

Are You a Tomorrow Company?

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As is the case in most economies throughout the world, the post-global financial crisis and subsequent economic malaise has resulted in both good news and not-so-good news for Japanese companies.

First the good news...As the storm clouds of the global economic recession slowly part and start to give way to blue skies, Japanese companies are now seeking to step outside, and with renewed vigor and determination, are setting forth their new expansion plans overseas, with a high priority and emphasis in Asia, to reap the benefits of the region's dynamic economies.

Now the not-so-good news...Unprecedented opportunities are accompanied by unprecedented challenges. The same old recipe just won't work !

You need to be a Tomorrow Company.

Well, then, what exactly is a Tomorrow Company anyway? As somebody who has actually experienced firsthand and worked amidst the constant dizzying changes, fluctuations, and gyrations the global economic saga has brought upon Japan and Asia especially during the past 15 years, the world, **I believe this question could be best answered by clarifying what a Tomorrow Company is not.**

In other words, an easy way to understand what a Tomorrow Company is would be to draw a simple comparison between a Yesterday Company and a Tomorrow Company.

Business Design: International vs. Global

A Yesterday Company is international, but not global.

It has little or no transparency/visibility into overseas operations. There are little or no repeatable and standardized processes.

A Tomorrow Company is truly global. It has great transparency/visibility into overseas operations. There are many repeatable and standardized processes in place.

Information Flow: Silos vs. Integration

In a Yesterday Company, work is isolated to island silos. Information does not flow freely through

the company. There are little or no optimized assets.

In a Tomorrow Company, work simply flows to places where it can be done best. Information flows freely. There are many optimized assets

Adaptability

A Yesterday Company ignores and denies reality, and is unable to adapt to change.

A Tomorrow Company understands the importance of acknowledging and embracing reality, yet refuses to subject itself to being trapped by its current state, circumstances, and environment.

It is sober enough to embrace reality, **but is passionate to embrace change.**

A Tomorrow Company is smart to understand that in the globalized economy of the multi-polar world, the only constant is change. It is thus wise in that it chooses to change with change instead of being forced to change. How is it able to achieve this ?

By adhering to the principles of pliability, adaptability, and what **the Chinese philosophy of Taoism refers to as “wushin”, or what the Japanese art of Zen refers to as “mushin”.**

This is not only a fundamental business principle.

It’s a fundamental principle of the laws of nature. I’ll go into more detail a bit later in this article.

In order to for Japanese companies make this shift from Yesterday Company to becoming a Tomorrow Company, and thus prevail overseas, especially in the increasingly dynamic and growing Asia market, that must possess the following 4 essential ingredients:

1. IT Industrialization: Repeatable and standardized processes
2. Optimized assets
3. Global integration
4. Ability To Acknowledge Reality & Adapt To Their Surroundings

Experience also taught me that an ad hoc approach is not sufficient: In order to make this shift, it is essential for Japanese companies to address all elements of these 4 ingredients simultaneously, not sequentially and at random. They must also execute well on all these ingredients. This is by no means not an easy task. At the same time, however, it is by no means not impossible, and getting this right is an increasingly important competitive differentiator between being stuck as a Yesterday Company and progressing as a Tomorrow Company..

I would now like to briefly touch upon and cover each of these 4 essential ingredients by explaining the essence of each of these attributes.

1. IT Industrialization: Repeatable and standardized processes

a. Eliminated inefficiencies

The first step in any strong operations strategy is to eliminate inefficiencies. Here, the goal is to reduce cycle time through process optimization, removing all duplicate or unnecessary steps, doing things simultaneously rather than sequentially, and replacing manual intervention with automation as much as possible.

Moreover, the right technology must be in place, with systems interfacing end-to-end throughout any given process to reduce inefficiencies. To manage all of this on a global scale, common steps in the process should be pulled into a shared services model.

b. Standardization enables more uniformity, predictability, and accuracy.

One of the most important benefits of repeatable and standardized processes, especially in global operations, is that it enables a stronger level of uniformity, predictability, and accuracy. This leads to improved analysis and decision-making as well as risk management.

Simply put, lack of transparency and visibility into overseas operations is the worse nightmare for the CEO, CFO, COO, and CIO of a global company. In such a scary scenario, the CIOs and CFOs I have worked with have shared with me that IT could actually come to their rescue by serving as a sort of "magic glue" and catalyst which forces a change in business processes and even employee behavior.

It is extremely important for the CFOs and CIOs of Japanese companies to have this because in this post global economic recession climate, where uncertainty abounds, one thing is for certain: All the countries of the world will be introduced and enforce more strict financial regulation and compliance requirements. The most significant change is that all these regulations and compliance requirements will now have to adhere to a new set of global standards to avoid any similar calamity which shook the entire global economy in 2008.

They have shared with me that amongst other benefits, IT enables standardization, consolidation, and automation. The three lead to a sharp reduction in errors, more accuracy, better clarity, and

most importantly, better transparency and visibility, which could lead to better risk management and smarter decision-making. As an example, smart companies who understand the importance of IT asset management, and who implement such practices internally are able to achieve clear visibility and transparency of their IT assets which leads to clear visibility and understanding of all its costs associated with these assets.

c. Optimize effectiveness, in terms of quality and customer satisfaction.

The key here is to help ensure high quality outputs, particularly in areas that really matter to customers. Quality controls require measurement, governance and risk mitigation, all made more complex when operating on a global scale.

d. Manage exceptions.

The goal here is to control efficiency and quality by establishing processes that are repeatable and standardized across global operations. In this way, global demand, resources, and operating expenses are all optimized globally.

The challenge, however, is to achieve this while still taking into account critical cultural and geographic dimensions, managing such exceptions effectively.

The key here is to standardize processes as much as possible, while managing exceptions for local differences, ideally limiting these to fewer than 20 percent of all transactions.

In the "yesterday company model", Japanese companies' overseas operations throughout Asia would resemble an ocean of "island silos" all acting autonomously of corp HQ.

Corporate HQ's inability to exercise strong and effective corporate governance overseas lead to operational redundancy, inefficiency, and lack of transparency/visibility. This is now intolerable due to increasingly strict global financial regulatory standards and compliance requirements.

An example of this from an IT perspective would look something like the following:

In a Yesterday Company, each of its overseas subsidiaries would be operating as silo organizations, with each running its own PC desktop environment, and thus, with each being run independently, differently, and largely outside the radar of regional IT HQ.

In such an environment, it would be impossible to maintain any level of standards, cohesion, or uniformity.

However, the new breed of "Tomorrow Companies" would have desktop environments based on repeatable and standardized processes where a standardized operating environment (SOE)

is deployed and implemented in each and every subsidiary.

In addition to increasing efficiency, uniformity, and transparency/visibility, it actually contributes to a change in business processes whereby better management and stronger governance across the region is enabled.

2. Optimized Assets

This area of operations has been undergoing rapid and unprecedented transformation in recent years, as the ongoing revolution in information and communications technology enables entirely new approaches to global operations, with real time tracking, virtual supply chain management, global process integration, and other operational innovations now available to connect once far-flung operations.

But what is the best operations strategy for navigating this new world, to seize opportunities while avoiding the hazards?

a. Identify and manage core versus non-core processes

Being able to accurately identify where value is generated at all levels of the organization is an essential first step in optimizing assets. Senior management needs to determine which activities contribute strategic value, and can then outsource weak or non-core activities to shared services or outsourced solutions.

This also enables a shift from fixed to variable costs, with operating models that are more flexible on a global scale and capable of moving quickly to different locations in response to changes on either the supply or demand side of operations.

b. Optimize locations

For processes that remain within the walls of the firm, companies enroute to global integration must optimize locations on a global basis, putting in place the right supporting organizational structures and technology.

Tomorrow companies broaden their search for new locations to take advantage of new markets, talent pools and operational efficiency worldwide. **Their overall goal is to locate processes where assets, talents, resources, distance to markets, and other key factors of production are optimized.** In addition, as pressures to cut costs intensify, setting up operations in the most cost-effective places is essential.

c. Identify and manage operations that can be performed virtually.

Innovations in technology such as cloud computing and unified communications are increasing

the opportunities to perform a wide range of operations virtually. By doing so, many companies are able to realize substantial cost savings while further reducing the geographic barriers to optimizing assets.

d. Human Talent

One of the most important hallmarks of a Tomorrow Company is having a strong understanding and appreciation of the large and robust pool of highly skilled human talent in regions and markets outside that of corporate HQ, especially throughout new and emerging markets in Asia.

Whereas the Yesterday Company too often subscribed to the false notion that all value-added human talent had to be based in corporate HQ (in Japan) or other operations in Japan.

the new breed of Tomorrow Companies utilize a completely different model in which "Centers of Excellence" (COEs) are based/situated where the most qualified human talent exists.

However, one of the most incredible offsprings of globalization is that know-how, and the education and training which nurtures it, is no longer trapped or limited to a single location. Know-how, especially technology know-how, thanks to its globally standardized makeup, is rapidly spreading throughout the world, and with the right investment and dedication, could be cultivated and nurtured anywhere.

"Tomorrow Companies " will "re-draw" their organizational maps, and designate COEs where the most qualified human talent exists.

The following is example of this shift from an enterprise IT perspective:

Since each and every business process is now so dependent on, and intertwined with IT, a high performance and high quality IT service desk is crucial. In fact, the IT service desk is more or less the core "engine" or an F1 race car driver's pit crew of a company's IT operations.

However, in the current economic climate, Japanese companies need to make a every effort to streamline and reduce operational expenditure (opex) without compromising the service desk's quality and performance.

In the old "Yesterday Company" model, Japanese companies used the same silo approach in their internal IT support. They would consume valuable internal resources (as well as a great amount of capex and opex) to provide a Japanese-speaking service desk using expensive onshore Japanese IT labor resources. In addition, for each of their overseas subsidiaries, they would setup and deploy separate service desks to support end users in each

respective country in their respective languages.

However, the Tomorrow Company model involves the deployment and utilization of a sort of “hybrid service desk”, made up of a unique combination of innovative IT, telecommunication technology, virtualization, repeatable/standardized processes, a strong pool of multilingual human talent, and good of' fashioned service management to offer the low cost benefits of offshore without compromising on service quality.

As a direct offspring or child of globalization, this “hybrid service desk” does not require Japanese companies to make a tradeoff between high service quality and cost reductions. In fact, it enables Japanese companies to provide the "high touch" and high quality Japanese service culture, which Japanese end users have already become accustomed to, and expect by leveraging the robust pool of human resources in China, who have both a very strong proficiency in Japanese and familiarity with the Japanese service culture.

3. Global integration

a. Optimize global competencies through partnering.

In order for Japanese companies to execute effectively, a global partnering strategy is becoming increasingly important. Again, with technology dramatically reducing the costs and challenges of collaborating virtually, more and more companies are using global partnering to enter new markets, reach new customers and team with the best suppliers and partners throughout increasingly disaggregated enterprises.

That is, what once might have been done within the walls of a company can now be done via partnerships and global supply chains.

In order for Japanese companies to attain the dual benefits of gaining new competencies and capabilities whilst leveraging highly skilled, low cost talent pools, they need to create and cultivate value-added alliances with new partners throughout the Asia Pacific region and globally. Aside from strengthening their product and services portfolio with new competencies and capabilities, these partnerships also enable Japanese companies to enter and operate in overseas markets with much greater operational efficiency and efficiency.

This is an example of how this principle and philosophy represents a fundamental new rethink and shift in mindset which is:

A company does not need to AND should not do every single, little thing by itself.

In the past, outsourcing work to outside vendors conjured up this false image and perception of just mindlessly “tossing” work it to the partners solely and simply to reduce opex.

However, to maximize and effectively get the most from using external partners, **the key is to manage the partnership in a strong way as if the external partner is an extension of your enterprise.** This requires strong management and a big picture “win-win” attitude.

If this is done in a smart way, the benefits will be great. Your company will be able to achieve much more for less...less capex, less consumption of valuable resources, with greater efficiency.

b. Manage end-to-end processes on a global basis.

Bringing all of these approaches together, a crucial step to becoming a Tomorrow Company is managing on a global basis for every process from end-to-end, within and beyond company walls. **The key to this is a systems view of global operations, with tools and methodologies in place to continually monitor end-to-end processes while adjusting to changes wherever and whenever they arise, while maintaining a continual focus on global optimization.**

4. Ability To Acknowledge Reality & Adapt To Their Surroundings

"It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change." – Charles Darwin

Decisions about investment, training, work, consumption, and the use or regulation of resources are crucially conditioned by local circumstances and priorities. Tastes, customs, regulations and political environments differ widely and if a company's ignorance, disrespect, or failure to understand the importance of this can be detrimental, and create barriers to success in local markets.

The term “**multipolar world**” describes the diffusion of economic power in the global economy across a wider range of regions and countries, underpinned by the three key drivers of IT, greater economic openness, and the growing size and reach of multinational companies.

Although searching for value in new markets is a cross-border task, unlocking that value is a local exercise. While the markets for new customers, talent, innovation, resource sustainability and capital are increasingly global, or globally contestable, **economic and business decisions in all five dimensions of the multipolar world occur in local markets.**

Emerging markets clearly play an important role in this new era, no longer passive recipients but active shapers of globalization. **The rise of the multi-polar world is as much a story about harnessing and adapting to local diversity as it is about global harmonization.**

By adapting to local surroundings and environments, **Japanese companies could access and multiply the value inherent in diverse markets by putting themselves at the center of local business ecosystems. This is key.**

This is both an internal and external challenge Japanese companies: **on one hand, adapting strategy, operations and products to meet local conditions and tastes, and on the other, working to shape the broader global business environment in which they operate.**

The new breed of Tomorrow Companies tailors products and services to satisfy local tastes and requirements. In addition, these companies **improvise around the constraints imposed by physical isolation and inadequate infrastructure in many underdeveloped markets, often by using new business models.**

The significance and importance of adaptability is without a doubt **best summed up by whom I personally consider the greatest master of the art of adaptability the world has ever known, and somebody who, if still living today, would be either a CEO or a highly sought after business school professor.** In fact, the wisdom contained in the words of the following individual back in the 1960's proved that **he was well ahead of his time.**

He touched upon and spoke about globalization and multiculturalism way before they became household words in business circles and business schools:

*“Empty your mind, be formless, shapeless - like water. Now you put water into a cup, it becomes the cup, you put water into a bottle, it becomes the bottle, you put it in a teapot, it becomes the teapot. Now water can flow or it can crash. **Be water, my friend.**” – Bruce Lee*

Conclusion:

The Tomorrow Company must not be a minority in the new multi-polar world.

It **distinguishes itself with a globalization strategy that is conceived and executed in a new and consistently different way.** They discover new fulcrums of growth, cost efficiency and risk management in the multi-polar world, develop them and work them into the fabric of their businesses.

At the beginning of this article, I mentioned that the question, **‘What is a Tomorrow Company ?’ could be best answered by clarifying what a Tomorrow Company is not.**

In closing, I would like to emphasize also that it’s certainly not simply about growth. As the world has seen during the past few years, being a great company is not about size, CAGR, or market share. Some of the most horrific headlines in business news during the past few years have been about shameful travesties involving some of the world’s largest institutions, which have unleashed an unprecedented public protests and demonstrations of outcry and outrage across the world.

At the same time, during the same time period, we have been inspired and awed by great companies of all sizes, ranging from the very small to the very large, with their incredible genius, creativity, and innovations. These great companies share something in common:

They understand that the primary reason they are in business is to add more value to the world than they’re using up, and actually do so through their actions, whether it be in the form of products and services which simply make life and the world a better place or through their selfless and generous acts of giving back to society.

It’s not about being bigger. It’s about being better.

Oh, by the way, these great companies also share something else in common:

They are all Tomorrow Companies.