Featured Articles

One-stop Services for IT Lifecycle in China and Southeast Asia

Masato Saito
Keigo Iechika
Kenji Yamamoto
Yoshiyuki Sakurai

OVERVIEW: In response to the IT system requirements that flow from the increasing globalization of corporate activity, Hitachi Systems, Ltd. is engaged in strengthening global business operations through (1) support for overseas expansion by Japanese multinational corporations and the use of global IT system reorganization as an opportunity for business expansion, (2) acquisition of technology and facilities through business development (M&A, JVs), and (3) the establishment of new overseas markets utilizing know-how in applications and other fields acquired in Japan. In particular, Hitachi is planning to offer one-stop IT lifecycle services in Southeast Asia through Hitachi Sunway Information Systems, which it established in April 2013.

INTRODUCTION

THE market environment for information technology (IT) is developing rapidly along with the increasing globalization of corporate activity, with user requirements also subject to ongoing changes. Japanese multinational corporations, which are continuing to expand their global businesses by targeting emerging economies and regions experiencing rapid growth, have a growing need for IT systems that can deliver the same levels of functionality and quality they

are accustomed to receiving in Japan, and that are price-competitive in the markets where they will be used. In China and Southeast Asia, meanwhile, which are experiencing rapid economic growth, the expansion of business in various different industry sectors is being accompanied by a sharp increase in the use of mobile devices and other IT. Along with this increasing globalization among users, Hitachi is seeking to deploy its existing IT services and solutions throughout the world.

This article describes, with examples, the acquisition of technology and facilities by Japanese multinational corporations through initiatives such as mergers and acquisitions (M&A) or joint ventures (JVs), and deployment using applications developed in Japan.

SUPPORT FOR OVERSEAS EXPANSION BY JAPANESE MULTINATIONAL CORPORATIONS AND GLOBAL IT SYSTEMS

Trends in Overseas Expansion by Japanese Multinational Corporations

Going beyond the overseas expansion of manufacturing, particularly in China, recent years have seen a rise in the establishment of service and logistics businesses that supply internal demand in the rapidly growing emerging economies of Asia. Along with this development, Japanese multinational corporations have also begun to look at their IT systems more as strategic tools, rather than limiting their use to only what is needed within the region where each operation
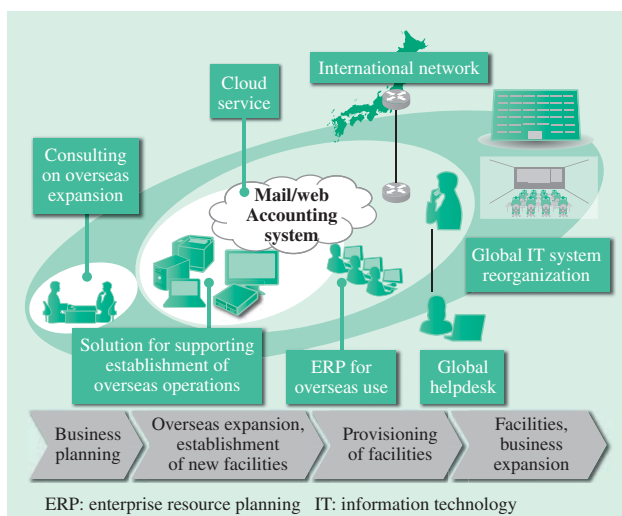

Fig. 1—Overview of Services that Support Overseas Expansion.
Hitachi supplies one-stop services that extend from consulting on overseas business planning to solutions for establishing overseas operations and global IT system reorganization.

is based, as in the past. Furthermore, an increasing number of companies are attempting to reorganize their IT into global systems that include Japan. Supporting this global IT system reorganization requires not only the ability to deploy advanced IT throughout the world, but also detailed measures that are tailored to the circumstances at specific overseas locations.

Support Service for Overseas Expansion

A Japanese multinational corporation planning to set up overseas offices or production facilities has many issues to consider. These include the choice of country or region, preparation of business plans, confirmation of legal and taxation measures in the destination country, company formation procedures, recruitment and training, inculcating staff with the parent company's business strategies and vision, and quality management. It is also common for IT infrastructure at the new site to cause confusion among staff due to differences from Japan (network links, quality of workmanship and respect for deadlines of IT vendors).

In response, Hitachi Systems, Ltd. offers a one-stop service for assisting overseas expansion, including working as a consortium with specialist suppliers able to support market research and business planning, and handle activities such as company formation and legal and taxation matters. Specifically, it has established a "support service for establishment of overseas operations" that supports the procurement of the IT equipment and fittings and the installation of networks and other IT infrastructure, including telephone lines, and Internet connections, needed when setting up an overseas office (see Fig. 1).

Hitachi has built up experience in satisfying customer needs, with examples of work conducted as part of global IT system reorganizations including, (1) kitting out and distribution of several thousand personal computers (PCs) to sites spread across China, (2) implementation and operation of an international network spanning multiple countries and utilizing multiple carriers, together with local area networks (LANs), (3) remote monitoring and on-site maintenance service for IT equipment at overseas sites, and a multi-lingual help desk service,

and (4) the multi-country installation of enterprise resource planning (ERP) solutions (SAP[*1], Microsoft Dynamics[*2] AX, and Infor SyteLine[*3]) optimized to suit the customer's business and other requirements.

BUSINESS DEVELOPMENT INITIATIVES FOR STRENGTHENING TECHNOLOGY AND LOCAL ORGANIZATIONAL STRUCTURE

The challenges of establishing a business infrastructure to satisfy local customer needs and deliver services at a locally competitive cost, while also deploying distinctive IT services and solutions, include having competitive services and other solutions that can be deployed in the same way throughout the world. In response to these two challenges, Hitachi is pushing forward with establishing the foundations of its business through measures that include M&A or other forms of investment in companies that already have operations in the market concerned. The following sections describe examples of business development initiatives aimed at establishing the foundations of a business with a sales capability and local customer base, and for expanding services and other solutions that are able to be deployed globally.

Strengthening IT Service Centers in Southeast Asia

Hitachi Systems, Ltd. formed Hitachi Sunway Information Systems Sdn. Bhd. in April 2013 to establish business operations in rapidly growing Southeast Asia. The new company is a joint venture with Sunway Technology, an unlisted IT subsidiary of Sunway Group, a Malaysian conglomerate (see Fig. 2).

Fig. 2—Formation of Hitachi Sunway (April 2013).
Hitachi established Hitachi Sunway Information Systems Sdn. Bhd. to strengthen its IT service business in Southeast Asia.

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*1 SAP is a registered trademark of SAP AG in Germany and in several other countries.
*2 Microsoft Dynamics, Windows, and Hyper-V are either registered trademarks or trademarks of Microsoft Corporation in the United States and/or other countries.
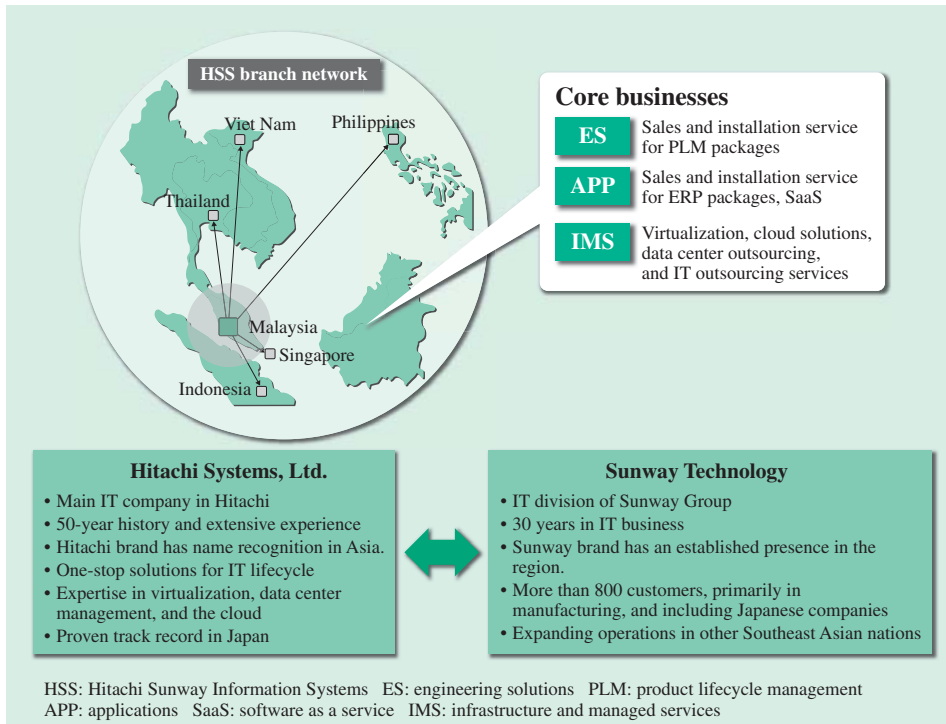*3 Infor SyteLine is a trademark and/or registered trademark of Infor Global Solutions or one of its affiliates.

Fig. 3—Business Expansion by Hitachi Sunway in Southeast Asia.
Hitachi Sunway is expanding its three core businesses in Malaysia (where it is headquartered) and five other Southeast Asian nations.

Headquartered in the outskirts of Kuala Lumpur, Hitachi Sunway supplies IT services to the nations of Southeast Asia (Malaysia, Republic of Singapore, Kingdom of Thailand, Republic of Indonesia, and Socialist Republic of Viet Nam). This comprises an engineering solutions business that focuses on sales of product lifecycle management (PLM) software from Siemens[*4], an applications business that focuses on sales of Oracle[*5] ERP packages, and an infrastructure and managed services business based around IT outsourcing and the provision of IT infrastructure (including virtualization, security, and data center operations) (see Fig. 3).

Hitachi Systems, Ltd. is seeking to raise the level of local technical capabilities and upgrade the structure of its business for supplying solutions with high added value so that it can supply Japan's excellent IT services to local customers while also supporting the IT systems of Japanese multinational corporations with operations in Southeast Asia at a level similar to what they are accustomed to receiving in Japan. The company is utilizing its extensive experience and know-how in IT services built up over more than 50 years to offer more advanced IT and a wider range of products. Its plans for the future primarily involve the provision of IT infrastructure and its fee-based business based on IT outsourcing.

Globally Competitive Cloud and Virtualization Solutions

Hitachi purchased US software company Cumulus Systems Inc. (CEO: Arun Ramachandran, Headquarters: Mountain View, California, USA) to strengthen its platform business that serves data centers or cloud service providers, and also its virtualization solution and global businesses. Cumulus develops and markets tools for analyzing the performance of platforms, including operating systems (OSs) such as Microsoft Windows[*2], UNIX[*6], and Linux[*7]; virtualization environments such as VMware[*8] and Microsoft Hyper-V[*2]; and storage. It also has a development center in India with a high level of technical capabilities. The company draws on these strengths to supply performance analysis tools to hardware vendors, system integrators, and other companies with global operations.

Utilizing Cumulus's products, Hitachi Systems, Ltd. uses performance analysis tools suitable for use throughout the world in its platform business serving companies that operate data centers or cloud service platforms and in its corporate-focused virtualization solutions business, both of which operate in the global market.

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*5 Oracle is a registered trademark of Oracle and/or its affiliates.
*6 UNIX is a registered trademark of The Open Group.
*7 Linux is a registered trademark of Linus Torvalds.
*8 VMware is a registered trademark or trademark of VMware, Inc. in the United States and other jurisdictions.

GLOBAL DEPLOYMENT OF APPLICATION PACKAGES

Hitachi supplies a number of application packages that deliver effective solutions to Japanese customers in a variety of industries. Hitachi has selected a number of these high-added-value applications that can also provide this added value to overseas customers and is deploying them accordingly. The following sections describe two solutions that are being marketed primarily in China.

Business Management System for Elderly and Nursing Care

China is the world's most populous country and has an elderly population of approximately 178 million (according to the sixth census of the National Bureau of Statistics of China), with this number growing by about 10 million each year. To deal with this rapidly aging population, the Chinese government intends to increase the number of care facilities and improve welfare services, having included an active program of investment in care for the elderly in its 12th Five-Year Plan. Along with this, the size of the elderly care market is forecast to grow to 500 billion Yuan (approximately 8 trillion yen) by 2020.

Given this situation, Hitachi is adapting its Fukushi no Mori series of services to the Chinese market. The series has already been used to provide tailored services

Fig. 4—Overview of Business Management System for Elderly and Nursing Care.
The system is based on a package developed for Japan, with functions revised to suit nursing care providers in China.

to welfare providers in Japan, which is at the forefront of the trend toward aging populations (see Fig. 4). Hitachi Systems, Ltd. is working in conjunction with Shanghai Vansys Computer Technology Co., Ltd., a Chinese IT company with a strong presence in the healthcare sector, to assess where the system functionality is under or over specified, using the Shanghai Baoshanqu Jinsewannian Jinglaoyuan, which operates a facility with approximately 500 beds, as a model user. The system is already fully operational at the Xiangyiyuan Senior Citizen Center, with a trial installation operating at the Shenyang City Pension Service Center and plans to deploy the system throughout China in the future.
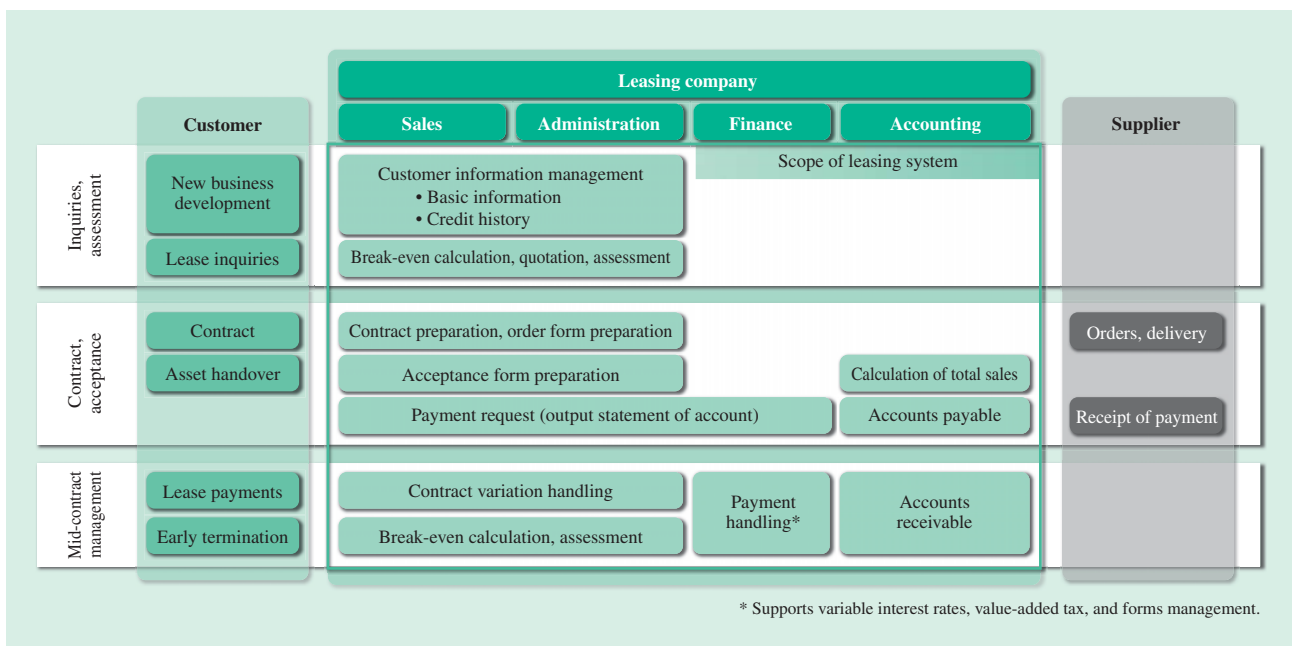

Fig. 5—Overview of Leasing System for China.
The system combines specialist functions for each phase of the leasing business, including contract preparation and lease accounting.

Business Management System for Leasing Companies

The leasing market in China has been growing in recent years, with a rapid increase in the number of such companies to 761 at the end of 2012, 3.6 times the number at the end of 2010. By turnover, the market is already the world's second largest after the USA, and is expected to expand further. However, the rapidly growing leasing market in China is characterized by a lack of good business management practices and slow progress on the adoption of systems specifically designed for the industry, with gathering momentum behind the installation of management systems that suit its business processes.

Drawing on its approximately 40 years of experience in implementing business systems for leasing companies in Japan, Hitachi Systems, Ltd. has developed a leasing system specifically for the Chinese market that is based on a system that is already in operation at Hitachi's own leasing business in China. The system specifications are tailored to the Chinese market, including, (1) integrated management of all steps from customer management to contract termination, (2) comprehensive debt recovery management and payments processing, and (3) support for variable interest rates and value-added tax (see Fig. 5). The Hitachi Lease Management System for China business management system for Chinese leasing companies was released in December 2013, and it has already entered partial use.

By providing high-quality leasing business management practices, Hitachi believes that this system will contribute to the development of the Chinese leasing industry, greater choice of financing options for Chinese companies, capital investment, and the development of the Chinese economy. Hitachi is also looking at supplying the system elsewhere, including in the Association of Southeast Asian Nations (ASEAN) nations, where the leasing business is expected to experience rapid expansion.

CONCLUSIONS

This article has described, with examples, what Hitachi is doing in relation to business growth and to support the overseas expansion of Japanese multinational corporations, the acquisition of technology and facilities through initiatives such as M&A or JVs, and the overseas deployment of applications developed in Japan.

Having had experience satisfying the demanding requirements for IT systems in Japan, Hitachi Systems, Ltd. is now accelerating the expansion of its business to deal with the globalization of markets and customers, and to supply the rapidly expanding IT markets in China and other Asian nations that are undergoing particularly strong growth. It is seeking to quickly establish a place for itself inside the local markets of different counties and to grow its global business by working actively on business development, including investing in local companies.

In the future, Hitachi plans to provide one-stop services for the IT lifecycle in the global market by pursuing more intensively its three strategies of, (1) providing one-stop support for the global operations of Japanese multinational corporations, (2) establishing business infrastructure in each country through business development measures and expanding its global solutions and services, and (3) deploying globally solutions and services that draw on experience from Japan.

ABOUT THE AUTHORS

Masato Saito
Global Business Development Group, Hitachi Systems, Ltd. and Hitachi Sunway Information Systems. He is currently engaged in global business development at Hitachi Systems and the management of Hitachi Sunway Information Systems. Mr. Saito is a member of the Information Processing Society of Japan (IPSJ).

Keigo Iechika
Global Business Promotion Office, Industrial & Distribution Systems Services Group, Hitachi Systems, Ltd. and Hitachi Sunway Information Systems. He is currently engaged in business strategy for Hitachi Sunway Information Systems.

Kenji Yamamoto
Hitachi Systems (Guangzhou) Co., Ltd. He is currently engaged in business strategy for Hitachi Systems (Guangzhou).

Yoshiyuki Sakurai
Business Planning Department, Global Business Development Group, Hitachi Systems, Ltd. He is currently engaged in global business strategy.