

## IDC PERSPECTIVE

# NTT DATA: What Buyers Need to Know About Its Ambitions Outside Japan

Gard Little

## EXECUTIVE SNAPSHOT

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### FIGURE 1

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#### Executive Snapshot: NTT DATA Outside of Japan at a Glance

NTT DATA has large ambitions to make customers successful outside of Japan, and while it employs a strategy to "deliver greater value based on regional needs," its hybrid culture and differentiation are based on its Japanese roots. For example, while sustainability and social responsibility are a hot topic right now, NTT DATA's focus on it is deeply embedded in the company's corporate DNA going back to its founding in 1988. Its focus on trust and long-term client relationships is also key to understanding NTT DATA.

#### Key Takeaways

- NTT DATA's core values (client first, foresight, and teamwork) not only underpin the firm's culture but also become a lens for selecting companies to be acquired and how firms are handled post-acquisition.
- Its regional focus does not prevent the regions from collaborating or developing global digital offerings or creating a global sales strategy for its very largest clients that operate in multiple geographies.
- NTT DATA is vendor agnostic and works with hardware, software, and services partners, including NTT Ltd. (e.g., former NTT Communications, Dimension Data, and NTT Security), to best meet client needs.
- In North America and EMEA, NTT DATA has strong industry capabilities in automotive, banking, insurance, healthcare, telecom/media, life sciences, public sector, manufacturing, and energy.

#### Recommended Actions

- Assess cultural fit with prospective providers at the beginning of the selection process, not at the end.
- If your organization is not among NTT DATA's focus industries, investigate how best practices from one of those industries might benefit your operations or whether its cross-industry digital offers would be valuable to you.
- Push NTT DATA to connect the dots between how its assets from other regions can benefit you.
- Ask NTT DATA how the NTT Group's R&D efforts and labs can benefit you and your transformational goals.

Source: IDC, 2020

## SITUATION OVERVIEW

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NTT DATA ranked eighth highest in terms of worldwide business and IT services revenue in 2019, according to IDC's latest Services Tracker. IDC estimates that about 55% of NTT DATA's 2019 services revenue was generated in Japan, compared with over 65% in 2015. The acquisition of Dell Services in 2016 was a large contributor to that shift, and the trend toward most revenue being generated outside of Japan is likely to continue. In terms of staff, about 30% are based in Japan, so in that sense, NTT DATA already has most of its professionals outside of Japan. Here are the three things you need to know about ambitions of NTT DATA to make clients successful outside of its home market:

- **Culture.** NTT DATA emphasizes long-term relationships built on trust and its obligation to make social contributions. Putting the client first is a core value, and when necessary, this supersedes any element of its corporate strategy.
- **Corporate strategy.** The major thrusts are expanding its global digital offerings, delivering greater value based on regional needs, and unleashing its employees' potential to maximize its strengths. NTT DATA is also driving collaboration with major parts of the larger NTT Group.
- **Ecosystemic relationships.** NTT DATA has key relationships with application platform players such as SAP, Salesforce, and ServiceNow and infrastructure players such as Dell (including VMware), AWS, Google, and Microsoft. The larger NTT Group is also key to its ecosystem thinking. But NTT DATA remains product agnostic, providing the best combination of products and services to meet client needs – an example of putting the client relationship first above all others.

### Culture

NTT DATA's culture is a hybrid of Japanese and Western elements. From Japan, the emphasis is on long-term perspective, trust (which is operationalized by prioritizing promises made above profit), and an obsession with quality. From the West, the emphasis is on entrepreneurial spirit, business outcomes, and business innovation. These elements blended nicely in a recent example of making a social contribution. Teaming with Salesforce, NTT DATA was able to quickly implement a new digital tool that will allow the citizens of Austin, Texas, to electronically schedule COVID-19 tests. The application will also enable the city to securely trace anonymized positive results to assess testing demand and identify high-risk areas for proactive response. In an interview with Toshi Fujiwara, senior executive vice president, Americas and Europe, he summarized NTT DATA's culture as being, "Not too much aggressive, but diligent. And we don't run away from problems that clients are facing." Anyone who has been in the IT industry for a while knows there are a lot of challenging problems, especially in the context of driving digital transformation, so persistence is a plus.

Much of NTT DATA's growth outside of Japan has come from acquisitions over the past several years (e.g., everis in Spain and the former Dell Services in the United States). And culture plays an important role not only in evaluating goodness of fit beforehand but also in how the acquired organization operates post-acquisition. Swen Rehders, who coleads NTT DATA's EMEA business, together with Walter Ruffinoni explained, "We really take the time to integrate acquisitions, so there is no destruction of client relationships or company value." When there is a conflict between culture and strategy, culture wins, even if that makes for a more complex organizational structure. For example, consider the primacy of putting clients first, compared with its strategy of delivering greater value based on regional needs. With the 2007 acquisition of itelligence (an SAP services specialist founded in Germany) and again with the 2016 acquisition of the former Dell Services, Fujiwara explained that both firms already had global relationships with many clients, and these structures were kept in place, and NTT DATA harmonized both firms with its regionally based organizational structure and strategies.

## Corporate Strategy

### *Expanding Global Digital Offerings*

Eric Clark, NTT DATA Services' chief digital officer, who is based in Dallas, Texas, recounted that, "Originally NTT DATA's primary focus was to grow in North America, which it did by acquiring the former Dell Services, but now the focus has grown much more to include driving global digital offerings, some of which leverage the larger NTT Group capabilities." One example is LifeSys, a global digital insurance platform for policy administration. About one year ago, NTT DATA set up a digital strategy office focusing on eight areas to strengthen its capabilities and built out these global digital solutions. Besides finance/insurance, the other areas are healthcare, retail, automation, information utilization, disruptive technologies, telecommunications/media, and automotive. Logically, all the industry-related focus areas mirror NTT DATA's traditional global industry focus areas for providing business and IT services; these include automotive, banking, insurance, healthcare, telecoms/media, and retail. The areas of automation, information utilization, and disruptive technologies are cross-industry and have yielded offerings in intelligent automation, cognitive contact centers (using virtual agents to supplement service desk personnel), and blockchain. The blockchain example was also supported via a center of excellence (COE), with over 300 professionals in 24 countries contributing to its blockchain solutions. Implementations have included enabling international funds transfers for U.K. banks, improving transparency of data exchanged between Italian banks, and supporting LACChain a global alliance led by the Innovation Lab of the Inter-American Development Bank to develop the blockchain ecosystem in Latin America and the Caribbean.

The expansion of global digital offerings has been supported by an increased tempo in marketing. Fujiwara is also in charge of global marketing, and he has established global industry teams to respond to complex client requirements as part of his overall increase in emphasis on global marketing and expansion of centers of excellence. Besides blockchain, these now include COEs for design, DevOps, and AI.

### *Delivering Greater Value Based on Regional Needs*

It's difficult to differentiate on professional services alone, but one way to do it is through the depth of client relationships firms have. Providers can try to differentiate based on local knowledge but then have the challenge of tapping into the global network of firm's available experience and intellectual property (IP).

What do these regional differences look like at NTT DATA? In North America, with the former Dell Services integration completed, the challenge is now to expand sales profitably. The growth strategy of NTT DATA focuses on expanding its focused service portfolio and securing high-potential customers through its existing digital offerings, as well as developing new ones. In both EMEA and Latin America, NTT DATA has already established a larger market presence and sales volume, but the challenge is now to improve sales growth and profitability. In both regions, the growth strategy is to invest further for structural transformation (e.g., enhancing delivery by optimizing resources and promoting more automation as well as driving more operational efficiency from its internal IT systems).

Related to its regional strategy, Swen Rehders reflected, "Do we always get 100% efficiency out of it? No, but enough to see that it has delivered value for large automotive clients by bringing them the best of breed." In addition, Rehders pointed out another advantage, "When we're up against larger competitors, we see they need much more time to respond. We are always faster and leaner compared to them." On the subject of how regions tap global staff and IP, Clark explained, "We've done a lot of work on that recently to make it faster and easier to tap into regional IP and skills to meet

a client's global needs. One recent example in the SAP space was an opportunity that we led in the United States where we leveraged some IP from Germany and used a global delivery model that includes individuals across the United States, India, EMEA, and China. So this ended up being a very large global rollout, leveraging both IP and skills and talent from across the company."

## **Ecosystemic Relationships**

Not surprising given its history as a systems integrator, NTT DATA operates in many different ecosystems. It has key relationships with application platform players such as SAP, Salesforce, and ServiceNow and infrastructure players such as Dell (including VMware), AWS, Google, and Microsoft. But NTT DATA remains vendor agnostic, providing the best combination of products and services to meet client needs.

NTT DATA has also been hosting open innovation contests for the past six years, challenging business start-ups to submit ideas for new technologies, and for the past three years, the company has been expanding the contests to 15 countries outside of Japan. Existing clients get to vote on the top ideas, and prize money for proof of concept goes to the winners along with assistance from NTT DATA to advise the winning technologies to jointly develop business opportunities. Clark mentioned a cashier-free retail solution that also allows for in-store dynamic pricing as a recent example of a winner from the open innovation contests.

## ***Driving Collaboration with Major Parts of the Larger NTT Group***

NTT Group collaboration is done through leveraging technology and cross-selling opportunities. The roughly \$3.6 billion R&D investment made by NTT Group has yielded technologies like 5G (with 6G on the drawing board), networking, cybersecurity, Internet of Everything, AI, and experience and sense making. Each year NTT Group holds an R&D forum in Japan to demonstrate these research areas to its clients. Regarding cross-selling, NTT Communications in Japan provides cloud, network, and security services, while the newly reorganized NTT Ltd. provides global business operations including former Dimension Data for network-related consulting, NTT Communications (excluding its business in Japan), and NTT Security. While behind the scenes, NTT Global Sourcing collaborates on global procurements for the organization, driving economies of scale that help it keep a lean cost structure. The public safety solution developed for the City of Las Vegas, Nevada, is an example of this collaboration. NTT DATA in the United States was the primary systems integrator, and the Smart City solution was developed by NTT DATA and NTT Ltd.

## **ADVICE FOR THE TECHNOLOGY BUYER**

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Both business and technology buyers should collaborate on the following four actions:

- Assess how important cultural fit is with your providers at the beginning of the selection process, not at the end. This document has explained some of the unique features of NTT DATA's culture, and it is likely to resonate with some organizations, but not others. As NTT DATA has demonstrated by making cultural fit a key criterion for acquiring companies, so should you for engaging with your business and IT service providers.
- If your organization is not among NTT DATA's focus industries, consider whether learning about best practices from one of those industries might benefit your operations. Likewise, look at NTT DATA's global digital offerings, many of which are cross-industry, for applicability to your organization.

- Push NTT DATA to connect the dots between how assets from other regions can benefit you. While its culture and strategy may have produced an organizational structure that takes a bit longer to understand, the burden should be on NTT DATA to explain the benefits, not on you to figure out by yourself. Challenging NTT DATA to do this may open up opportunities with it you had not thought of beforehand.
- Ask NTT DATA how the NTT Group's R&D efforts and labs can benefit you and your transformational goals. Review the collateral from previous NTT R&D Forums in Japan, as well as its open innovation contests for business start-ups for some fresh ideas.

## LEARN MORE

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### Related Research

- *NTT R&D Forum 2019: Innovation Across the NTT Group Shows Investments in the Future of Technology and Society* (IDC #IcUS45675119, November 2019)
- *New Global Company – NTT Ltd. Combines NTT Communications, Dimension Data, and NTT Security* (IDC #EUR145332819, July 2019)

### Synopsis

This IDC Perspective analyzes NTT DATA's strategy and operations outside of Japan. Beyond corporate strategy, NTT DATA's culture and ecosystemic activities are analyzed.

"NTT DATA already has a majority of its service professionals outside of Japan, and its service revenue is approaching the tipping point where worldwide revenue will exceed those from Japan," said Gard Little, vice president, Global Services, Markets, and Trends. "So now is a good time to look at ambitions of NTT DATA outside of its home country and to understand how its culture and strategy are adapting."

## About IDC

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## Global Headquarters

5 Speen Street  
Framingham, MA 01701  
USA  
508.872.8200  
Twitter: @IDC  
idc-community.com  
www.idc.com

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