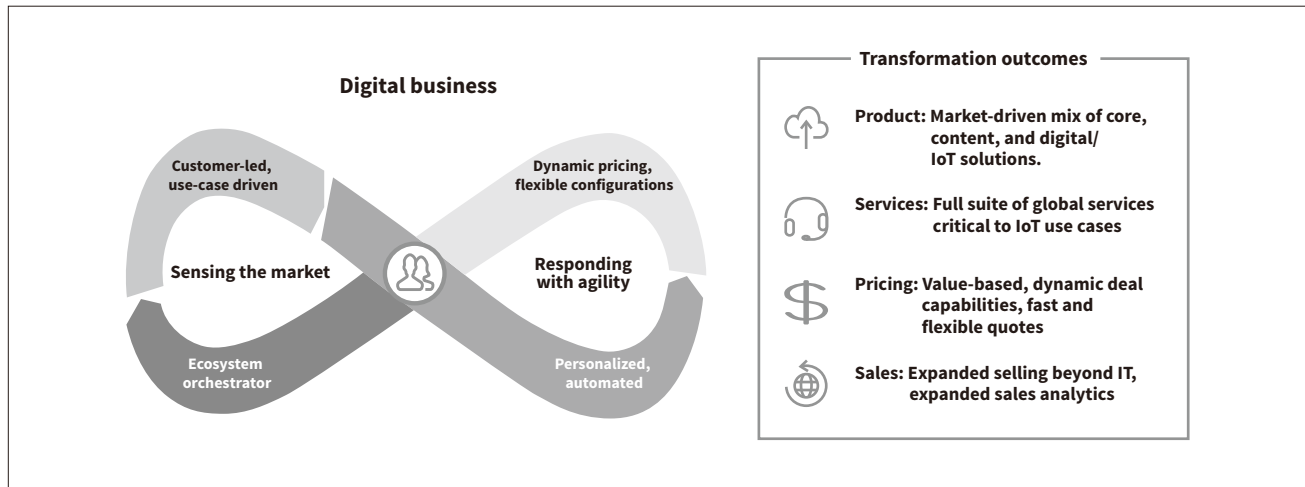
Figure 5 — Hitachi Vantara's Operating Model Is Customer-centric and Market-in
The new operating model for Hitachi Vantara revolves around its customers. It couples the ability to sense the markets with the ability to respond quickly and accurately.

(1) Product and Engineering

Build a product roadmap that extends from infrastructure into the Internet of Things (IoT) and forges even stronger ties to Hitachi capabilities in operational technologies.

(2) Operations

Design and implement a blueprint for the business that integrates operations across all business lines; increases agility in developing new solutions; and helps it work efficiently to improve time to market to meet customers' needs.

(3) Services

With new technologies and delivery solutions now possible and required to win in the market – quickly develop new solutions that combine products with value-added services to help customers find the most value possible within their data.

(4) Sales and Go-to-market

Integrate sales operations and put more resources closer to customers to better meet their needs and also expand the partner ecosystem and make it easier for customers to do business with Hitachi Vantara by viewing its work through the lens of the customers themselves.

7. The Transformation Timeline Is Aggressive and Necessary

Hitachi Vantara has committed to a two-year timeline to point Hitachi Vantara in its new direction and set the course for the future. It will be management's responsibility to execute the plan and correct course as changes occur in its performance and in the markets. Hitachi Vantara defined its two years of transition in four phases:

(1) Phase 1

It began in April 2017 to develop the initial blueprint and set of requirements for the transformation and concluded this initial planning phase in October 2017.

(2) Phase 2

It ran pilot programs and implementations to be sure the plans were realistic. The focus was on finalizing operating models across the activated workstreams while it accelerated revenue and savings. Hitachi Vantara performed well against the transformation objectives that were defined in Phase 1 and successfully concluded Phase 2 in April 2018.

(3) Phase 3 and 4

With the important elements of the transformation already proven and in place, Phases 3 and 4 will help continuously improve operations and cross-function alignment, rapidly introduce new solutions into the market, and increase the partnerships with Hitachi's other digital assets. These phases are expected to conclude in May 2019.

(4) Future

Staying ahead of the markets will require a relentless pursuit and focus on the long-term vision of becoming a fully digital business with broader, stronger portfolios and paths to markets (see **Figure 5**).

8. Enacting Strategies Through Workstyle Reforms

Theory is important, but only if action follows. Over the course of the Mirai transformation project it has accomplished a myriad of positive changes and improvements, including:

(1) Embrace digital transformation, demonstrated by the way work is done

The IT team has led the way to implement new digital collaboration tools to support a digital-first culture that encourages collaboration across time zones and distance.

(2) Engage external expertise

It is important to work with someone who has a successful track record, having done this already. Early on, Hitachi Vantara engaged Deloitte Consulting to advise on its strategy and transformation through their experience advising dozens of leading global companies.

(3) Enable massive collaboration

In Hitachi Vantara's workstreams, more than 1,000 employees have been active participants in planning and implementing the transformation.

(4) Introduce scrums and agile methods

Hitachi Vantara has successfully applied software development practices to rapidly examine and solve specific challenges through small teams – and including its executive committee.

(5) Implement a Change Ambassador Network

Employees from around the world have joined the Change Ambassador Network to bring the details of the transformation to their local coworkers and give feedback from the regions back to Mirai leaders.

(6) Form a new Customer Success function

Ensure that customers gain the most value possible from their partnership with Hitachi Vantara.

(7) Redesign vital revenue engines

Hitachi Vantara has streamlined its product, sales, and services functions to improve its ability to understand and solve the challenges that customers face.

(8) Apply a leadership framework

Company leaders have new functional knowledge needed to succeed in the markets, and new mindsets that help win in ever-changing circumstances.

(9) Define critical mass territories

Hitachi Vantara has repositioned its sales resources into primary hubs around the world that are closer to customers, making it more agile, efficient, and responsive.

(10) Create a new headquarters

In 2019, Hitachi Vantara will move its headquarters office to a new modern campus in California's Silicon Valley. The new building is fully equipped with digital and collaborative working spaces that will allow to better engage with employees, partners, and customers around the world.

9. Conclusions

Looking at the progress Hitachi Vantara has made since it embarked on its journey of transformation in April 2017, a rapid reshaping of the company and business enabled Hitachi Vantara to capture new market opportunities around Digital and the IoT. In the speed of the digital era, transformation is like replacing the wings on an airplane while it is in flight. While markets will continue to evolve, Hitachi Vantara has developed the critical ability to transform itself and keep pace with the shifting movements in the market. With the right mindset, approach, insights, and people, the opportunities in the Digital Era are endless for Hitachi and for its customers.

Author

Daniel Kuenzi
Sales Strategy and Transformation, Hitachi Vantara Corporation, *Current work and research:* Formulating business strategies as a member of the Mirai Project.