

What does **Japan** have to **teach** us about **IT?** A lot.

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Integrating IT with business goals is only marginally easier than reaching the summit of Everest – so why bother? The Japanese have found a better way of doing things.

Let's dispel some myths.

Myth number one. Japan has trailed behind the West in its use of IT and hasn't benefited from its contribution to improving productivity. Wrong on both counts.

The Harvard professor, Dale Jorgenson, showed the acceleration in the rise of Japan's productivity, like the US, was for the most part supported by IT innovations. And, Japan's spend on IT is on par with the US. The view that Japan is an IT laggard is based on the difference in calculating the national statistics. Where Japan differs from the US and Europe is how and where it has directed its IT spend.

Myth number two. Japan's communication infrastructure lags behind the US and Europe. This statement could not be further from the truth.

As the UK crawls into the era of broadband, the Japanese are adding new subscribers at a rate of half a million a month.

When it was in vogue to have an “e- Strategy” Japan targeted to have 30 million households within reach of Broadband by 2005. That target was hit long ago, probably by providing a service that costs about half that of the UK’s but is twenty-four times faster!

Myth number three. Europe is the epicentre of Mobile communications. A view that is difficult to support when you consider that Japan has 80 million mobile subscribers, of these 60 million are Internet enabled. Contrast that with the anaemic uptake in the West of WAP phones?

Japan introduced camera and e-mail capable phones to the market over 2 years ago. Only now seeing are we seeing them achieve any level of acceptance in Europe. Even mobile broadband has achieved over 8 million users.

The Japanese economy and stock market have undoubtedly performed badly during the past five

years. It would wrong, and commercially dangerous, to believe this also applied to the country’s use of IT.

Europe is no longer the epicentre of Mobile communications world.

‘IT Doesn’t Matter’

The IT industry has been going through a period of ‘soul-searching’ over how effective it has been in delivering business advantage. For years McKinsey and Gartner have been publishing articles that have questioned how well IT is managed.

What made this a public debate was an article by Nicholas Carr in the Harvard Business Review (HBR) that went to the heart of the matter by suggesting “IT Doesn’t Matter”. Carr believes companies must be ruthless in deciding how and why they spend money on IT. He suggests companies should focus more on the risks rather than the opportunities of IT investments. Carr even questions the notion that IT provides a company with any long-term competitive advantage. What became clear from the furore that followed Carr’s article is a deep unease about the validity of the models we apply to target and manage IT and if they are still relevant in today’s world. Strangely the Japanese have not become involved in this debate.

The Japanese do it differently

When professors Earl and Bensaou researched how Japanese companies grapple with the IT issues faced in the West they found these fascinating answers.

Japanese companies don't:

...attempt to integrate their IT and business strategy. Quantified individual performance improvements are the primary criteria for IT investment.

...believe new technology will lead to competitive advantage. The ability of the technology, new or old, to help staff achieve their performance goals is the only consideration.

...experience the "us and them" divisions between IT and Business departments. Business managers spend time working in IT and IT staff are collocated with the users.

...believe that a fully integrated, company-wide, software solution is necessarily the right way to proceed. SAP generates only 5% of its revenue from Japan. The US, with twice Japan's population buys four times as much from the company.

It is fascinating how the Japanese approach has so many similarities with the views expressed by Nicholas Carr.

Perhaps some of these philosophies have reached the West. This year we learnt that DuPont decided to make IT part of its marketing and

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sales organization. The rationale for the change was to "focus more energy on providing IT solutions for finding,

communicating with, and retaining our customers".

Earl's and Bensaou's research is published in the HBR, titled "The right mind-set of managing information technology". This should be compulsory reading for every CIO.

My bets are on the Japanese

What does a country need to excel in the digital economy?

A *true* high-speed communications infrastructure that is priced to encourage mass adoption - Japan has that.

Consumers prepared to pay and use mobile data services- Japan has many millions of these.

An obsession with understanding and satisfying the customer – this is in the Japanese DNA and is where it has focused its IT spend.

Distributed supply chains, spread over multiple companies – the Japanese invented the concept.

A magic formulae to enable companies to get the true potential of their IT investments – Japan's people centre approach seems to deliver the results.

This is a powerful combination of strengths for running a successful business in 2004 and beyond.

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