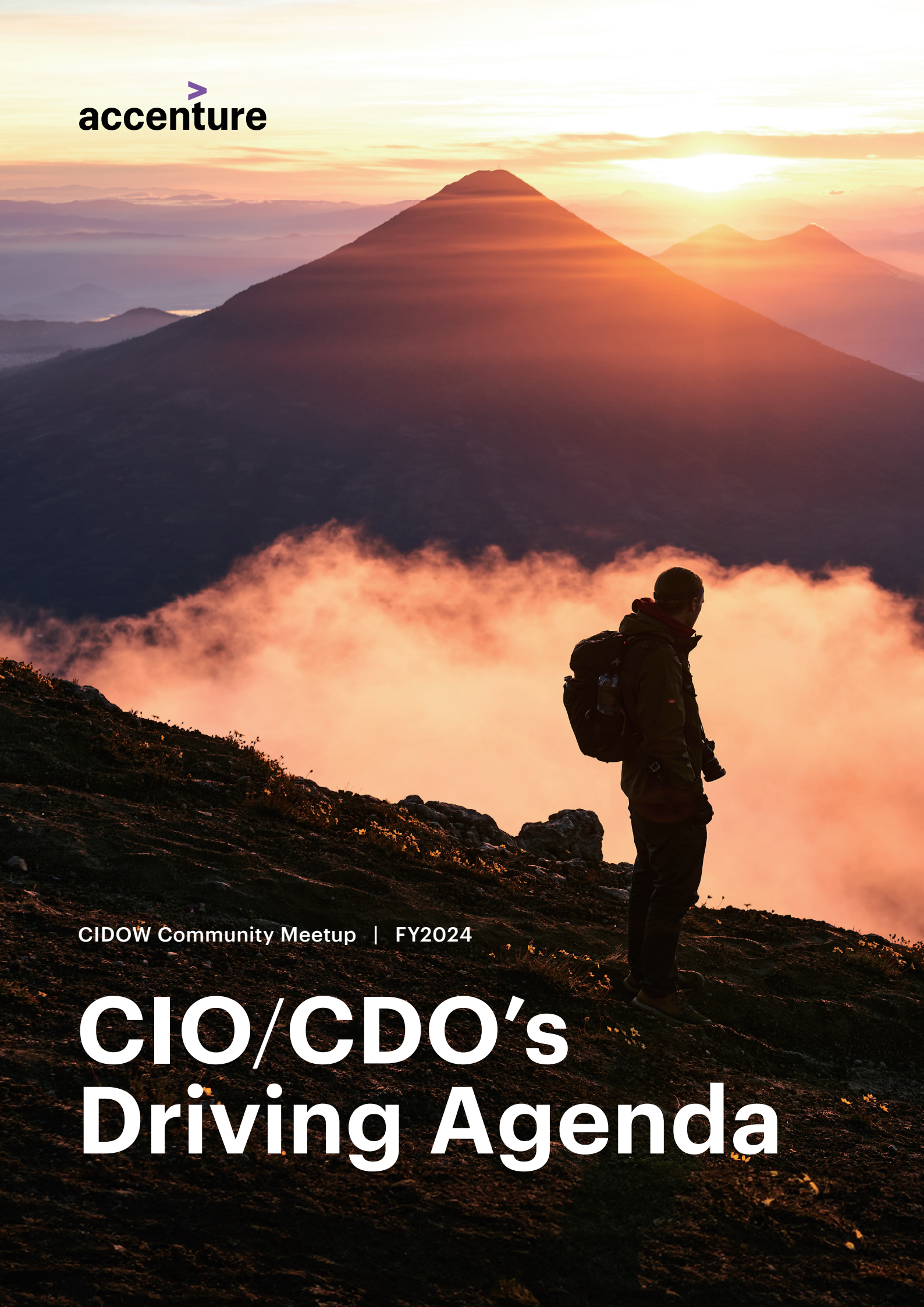
accenture
CIDOW Community Meetup | FY2024
CIO/CDO's
Driving Agenda

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About "CIDOW Community"

CIDOW Community is a community initiated by Accenture, composed of "reform-minded CIOs/CDOs" who are committed to driving enterprise-wide transformation through IT and digital technologies. In its inaugural year (FY2024), the group focused on shared challenges while consisting primarily of members from global manufacturing companies.

In today's corporate management, it is self-evident that proficiency in digital utilization has a significant impact on corporate value. However, when we look at Japanese companies, ICT is still limited to primarily being used for improving operational efficiency within a traditional bottom-up culture, and as a result, efforts toward creating new value or boldly transforming business models, both of which are common globally, seem to remain incomplete.

By gathering and exchanging the insights of reform-minded CIOs/CDOs who are committed to driving technology-utilizing transformation, and by compiling and disseminating such knowledge as industrial intelligence, the group aims to elevate the capabilities of CIOs/CDOs across Japan while ultimately aiming to enhance the competitiveness of Japanese companies and industries. With this aspiration, the community has been named the CIDOW (Chief Information / Digital Officer Working Group) Community, reflecting its mission to initiate transformation and serve as leaders in the reinforcement of industry competitiveness.

CIDOW Community

short for **C**hief **I**nformation / **D**igital **O**fficer **W**orking group

*The name CIDOW evokes both "initiation" and "leadership"
- words with a similar phonetic reading in Japanese.
Symbolic of the forum that will lead the industry and initiate transformation.

CIDOW Community Meetup

CIDOW Community holds in-person community meetings quarterly under the name CIDOW Community Meetup, providing opportunities for both information sharing and collaboration. In FY2024, four Meetups were held, each centered on the following discussion topics:

Date	Discussion Topic
June 12, 2024	Realizing "Japan-Originated Global" by Leveraging IT
September 5, 2024	How to Build Momentum for Company-Wide Business Transformation
December 6, 2024	How to Incorporate the Potential of Advanced Technologies in Corporate Management
March 6, 2025	How to Build Empathy Inside and Outside the Organization to Drive Transformation

Community Members (Titles as of End of March 2025)

Core Members (in Japanese alphabetical order by company name)

Yoshio Chikayasu
Asahi Group Holdings, Ltd.
Executive Officer, Head of IT and Transformation

Makoto Hoketsu
Eisai Co., Ltd.
Vice President, CIO

Hiroshi Omata
ENEOS Holdings, Inc.
Senior Vice President

Keisuke Yamashita
Koei Information Systems Co., Ltd.
Representative Director & COO

Noriko Rzonca
Cosmo Energy Holdings Co., Ltd.
Senior Executive Officer, CDO

Atsunori Takano
Shiseido Company, Limited
Executive Officer, Chief Information Technology Officer

Tsuyoshi Kodera
Sony Group Corporation
Executive Vice President, CDO and CIO

Osamu Mifune
Sony Global Solutions Inc.
President, Representative Director

Toshihiro Narita
NISSIN FOODS HOLDINGS CO., LTD.
Executive Officer, CIO

Hiroyuki Ishino
Nippon Paint Corporate Solutions Co., Ltd.
Managing Corporate Officer, Japan Group CIO

Yuzuru Fukuda
Fujitsu Limited
Corporate Executive Officer, EVP, CDXO, CIO

Takaaki Sugii
Furukawa Electric Co., Ltd.
Corporate Vice President, CDO, Deputy General Manager, Strategy Division

Yasuo Kawai
Honda Motor Co., Ltd.
Vice President, Head, Digital Unit

Yuji Ichimura
Mitsubishi Chemical Group Corporation
Senior Vice President, CDO

Masao Kuruma
Mitsubishi Motors Corporation
Corporate Vice President, CIO, Division General Manager Global IT Division

Mitsuru Nishiwaki
Mitsubishi Logisnext Co., Ltd.
Executive Officer, Head of Information Systems Headquarters, and Division Head, General Manager, Global Systems Management Division

Yukihiro Funyu
Yokogawa Electric Corporation
Senior Vice President & Executive Officer, Digital Strategy Headquarters

Organizers

Makoto Toyoda
Accenture Japan Ltd.
Executive Officer, Senior Managing Director, Accenture Strategy & Consulting, Technology Strategy & Advisory Group

Mikako Tanaka
Accenture Japan Ltd.
Managing Director, Accenture Technology, Products

Moderators

Takafumi Murakami
Accenture Japan Ltd.
Managing Director, Accenture Strategy & Consulting, Strategy, Technology Strategy & Advisory Lead, Japan

Norito Taniyama
Accenture Japan Ltd.
Managing Director, Accenture Technology, GTM Lead, Japan and Cloud First Applications Co-Lead, Japan

Secretariat

Satoshi Suzuki
Accenture Japan Ltd.
Managing Director, Accenture Strategy & Consulting, Technology Strategy & Advisory Group

1 Overview

Transformation Leveraging IT and Japanese Companies' State

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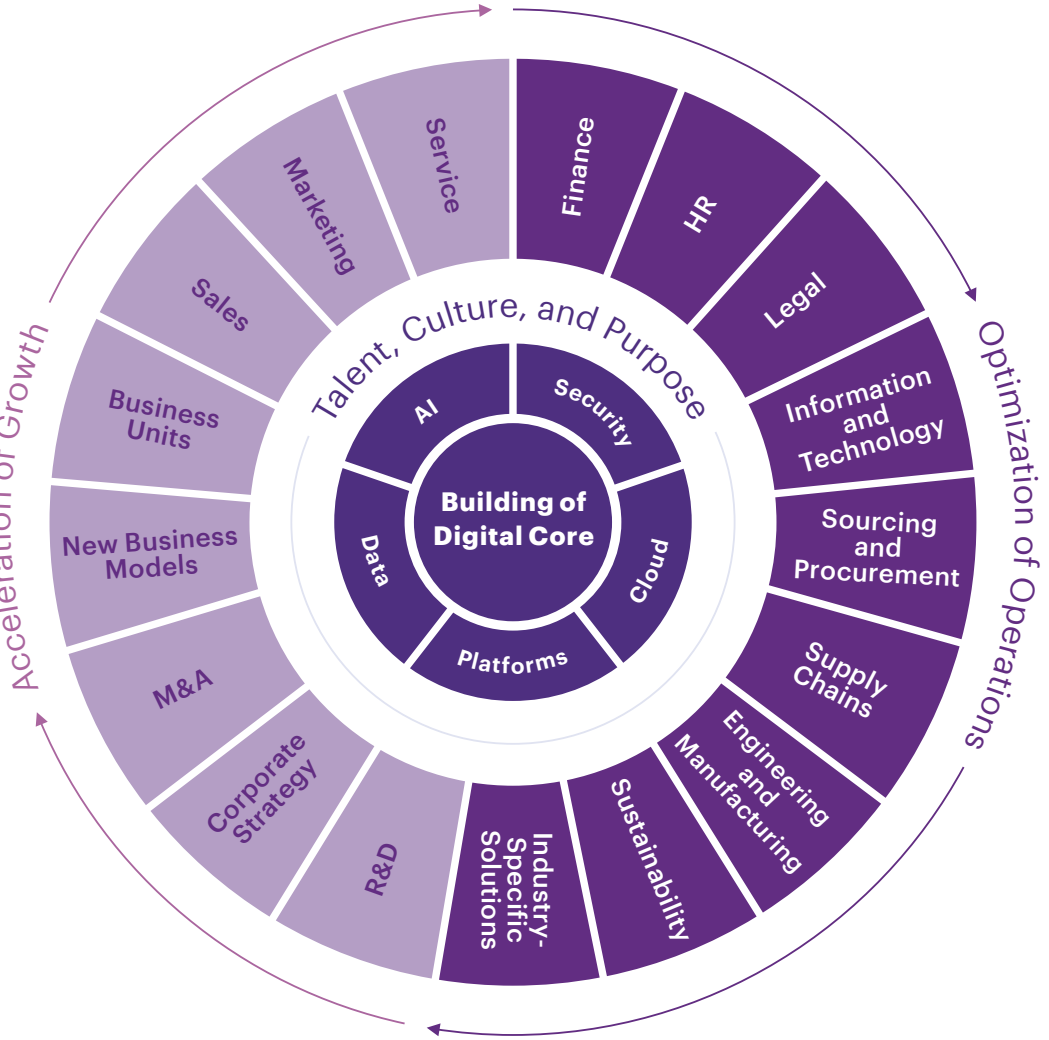
Given the maturity of the domestic economy, for Japanese companies to achieve sustainable growth, two challenges are essential: "company-wide reform leveraging technology" and "ensuring competitiveness in the global market." Looking at global trends, bold strategies for utilizing technology to drive exponential growth are no longer the exclusive domain of tech giants as such strategies are increasingly becoming viable paths to success for traditional large corporations as well. However, Japanese companies still lag behind, both in terms of intensity and speed of response. To identify winning strategies on the global stage, it is imperative to accelerate transformation while capitalizing on the unique strengths of Japanese enterprises.

Company-Wide Reinvention with a View Toward Industry and Societal Transformation:

Total Enterprise Reinvention (TER)

According to Accenture's global research, adopting the strategy of "Total Enterprise Reinvention (TER) - the reinvention of an entire organization" has been shown to drive exponential growth and operational optimization even amid increasing uncertainty in the business environment. TER is not a one-time, company-wide transformation, and instead it is a fundamental shift of the corporate attitude into an organization that continuously thrives for industry and societal transformation by establishing an ambitious vision for such and continually explores new frontiers.

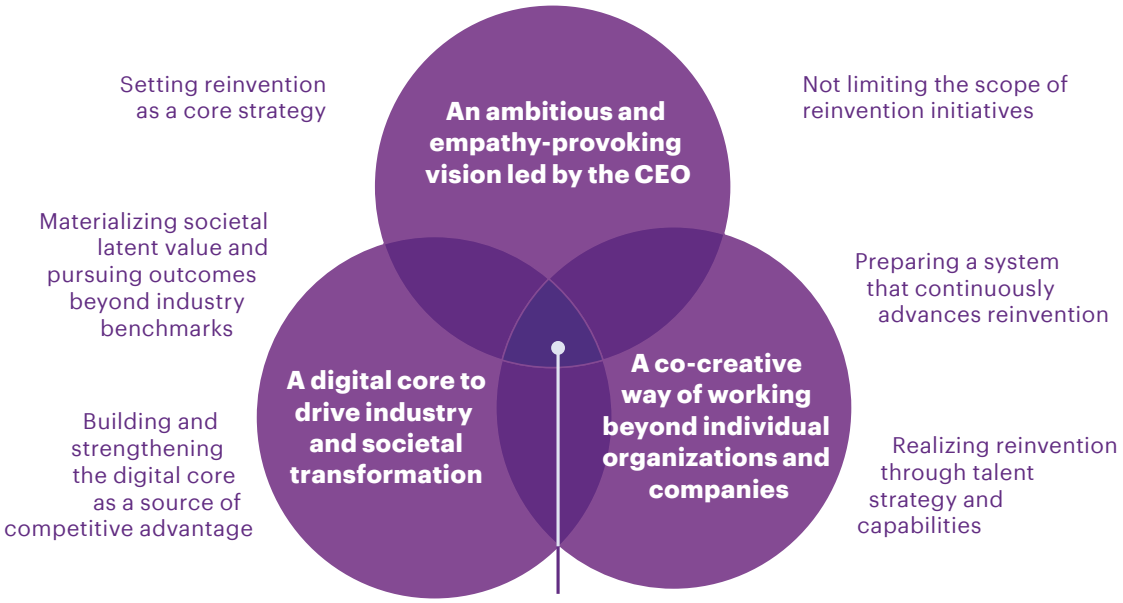
Figure 1. TER Architecture



Source: Accenture

Companies implementing TER typically exhibit the following three key principles (see Figure 2).

Figure 2. The Three Key Principles of TER



Source: Accenture

1 An ambitious and empathetic vision led by the CEO

Merely competing for market share and optimizing costs within existing rules will not enable a company to break free from the equilibrium of decline. To reach untapped potential value, the CEO must take a high-level perspective and first present an ambitious vision aimed at transforming not only the industry but society as a whole. This demonstrates a strong stance to drive transformation unhindered by the inertia of existing businesses and builds a foundation for reinvention by gaining empathy from stakeholders both inside and outside the company.

2 A digital core equipped with agility to drive industry and societal transformation

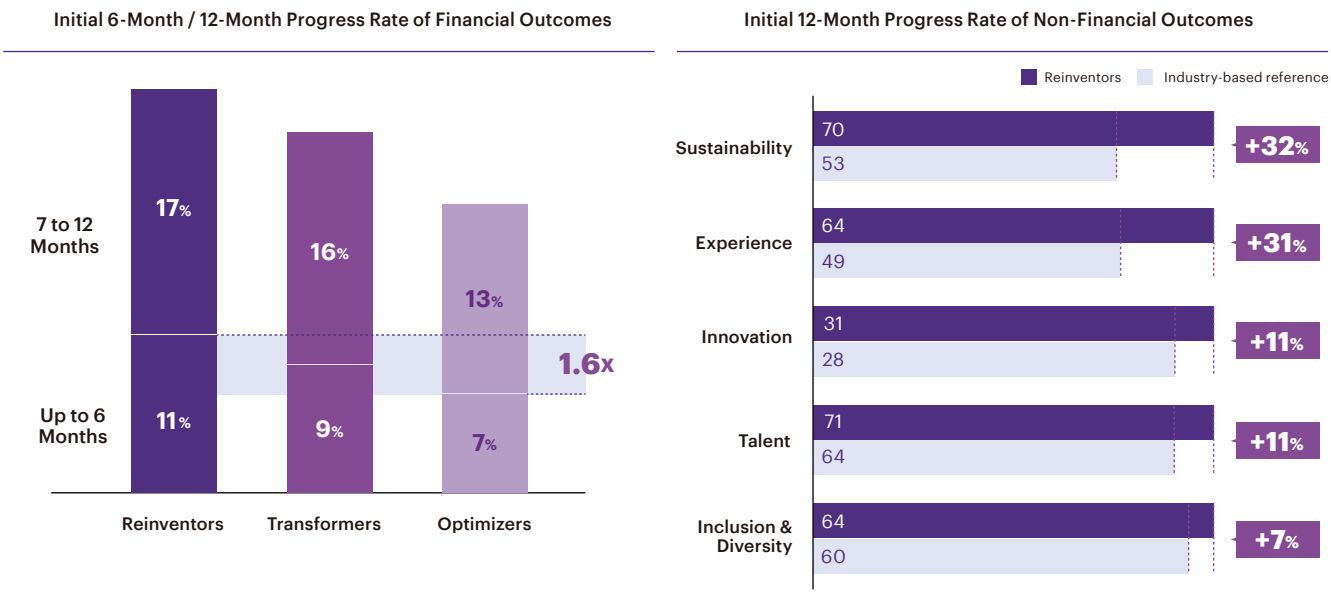
The "digital core" is the technological capability that fuels each company's unique ambition for reinvention and is essential in realizing transformation. This digital core is configured of a cloud-based IT infrastructure that enables agility and innovation as well as differentiating assets such as data and AI. This foundation maximizes the possibilities of technologies that can lead to future creative disruption.

3 A co-creative way of working with internal and external stakeholders

To give birth to a culture that boldly tackles industry and societal challenges, it is essential to not only collaborate beyond individual organizational interests but also realize cross-company co-creation which connects visions and digital cores with ecosystem partners.

It is estimated that approximately 9% of companies are "Reinventors" actively practicing such TER. Compared to other groups, namely "Transformers" (approx. 70%), which are companies that have started to take steps toward company-wide transformation, and "Optimizers" (approx. 10%), which are companies solely focused on partial optimization such as cost reduction, these Reinventors show superior performance against their short- and mid-term financial targets while also demonstrating favorable results across non-financial indicators (see Figure 3). This suggests that TER is an effective approach to realizing sustainable growth in today's business environment.

Figure 3. Outcomes Realized by TER Companies



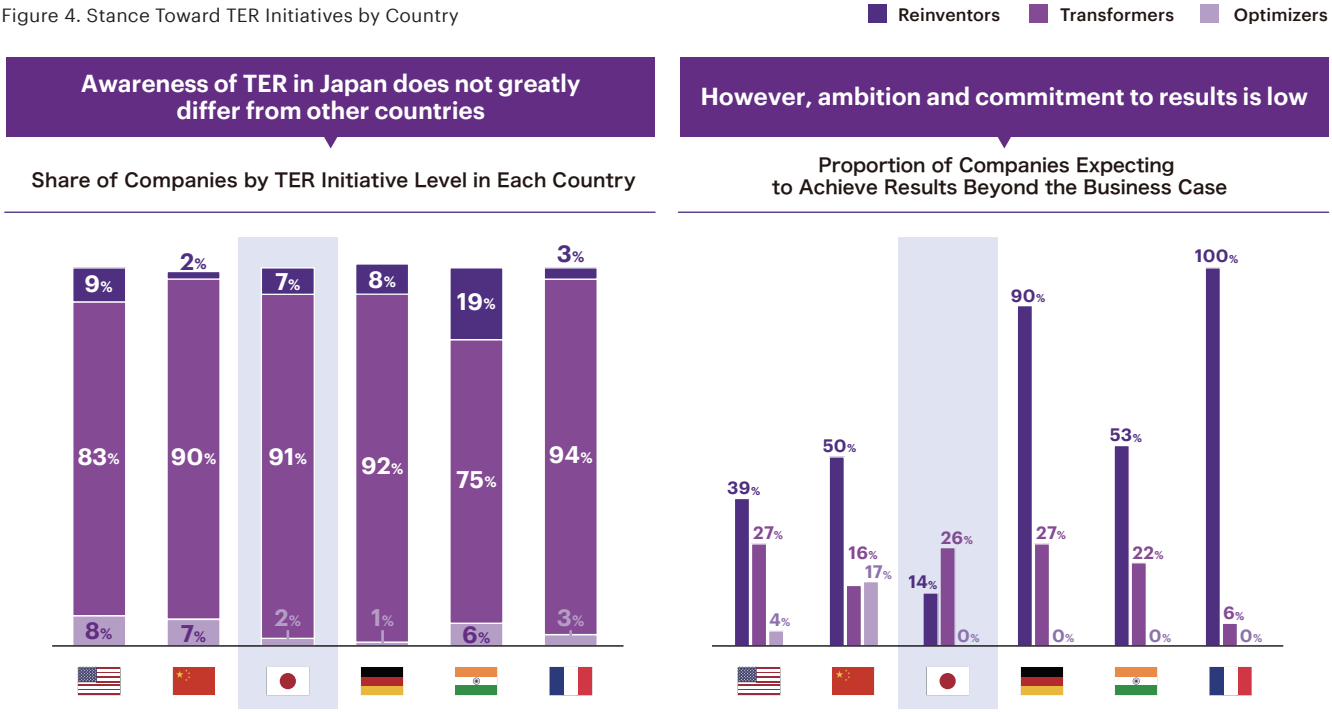
Source: Accenture

Lack of Intensity and Speed in Initiatives Within Japanese Companies

In Japan, the proportions of "Reinventors" and "Transformers" are roughly on par with those in other countries. However, commitment to achieving specific results remains limited compared to these other countries, and there appears to be a lack of resolve to push through transformation and fully deliver results despite challenges (see Figure 4).

Regarding leadership of these initiatives, in many countries outside of Japan, responsibility often lies with executives such as the CEO, COO, or CFO who oversee the entire company or group (see Figure 5). In contrast, Japanese companies show a lower proportion of such executive involvement as initiatives are more often led by business unit heads or division managers. While this may reflect Japan's strength in on-site and hands-on management, it also raises the concern that efforts may unconsciously become limited to incremental improvements within areas of direct responsibility, ultimately reducing the focus on delivering results.

Figure 4. Stance Toward TER Initiatives by Country



Source: Accenture

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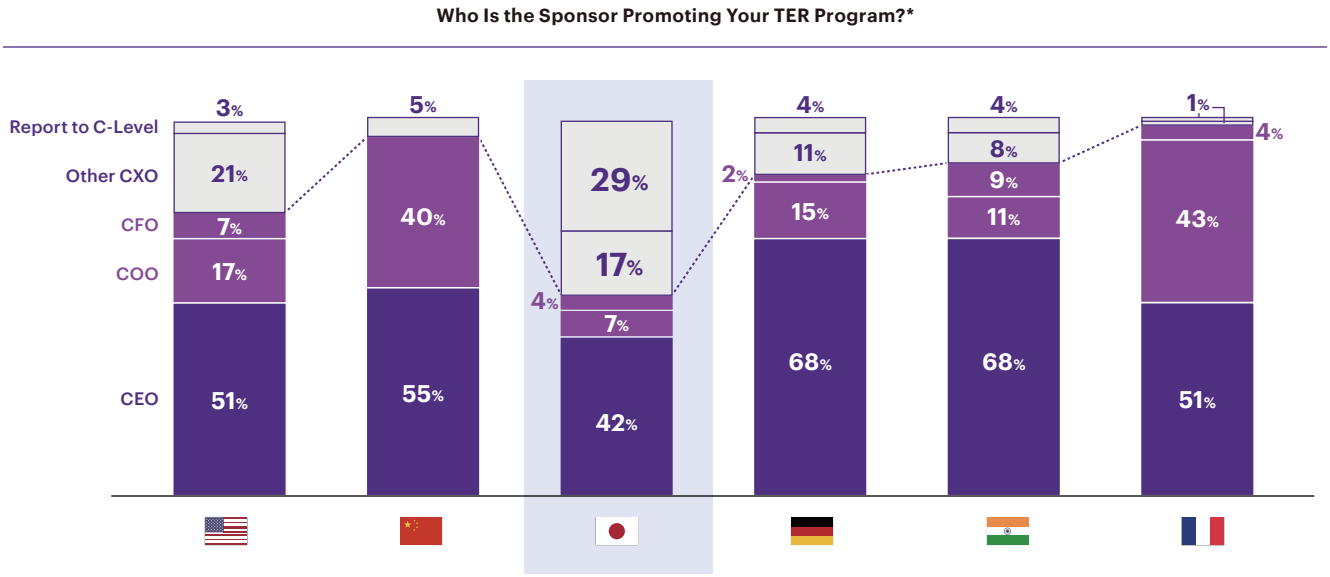
Figure 5. Differences in the Positioning of Reinvention within Corporate Strategy



*"Who [was/is] the key sponsor of your reinvention strategy and transformation program?"
Source: Accenture

In light of this situation, there is a risk that the current stance of Japanese companies may place them at a competitive disadvantage in the race to capture untapped frontiers. Along with the acceleration of digitalization driving rapid globalization and platformization of industries and the emergence of a global "winner takes all" environment, Japan could potentially face yet another "lost 30 years."

To pivot wisely and seize success, Total Enterprise Reinvention (TER) may be the only viable path forward. As outlined in the three key principles of TER, the transmission of an ambitious vision by the CEO, establishment of the digital core, and a co-creative way of working are indispensable. In this context, the role of the CIO/CDO who is responsible for the digital core as the technological capability driving reinvention is becoming increasingly important. It is no longer sufficient to stay within the bounds of digitalization aimed at improving efficiency of operations within business silos, and the urgent challenge now is to strategically leverage IT for value creation and realize Digital Transformation (DX) in the sense of transforming business models. CIOs/CDOs are in a position to bridge divisions and pursue value across divisions while also embracing the bottom-up culture that is a traditional strength of Japanese companies. Reform-minded CIOs/CDOs, in particular, are expected to possess the ambition and determination to generate unique Japanese values that drive sustainable growth in global markets and strengthen competitiveness among Japanese industries.

2 Discussion Topics

Challenges to Enhance the Competitiveness

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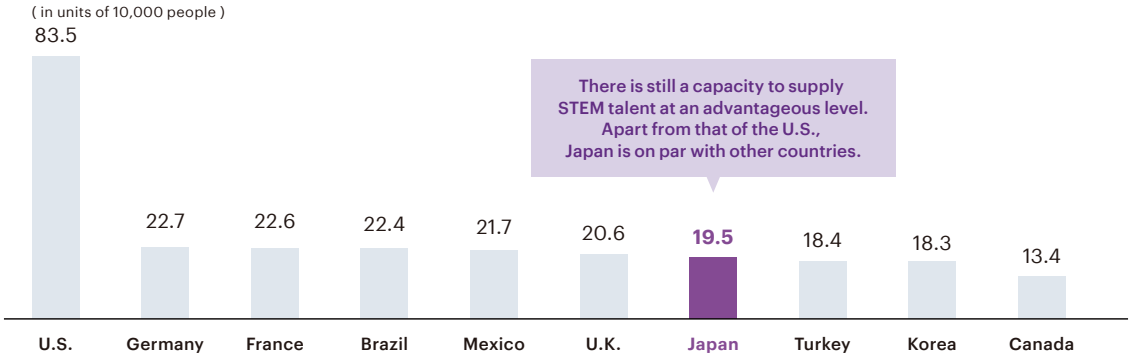
Topic 1. “Japan-Originated Global” by IT

Given the shrinking domestic market and intensifying competition due to economic maturity, pursuing global growth is a natural course of action. In light of price competitiveness due to the current trend of the weak yen, along with the stable supply of STEM talent with high IT literacy (see Figure 6), now is an ideal time to re-focus efforts on realizing “Japan-Originated Global” by IT and digital technologies. To secure the driving force and competitiveness for such initiative, it is essential to re-establish global IT infrastructure with a fresh perspective.

Figure 6. Supply of STEM* Talent from Universities, etc.



Source: Accenture

* STEM: An acronym formed from the initials of Science, Technology, Engineering, and Mathematics. STEM talent refers to individuals who have acquired knowledge and skills in these four essential areas, which are critical for utilizing IT and digital technologies. Today, the term “STEAM” talent, which adds Arts and liberal studies to the mix, is increasingly gaining traction.

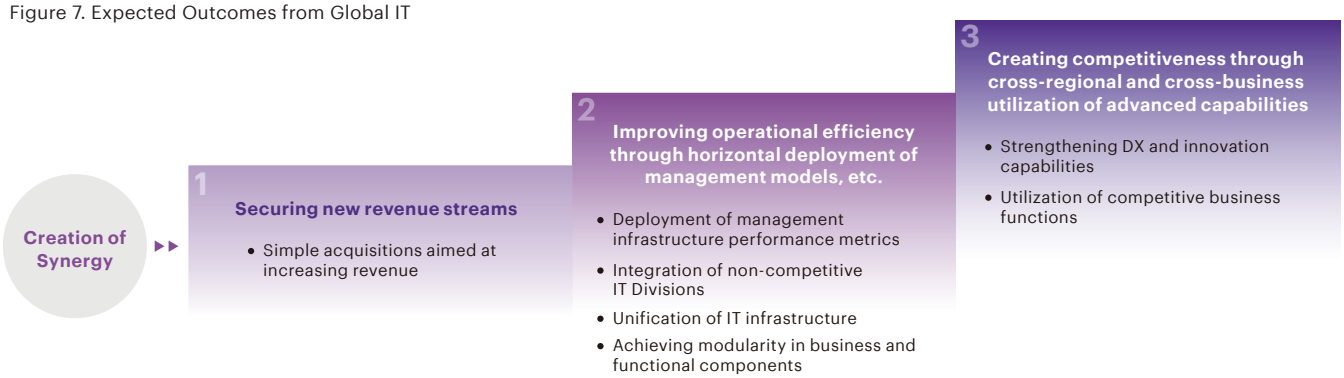
Discussion Point 1

The Evolution of Global IT Models and Required Actions

In recent structures to create synergy throughout global business development, there have been three stages of evolution. Many Japanese companies remain in the first or second phase and continue to face challenges in leveraging advanced capabilities across regions and business units, and in generating competitiveness as a result.

1. Securing new revenue streams
2. Improving operational efficiency through horizontal deployment of management models, etc.
3. Creating competitiveness through cross-regional and cross-business utilization of advanced capabilities

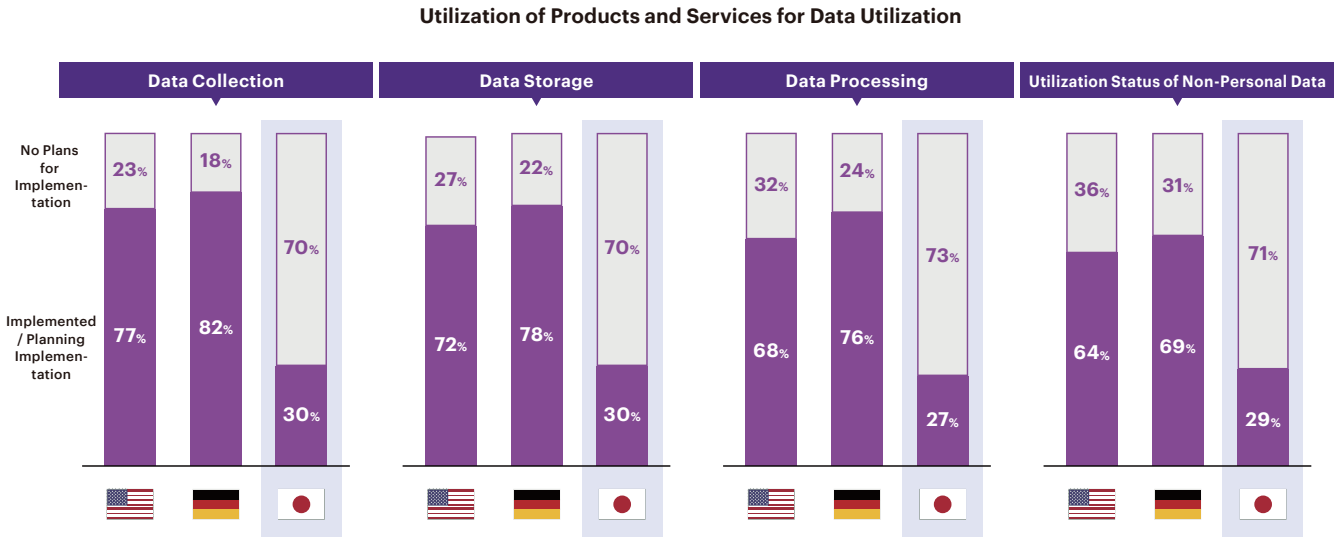
Figure 7. Expected Outcomes from Global IT



Source: Accenture

Particularly in the field of advanced technologies, AI technology is rapidly evolving, from conversational AI to AI agents, and even toward AGI (Artificial General Intelligence) and ASI (Artificial Superintelligence). In light of this, promoting the use of data and AI across regional and business boundaries has become a key factor. However, Japanese companies, compared to their global counterparts, appear to be consistently lagging in areas such as investment appetite and actual use of products and services for data utilization. Establishing organizational and technological readiness for new value creation will likely remain a critical issue for securing competitiveness in the global market going forward (see Figure 8).

Figure 8. Japan's Limited Resource Allocation for Data Utilization



Survey conducted among companies with 100 or more employees (U.S. N = 100, Germany N = 100, Japan N = 600)

* Data Utilization Infrastructure Software: A collective term for Analytic Platforms, Data Management Software, and Database Management Systems

Source: Ministry of Internal Affairs and Communications, "2020 White Paper on Information and Communications in Japan"

To break out from the current situation and ensure the competitiveness needed to compete in the global market while leveraging business assets that are spread across countries, it may be necessary to reassess the ideal global IT model for one's company with a focus on strengthening competitiveness through the use of ICT and digital technologies while referencing traditional governance models such as "decentralized," "federated," and "centralized" types of models.

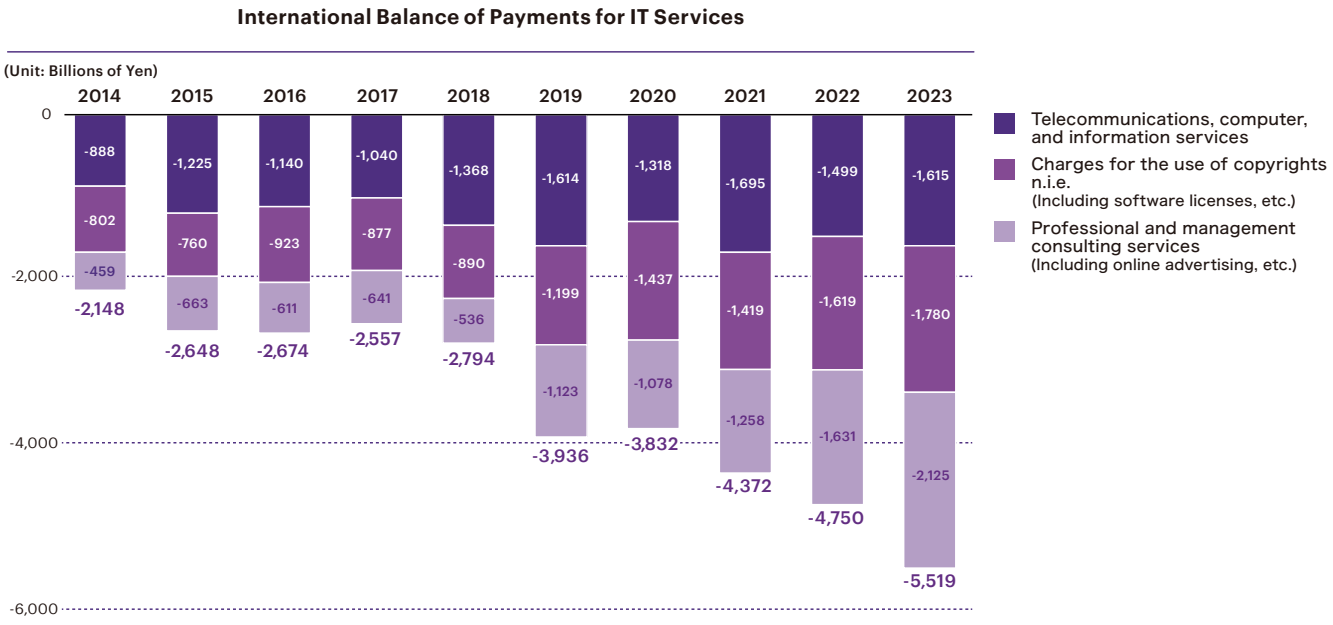
Discussion Point 2

Strengthening the Competitiveness of the Domestic IT Industry

From the perspective of creating an environment in which Japanese companies can more easily acquire advanced IT capabilities, it is crucial to stimulate investment in the domestic IT industry and ensure competitiveness relative to foreign IT industries. Currently, the outflow of national IT wealth, symbolized by the Japan-U.S. digital trade deficit, is emerging as a structural issue and raising concerns about the hollowing out of the domestic IT industry (see Figure 9).

To address these concerns, Japanese companies may need to take steps to attract global IT-related investment and talent by building a mutually beneficial relationship with the domestic IT industry. To achieve this, what actions should Japanese companies take?

Figure 9. Concerns Over Declining IT Competitiveness due to Growing Deficit in Japan's International Balance



Source: Bank of Japan, International Department "Balance of Payments Related Statistics - Services Balance" (2023)

Discussion Point 1

The Evolution of Global IT Models and Required Actions

How Digital and IT Governance Should Be

- The overall concept of global IT governance should be determined by each company individually, based on their objectives and business types. However, when focusing on digital transformation, since Japan's IT divisions tend to take the stance of a subcontractor, it is essential to create policies and rules to promote transformation, consolidate advanced capabilities, and source globally.
- In conglomerate companies, due to the need to respond to regional regulations, etc. by industry, some companies organize businesses based on an industry axis (not by region) and adopt an industry-specific federal governance model.
- There is an increasingly serious global shortage of labor and talent centered around IT divisions.
  From this perspective, overcoming these challenges requires centrally controlled governance based on HQ policies that enable appropriate talent allocation and collaboration across regions.
- If companies cling onto Japan which is their mother market, past experiences of success may hinder the progress of transformation. For example, looking at IT spending by region based on sales ratio, etc., IT spending for the Japanese market is disproportionately high, which is inefficient from the perspective of cost-performance and investment in growth areas. To boldly advance transformation, it is useful to pursue appropriate allocation of talent across the globe and bring in appropriate talent with fresh perspectives to lead reforms, including in Japan.
- In promoting DX globally, it is important to effectively utilize global resources and take an approach toward advancing transformation with appropriate talent allocation. Through appropriate talent allocation and collaboration across regions, it is necessary to promote standardization on a global basis, including organizational globalization, talent allocation, and the securing of expertise.
- Even while shifting corporate-wide governance models to a global cross-sectional type, IT can especially realize synergies in capacity and data utilization thus making it effective. There is also the notion that it is beneficial to face challenges globally as a "first mover" pioneer.

Building Relationships Between Business Functions and Corporate Divisions

- From the perspective of securing organizational cohesion, it is important to create success models based on common issues and themes that transcend regions and involve those in surrounding areas with a sense of speed.
- While it is generally recognized that the owners of data are the business functions, to democratize data utilization and make it available at the site, it is essential to establish a support system through unified tools, guidelines, and capability supplementation. As the accumulation, standardization, and aggregation of data across the entire company make progress, it will be possible to create a virtuous cycle that further facilitates company-wide data utilization.

Opinions and Shared Points from the Meetup

Discussion Point 2

Strengthening the Competitiveness of the Domestic IT Industry

Improving the Capacity to Supply IT Talent

- Although this is true globally, as the shortage of IT talent in Japan is particularly severe, further revitalization of the domestic IT industry is necessary to improve the capacity of this supply.
- Companies should not be thinking based on "what can be done" with existing talent and organizational capabilities, and should rather prioritize completing the "necessary transformation" which requires bold rotations including replacement of personnel. In this regard, securing domestic IT talent supply and cross-company talent mobility are key challenges.
- By creating an environment where everyone recognizes the need for transformation, it is important to promote a reform of awareness among existing talent and secure human resources from both inside and outside the company beyond that of the existing organization.
- Although there has long been a call for STEM talent development, considering the current types of new technologies and their applications, it may also be necessary to guide humanities personnel to more broadly acquire technical application skills.
- From a global perspective, language skills are naturally required, but this can be addressed by creating environments where English is used out of need, such as by having supervisor or subordinate members from overseas.

Accumulation of IT- and Digital-Related Capital

- It is a high hurdle to surpass existing hubs like the U.S. in terms of startup concentration.
  On the other hand, as large enterprises already possess substantial IT- and digital-related IP and resources, it is important to have the mindset of aggregating such assets.
  For example, in industries such as chemicals and life sciences, certain companies are beginning to establish de facto standards for the standardization of non-competitive domains, and discussions for industry-wide sharing have been making progress.
  However, considering the complexity of distribution structures in general, promoting discussions across value chains remains a challenge.
- In forming industry-wide platforms, it is also beneficial to avoid the fragmentation of know-how by involving not only large enterprises but also IT service providers.

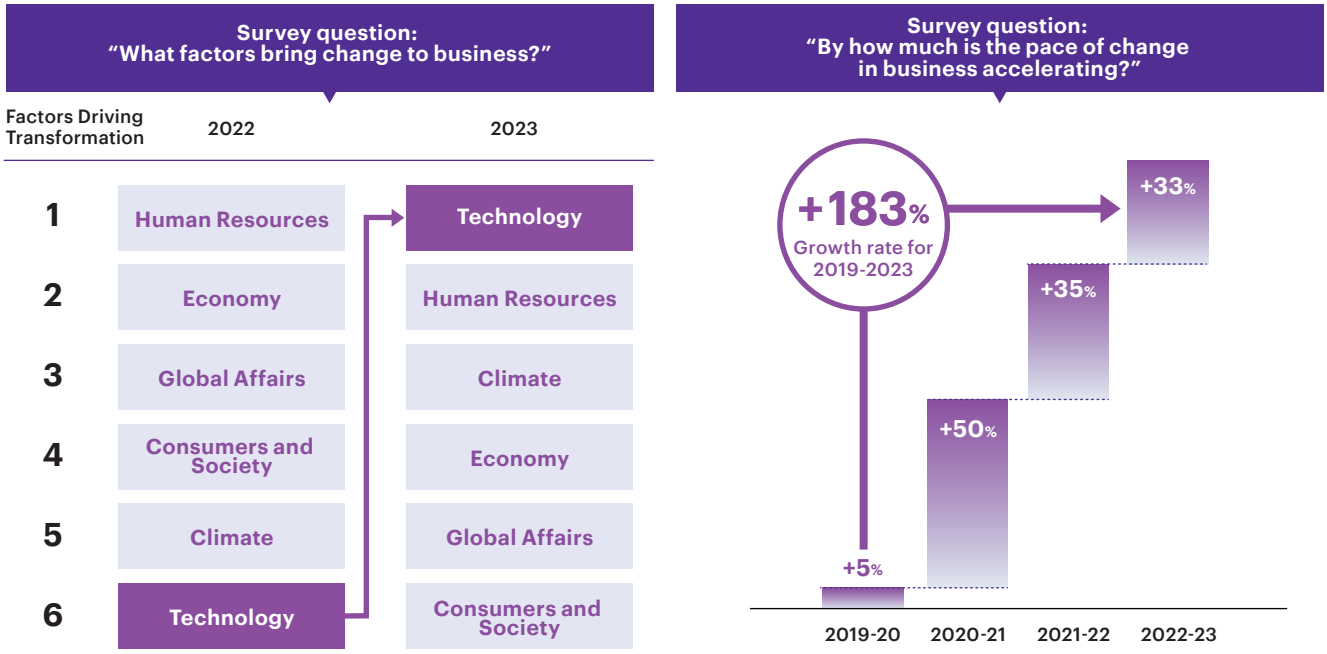
Attitudes Required of CIOs/CDOs

- **Act from the outset with the intention of driving transformation across global operations. Allocate talent for such in the right positions without being bound to domestic resources.**
- **Produce small successes to involve stakeholders while simultaneously unifying various tools, etc. to create structures conducive to synergy, consciously employing both incentives and discipline to achieve results.**
- **Rather than individual company efforts, approach recruitment for digital roles in traditional enterprises as an industry-wide initiative to boost appeal to younger talent and generate broader societal momentum.**
- **Establish environments that place talent in optimal roles and foster in-house development through such placement.**
- **Companies conducting business should proactively seek ways to make domestic software assets and know-how more fluid and accessible while also working together to reduce digitalization costs in non-competitive areas.**

Topic 2. Create Momentum for Business Transformation (BX)

There is growing recognition that the "X" in DX (= Transformation) is a critical agenda item for corporate management. However, it remains questionable whether IT and digital divisions, which are the most familiar with digital technologies and surrounding developments, are truly leading company-wide BX (Business Transformation) efforts to realize the establishment of sustainable growth. As explained earlier, the strategy that powerfully drives BX is TER (Total Enterprise Reinvention), with the digital core at its center. While management teams are increasingly aware that the evolution and spread of transformative technologies are accelerating (see Figure 10), this awareness has yet to fully permeate throughout entire organizations.

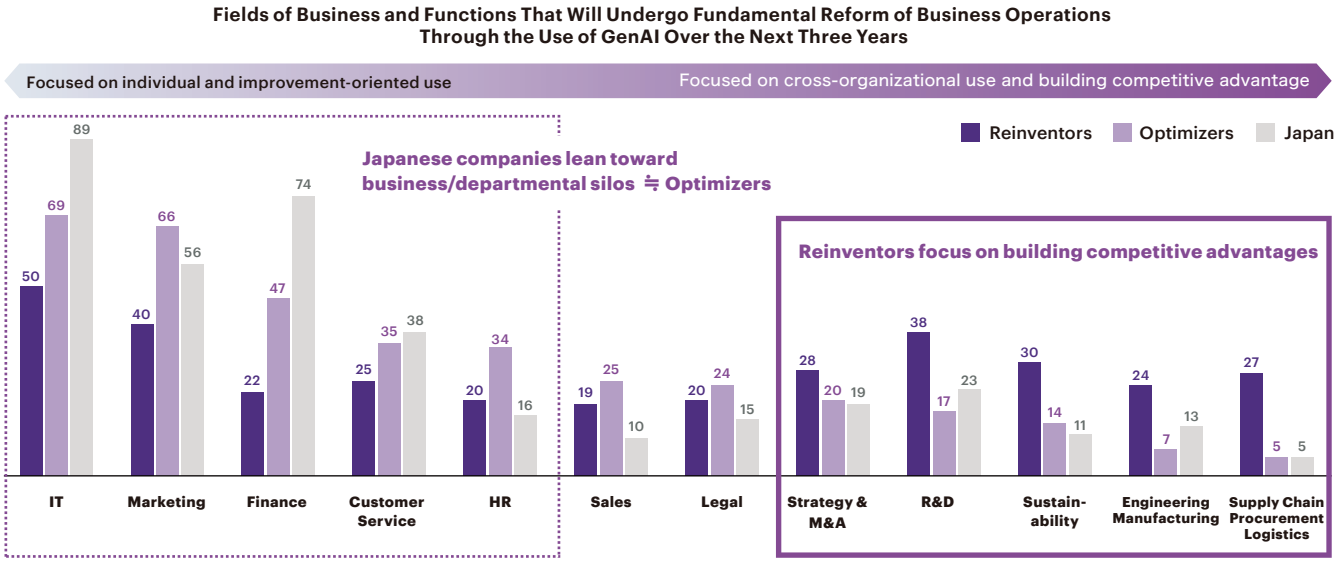
Figure 10. Acceleration of Technology Evolution and Adoption



Source: Accenture

Taking generative AI as an example, global Reinventors not only use it for individual, improvement-oriented initiatives but also focus on leveraging it across the company in areas that contribute to competitive advantages (see Figure 11). In contrast, Japanese companies tend to resemble Optimizers, which remain confined to introducing such technologies within individual businesses or divisions. This is because, in Japanese companies with a strong bottom-up culture, the absence of a driving force for company-wide BX (i.e. the lack of an ambitious vision) leads to fragmented efforts within each division, and as a result, while there may be a certain level of activity, such does not lead to a fundamental transformation.

Figure 11. Investment Trends by Field of Business/Function



Source: Accenture

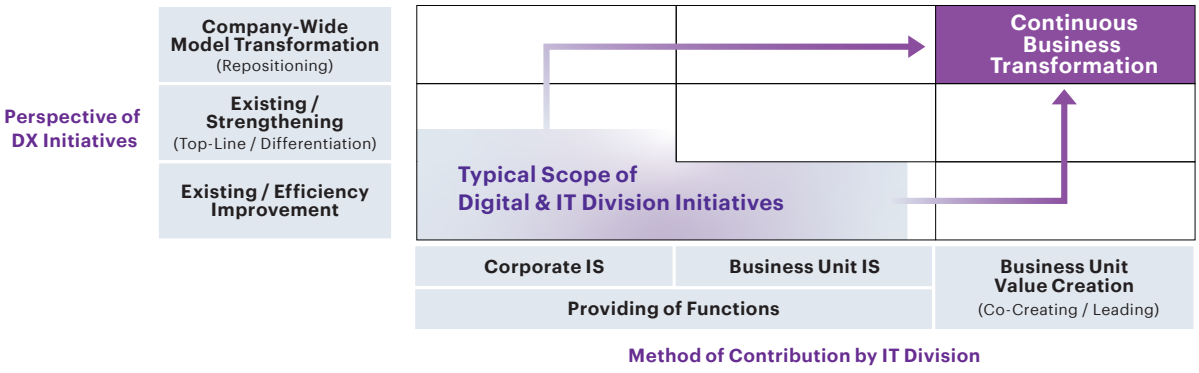
Discussion Point 1

How to Foster Company-Wide Momentum for DX

Typical IT divisions have traditionally focused on improving efficiency and reducing costs within existing businesses. While the recent trend toward digitalization has led to growing expectations for strengthening functionality and supporting business IT, the perception within many organizations is still that IT divisions are primarily expected to ensure stable and low-cost business operations as requested by each business function.

Since IT divisions often do not directly bear performance responsibilities, for them to contribute to management by driving continuous business transformation (BX), a shift to a proactive mindset is required where they pivot to a leadership role in elevating company-wide DX momentum and promoting transformation. In doing so, it becomes crucial to consider the goals of DX initiatives and the way IT divisions should contribute, or in other words, the stance that they should take and what path they should follow to reach such position (see Figure 12).

Figure 12. The Direction IT Divisions Should Aim For



Source: Accenture

Discussion Point 2

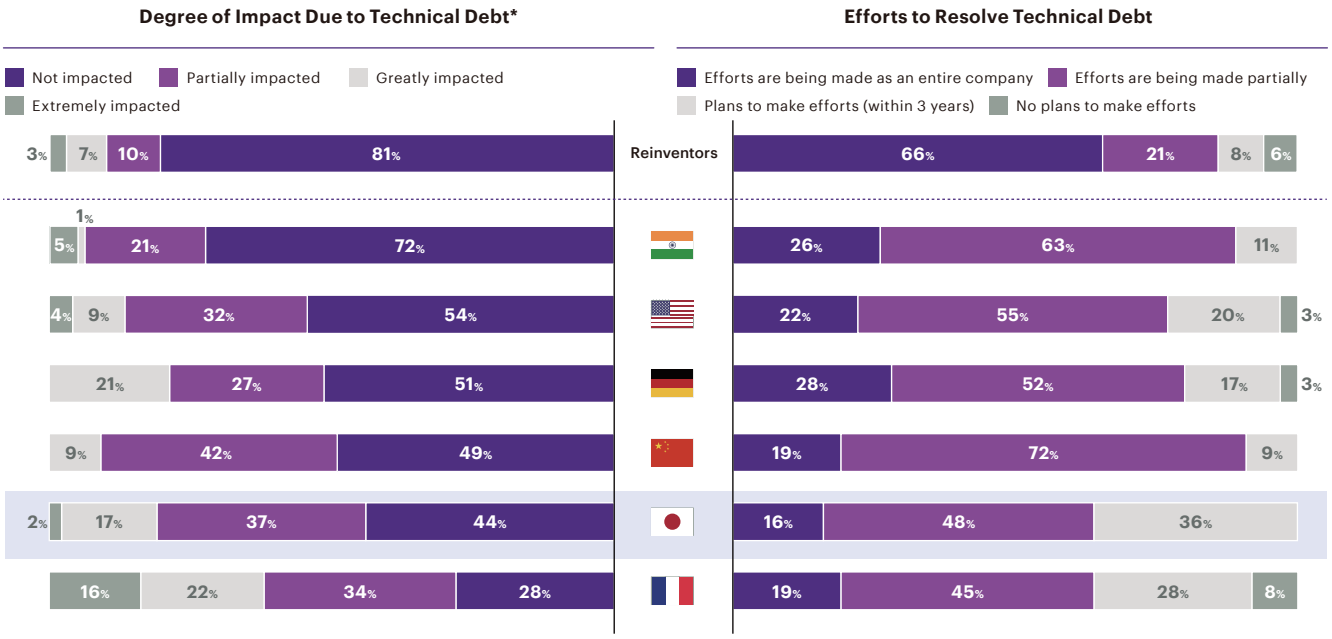
How to Overcome the Cost of Digitalization in Japan

In driving company-wide business transformation (BX) using IT and digital technologies, it is essential to approach modernization while controlling technical debt to a certain extent. However, when compared to global counterparts, Japanese companies appear to be less proactive in resolving such debt (see Figure 13).

One reason for this is the historical approach to IT adoption in Japan, which has prioritized the uniqueness of frontline operations, resulting in highly customized software development. Even when renewing IT infrastructure, there remains a strong insistence on preserving existing functions, and as a result, adapting to new, off-the-shelf software and technologies often entails excessive customization, causing digitalization costs to remain high.

Such situation risks hindering DX by slowing down new initiatives, limiting scalability, and complicating the development of data supply chains needed to ensure transformation quality. The pressing question, then, is how to break free from this stalemate and swiftly get past this "digitalization" phase and proceed to the "transformation" phase.

Figure 13. Constraints of Technical Debt Hindering IT Modernization



* Technical Debt: Burdens that must be resolved for business evolution, such as the continued existence of legacy systems.

Source: Accenture

Discussion Point 1

How to Foster Company-Wide Momentum for DX

Building Trust and Attraction with Management and Business Functions

- To promote initiatives from IT/Digital Division, securing trust with management and business functions is extremely important, and for this, it is necessary to secure IT personnel with business sense and build relationships where "conversations" can occur.
- Since the IT division does not directly hold business responsibility or authority, making direct proposals to business functions often faces resistance from both sides, and for this reason, it is better to not have excessive expectations.
  Instead, leveraging topics of interest to management and business functions , such as DX and employee engagement, to secure motivation of the business function and effectively embed transformation is one approach.
- It is also important to build success models based on common challenges and themes, quickly involve stakeholders with a sense of speed, and simultaneously pursue realization of benefits and improvement of environments through unified IT procurement, disposal and standardization/unification of existing assets, and leading efforts in network/security.
  - The IT division should lead, fostering mechanisms to educate management on the importance of IT/DX and secure their involvement (investment mobilization, governance, endorsement from HR).
  - Show the results of DX to the business functions . While business functions may hesitate to adopt platforms due to the fear of losing control over data, clear demonstration of benefits will encourage adoption. Identifying common issues and presenting platforms that solve these with clear effects will drive DX promotion. Demonstrating the IT division's contribution to profits will lead to building expectations for the IT division in business initiatives.
- In order to involve external stakeholders, rather than negotiating individually with each business function , forming standardized platforms with group synergies and integrated IDs is necessary to leverage scale and convey benefits.
- Incorporating some R&D functions into the IT organization can also strengthen and accumulate IT capabilities and expertise.

Priority Themes to Initiate

- Data platforms and integrated IDs should be proactively driven by the IT side.
- It is important to actively pursue the disposal and consolidation of fragmented, complex, and diverse systems to resolve technical debt.
- Among IT personnel, about 20% are always "self-directed" workers, and while there are those that "can act when instructed" and those that "won't act even when instructed," efforts are needed to increase the proportion of the former by targeting this intermediate tier.
- Actively appoint and deploy personnel who can learn and drive transformation, and raise motivation for DX by linking with HR measures such as providing incentives to employees who achieve results in on-site DX efforts.
  - Proactively appoint and deploy transformation-driving personnel regardless of regional boundaries, and replace with younger employees.
  - Provide incentives to employees who achieve results.
  - Reflect employee motivation in executive compensation.
  - Assign new graduates and hire mid-career professionals.
  - Implement internal recruitment via posting.
  - Strengthen digital and IT talent through industry-government-academia collaborations, etc.

Opinions and Shared Points from the Meetup

Discussion Point 2

How to Overcome the Cost of Digitalization in Japan

- Due to the long-standing complexity of distribution channels, simply proceeding with systemization as part of DX results in enormous costs, and the "D" (digital/systemization) portion of DX becomes a heavy burden.
  Customization at the individual company level is prevalent due to complex industry and distribution structures, especially in sectors such as retail and wholesale.
- Business divisions have low awareness of the need to reorganize long-standing distribution and transaction structures built through years of effort and are generally reluctant to reduce or exit from historical assets/legacies.
- Each business division has built its own business processes over time, resulting in individualization and siloing, and this contributes to bloated system investments. It is necessary to use data such as system investment scale and maintenance costs by business to push for standardization. Understanding from business functions can be obtained by presenting both the benefits of shared functions and how they will directly benefit the functions .
- Previously, the goal was to deliver products to customers, but now, there is a growing need for ongoing engagement and improved customer satisfaction even after the sale. This also applies to systems, where beyond initial investments, ongoing maintenance and operational cost optimization must be considered.
- As historical assets were formed based on N-to-N relationships and power balances across the value chain, untangling these requires managing complex interests while there is also strong inertia to maintain the status quo.
- Promote transformation by collaborating with competitors in non-differentiating business areas to jointly approach common suppliers or industry stakeholders.
- Japan's core systems and infrastructure, such as software products and cloud services, are increasingly becoming monopolized by foreign vendors. However, the Japanese market is not large enough to prompt them to actively invest in requirements specific to Japan.
  As a result, proactive initiatives that could reduce short-term business opportunities through standardization cannot be expected from such foreign vendors.
  While it is essential to continue lobbying foreign vendors and service providers, it is also important to simultaneously foster collaboration and mutual initiatives among major Japanese enterprises.

Attitudes Required of CIOs/CDOs

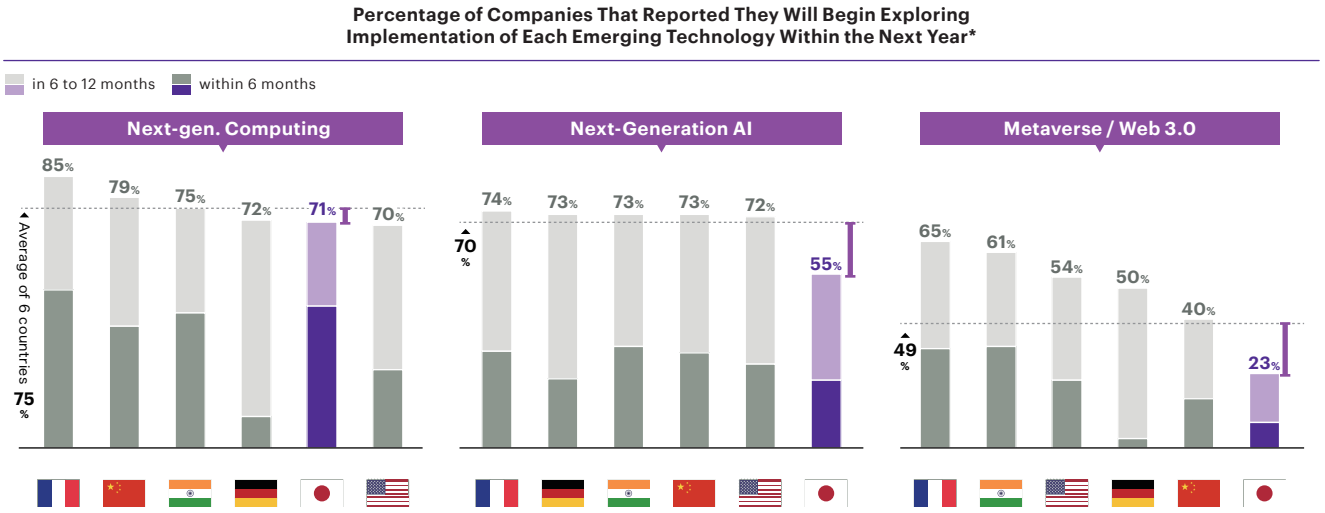
- **Promote a dual-track approach by fostering a sense of value through sharing success models while simultaneously improving IT infrastructure environments.**
- **Foster a company-wide transformation culture and elevate work practices by creating forums for cross-business issue discovery and awareness, and by promoting initiatives through virtual cross-regional teams.**
- **Involve the HR division and others to ensure that employee incentives are appropriately scaled and supported through backing by HR policies.**
- **Boldly pursue new value creation through customer-centric and value chain-spanning transformation.**
- **Act to reduce digitalization costs by driving industry-wide standardization, particularly in non-competitive areas.**

Topic 3. Utilize the Potential of Advanced Technologies

Interest in leveraging advanced technologies tends to be higher for hardware-oriented technologies with visible presence and performance, while interest is lower for software-based technologies that involve greater uncertainty. This trend is seen in both domestic and international companies.

Japanese companies, in particular, exhibit a strong bias toward hardware. They are notably cautious when it comes to utilizing software technologies such as AI and the Web. As a result, Japan struggles to produce companies like GAFAM that fully harness the power of software and data to create large-scale, cross-border value rapidly and achieve exponential growth.

Figure 14. Anticipation and Enthusiasm for Advanced Technologies



* "When is your organization planning on implementing the following emerging technologies?"
Source: Accenture

Discussion Point 1

Rapid Adoption of Advanced Technologies and Scaling of Innovation

Given the characteristics of these technological domains as previously described, large corporations will not be able to achieve sustainable growth unless they can quickly scale the use of advanced technologies across the entire organization. At the same time, they must overcome the gap of awareness that exists between management and workers on the site. For example, in the case of generative AI, while management expects it to generate significant value, they seem less attuned to the fear among actual workers that their jobs may be displaced. To achieve company-wide transformation and reap the substantial benefits that lie beyond it, it may be necessary to adopt measures on an entirely different level in a way that does not overly rely on traditional sources of employee motivation and can overcome resistance and confusion.

Discussion Point 2

Reequip IT/Digital Division to Form "Management-Contributing Functions"

For CIOs/CDOs to contribute to management using advanced technologies, it is essential to reposition IT/Digital Divisions as strategic divisions and reequip them as an execution force that will lead sustainable growth.

To do so, companies must navigate the difficult challenge of transforming skill sets, culture, and value delivery while also leveraging existing talents who have supported IT/digital operations and accumulated company-specific expertise.

In addition, it may also be necessary to pursue further collaborations that go beyond industries and sectors.

Opinions and Shared Points from the Meetup

Discussion Point 1

Rapid Adoption of Advanced Technologies and Scaling of Innovation

Igniting the Fire of Innovation on the "Frontlines"

- In many cases, personnel on the frontlines already have knowledge of and an interest in advanced technologies. Motivating such individuals through the creation of communities and identification of themes that lead to value creation can often serve as a starting point.
- Improvements at factories or business sites frequently fail to reach management. The key lies in how such efforts are identified and scaled. Since many potential themes exist on the frontlines, management must focus on surfacing these through mechanisms that promote awareness (e.g. raising awareness on the site, gateway to new business, stepping beyond traditional operational boundaries) and then scaling them up.

Scaling of Innovation

- There are numerous challenges when it comes to scaling after PoC (Proof of Concept). The seeds of innovation exist precisely within business functions and on-site operations. It is the responsibility of management to establish mechanisms both for pilot implementation and for scaling within the organization.
- By providing and showcasing tangible outcomes to the field, the number of collaborators can increase and effectiveness can be validated.
- As existing system silos and complexity that hinder scalability stem from lack of awareness and/or understanding of legacy assets by management and business functions , it is essential to raise awareness among management.

Opinions and Shared Points from the Meetup

Discussion Point 2

Reequip IT/Digital Division to Form "Management-Contributing Functions"

- There are cases where themes developed from the perspective of on-site operations do not align with the management's vision. While respecting the autonomy of the site, continuous communication is necessary to instill an understanding of management and business direction to align both perspectives and vectors.
- It is also important to adopt initiatives such as presentations and recognition programs conducted at manufacturing sites.
  Creating a loop between bottom-up engagement and top-down direction can lead to more significant changes.
- Since new discoveries are often made on the site, there is a need to communicate management's expectations regarding the sense of distance, speed, and impact required for innovation.
- As business and operational complexity and individualization serving as a base become deeper, they become barriers to creating new value. In order to overcome this, it is necessary to establish a collaborative structure between business and IT to drive reform.

Attitudes Required of CIOs/CDOs

- **There are many individuals within companies or their affiliates who possess knowledge of new technologies or have a strong desire to utilize them. There is a need to make efforts to identify and motivate these individuals through structured mechanisms.**
- **The motivation for new initiatives utilizing advanced technologies exists on the site. To uncover this, initiatives such as rewards, recognition, and visibility are essential.**
- **Opportunities for innovation exist on the site. It is the role of management to draw attention to these opportunities.**
- **Management must balance sustainability and innovation at the business and operational level by engaging in portfolio management that controls the time frame and proximity of initiatives.**

Topic 4. Insights for Created Empathy to Drive DX/BX

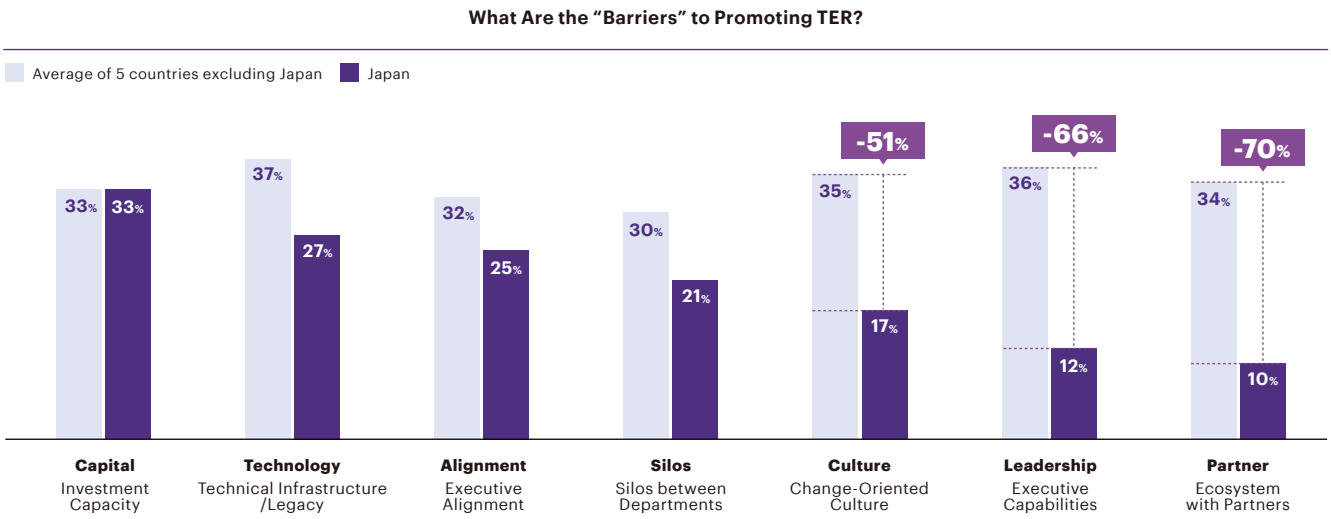
Utilization of digital technologies goes beyond traditional improvement-oriented initiatives. It enables fundamental transformation of conventional operating models and the digitization of all aspects of corporate activities, allowing for comprehensive understanding and rapid, timely management decisions based on data analysis. With such utilization methods in mind, companies in other countries are pursuing ambitious goals and implementing bold reforms to integrate the potential value of digital technologies into management. In contrast, Japanese companies are still facing a gap in awareness and perspective toward digital technologies, leaving it up to the CIOs/CDOs to lead such efforts.

Discussion Point

How to Raise Interest Among Management / Business Functions and Foster Momentum for Ongoing Transformation

Reform cannot be realized solely through the directives from a single CIO/CDO. Behind the scenes, mechanisms must be created to involve and mobilize a great number of people.
To scale DX across companies, industries, and ultimately society, CIOs/CDOs must not only work on creating the right environment and driving DX initiatives but also play a role in attracting internal and external stakeholders. Furthermore, they must foster shared understanding both inside and outside the company to build momentum that drives transformation.

Figure 15. Japanese Companies Have Low Awareness of Fostering "Talent & Culture" as a Key to Sustainability



Source: Accenture

When observing Japanese companies from these perspectives, it unfortunately becomes apparent that there exists a corporate culture in which CIOs/CDOs struggle to fully exert their influence. This is largely due to the generally low sensitivity to risks that are hindering transformation. In the softer aspects such as "fostering a change-oriented culture," "executive capabilities," and "building ecosystems with partners," there is a significant gap compared to global awareness. The challenge lies in how to gain insight and awareness into these obstacles and risks.

On the other hand, some companies that have taken a pioneering approach to DX have been quick to position themselves as DX leaders and have contributed to raising awareness among management and even employees through CIO/CDO communication as well as market communication. Strategically establishing and embedding methods to generate interest both inside and outside the company, starting from the CIO/CDO, is important not only because it helps gather empathy and resources but also because it plays a crucial role in driving bolder and more effective transformation.

Opinions and Shared Points from the Meetup

Discussion Point

How to Raise Interest Among Management / Business Function and Foster Momentum for Ongoing Transformation

Sense of Crisis and Awareness of Challenges for Japanese Companies

- While Japanese companies have high-quality development skills honed through manufacturing, their speed is very slow. In contrast, global companies prioritize software and services, and although quality varies, their speed is extremely fast. Considering that software and services will continue to drive value creation, Japanese companies, by competing with global firms, will gradually come to understand the importance of speed, while global companies will deepen their understanding of quality requirements, and eventually this mutual understanding will lead to a stable balance between quality and speed.
- It is crucial for top management to have a sense of urgency and speed, and to accelerate management speed, top executives must first understand that "there is a need for system renewal." Even if upper management understands this, as the lower layers often lag behind, it is essential to bridge this gap.

Building Empathy With and Engaging Employees

- In project management, creating an atmosphere that engages those on the site through "marketing and promotion" is important.
- Although everyone may publicly agree that "transformation is important" and show consensus in meetings, behind the scenes, some may hold opposing opinions or only agree superficially but actually resist or refuse to cooperate. Managing these hidden aspects and realities is also critical.
- It is worth noting that resistance to reform and standardization can even arise from a "sense of earnestness." That is, the more people are faithful to their given missions or immediate goals, the more likely they are to optimize their actions and decisions for the present rather than the future, which can appear as resistance. If the top leaders act as role models, the middle layers will follow loyally without losing motivation. Through a combination of top-down, bottom-up approaches and visualization of the situation, reforms can progress by leveraging Japan's characteristic "earnestness."
- Appointing foreign leaders also brings opportunities for Japanese employees to learn. Additionally, as foreign leaders begin to understand the differences and absorb positive traits from Japanese employees, collaboration between Japanese and foreign team members becomes stronger.

Opinions and Shared Points from the Meetup

Building Empathy through Various Approaches

- When the CEO personally declares that we are in "an era where DX is closely linked to business," this directly impacts top-line and bottom-line results and creates momentum for everyone to participate in the movement.
- It is important to display "emotional empathy" along with concrete business benefits. Presenting advantages from a business perspective, such as ease of overseas expansion and security compliance, helps build a consensus.
- Leveraging external forces such as mass media is also effective. Amid cultures that differ between each company, pushing forward with a crisis-driven approach can also serve as a strategy.

Attitudes Required of CIOs/CDOs

- **Effectively leverage global resources to drive transformation with the right people in the right roles, while also involving top management to promote global standardization across the organization and its processes.**
- **Recognize that Japanese companies are lagging behind globally, and aim not only for transformation (DX/BX) from the current state but also for fundamental creation of innovation (TER).**
- **To build empathy, pursue a dual approach of top-down direction and bottom-up input, bridging the divide in awareness and motivation.**
- **Foster resonance by combining unified awareness and emotional empathy with clearly communicated business benefits, thereby amplifying capabilities.**
- **Position the utilization of external organizations and mass media to form empathy as an effective approach (along with communication and internal/external dissemination of the message).**

3

Suggestions

Missions for CIOs/CDOs Led the future

Back to Table of Contents

Environmental Awareness: Strengthening the Competitiveness of Japanese Companies in the Global Market and Utilization of IT & Digital Technologies

Over the course of Japan's "lost 30 years," corporate management in Japan has heavily emphasized cost efficiency and flexibility, and IT was treated merely as a tool to reinforce this cost-centered strategy. As a result, IT inadvertently contributed to realizing the survival of legacy business models.

However, as a result of continued cost-cutting, differentiation among Japanese companies eroded. Also, the outsourcing of operations and IT talent, the outflow of expertise, and insufficient investment for transformation delayed structural reforms of business assets such as operations and systems, leading to growing silos and complexity. Due to this downward spiral, it is a fact that this technical debt, now acting as a major barrier to strengthening values that leverage modern IT and digital technologies, has been built up.

From a broader perspective, IT and digital technologies have become mission-critical in corporate strategy, and due to the "winner-takes-all" nature of the digital era, a strategy of following behind competitors is no longer viable and Japanese companies must reset their stance and pursue forward-looking reforms.

Furthermore, with the ultimate goal of winning in the global market, it is essential to accumulate business expertise in IT and digital technologies that meet global standards and to pursue a "leapfrog" strategy in which gradual reform is surpassed through bold innovation. At this stage, it is no longer sufficient to focus on the trends or technologies that are currently prevalent within Japan. CIOs/CDOs must take the lead in thoroughly understanding global competitive trends and their own company's competitive strengths as well as driving major internal transformation by focusing on emerging technologies, even those with limited domestic adoption, if they have the potential to significantly impact society and industries.

1. The world of software-defined (*) technologies centered around devices, etc. is rapidly expanding, and from the perspective of building competitiveness in this domain, expertise in IT and digital technologies has become critically important.

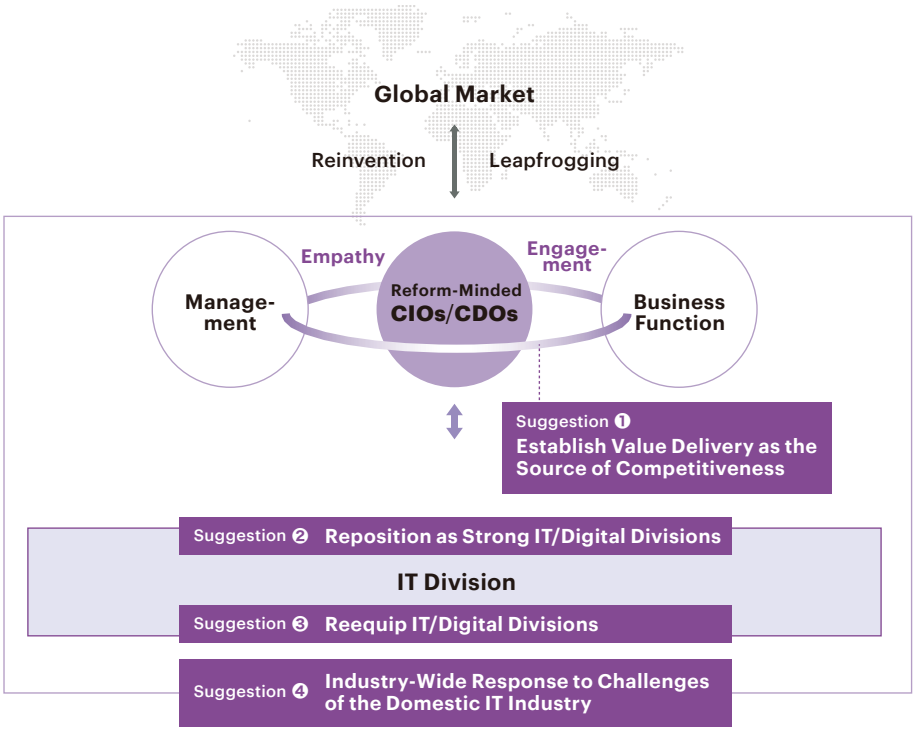
   * Software Defined: A technology that abstracts hardware through virtualization and controls it with software.

2. IT and digital technologies are evolving from being enablers that improve the efficiency of indirect or fixed operations to becoming platforms that create and enhance the business itself.

3. What is being required now is "Reinvention."

4. IT and digital technologies are at the core of everything, and the IT and digital divisions which possess specialized expertise must take the lead in driving this reinvention.

Figure 16. Four Suggestions for Leapfrogging and Reinvention in the Global Market Centered Around "Reform-Minded CIOs/CDOs"



Source: Accenture

Suggestion ❶

Establish Value Delivery as Competitiveness by IT

The CIO/CDO must demonstrate an aspiration to directly contribute to improving corporate competitiveness, stirring both internal and external empathy and a desire for transformation.

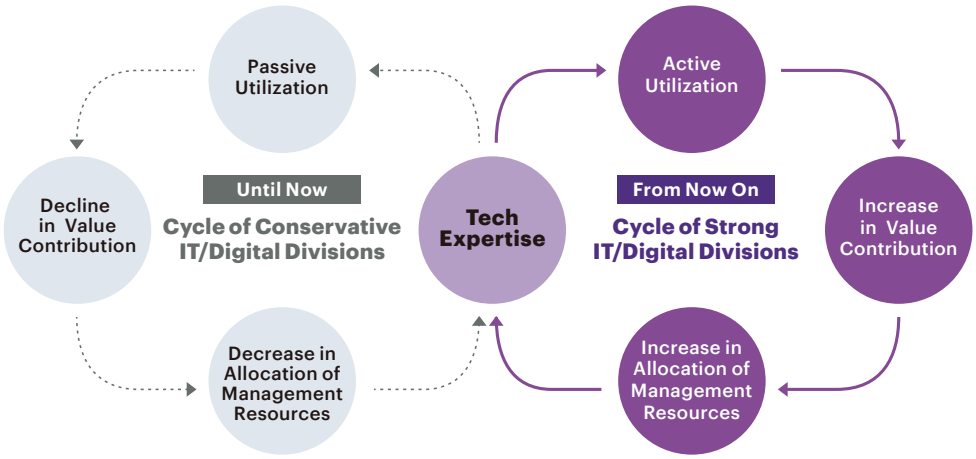
- **Instead of focusing on relative advantages over domestic competitors or cost-centric views, aim for exponential growth with a global perspective, visualizing opportunities for Japanese companies to possess unique competitive strengths against global rivals.**
- **The perspective for transformation should focus on "reinvention" rather than "digitalization" or DX (digital transformation).**
- **Through dialogue with management, ensure alignment with the company's overall strategy and achieve alignment with business functions.**

Suggestion ❷

Reposition IT/Digital Divisions

With the progression of the digital society, IT and digital technologies are increasingly becoming forces that change society and industries, bringing significant benefits to companies. It is crucial that IT/Digital Division where technological expertise is concentrated within the company actively work to harness these benefits as this will determine the company's overall success or failure.

Figure 17. Repositioning from "As Is" to "To Be"



Source: Accenture

From this perspective, IT/Digital Division, which have largely played a passive role over the past 20 years, must now leverage its core expertise to actively contribute to creating new corporate value, and based on its achievements and trust, larger management resources should flow toward it to create a positive cycle that enhances its capabilities even further.

The CIO/CDO must act with a strong sense of purpose within management, ensuring that their IT/Digital Division attract attention and resources from both internal and external stakeholders.

- **Shift the positioning within the company by proactively providing value through the expertise and roles of IT/Digital Divisions.**
- **When business functions utilize IT services, focus not only on initial investments but also on follow-ups for long-term maintenance and operation. Additionally, by taking responsibility for maintenance and operation, IT/Digital Division can better understand how systems are used and the data it contains and actively use this data to discover new value and insights, support decision-making, and enhance services.**
- **Maintain a cross-cutting perspective that spans the activities of various business functions centered around IT/digital aspects and foster collaboration on similar themes to create synergy while eliminating redundant investments and considerations. Consolidating data, such as through customer management integration, can lead to the discovery of further insights and improvements in efficiency and economic value through integrated maintenance and operations.**
- **Support business functions by taking on tasks outside their areas of expertise, such as risk management related to the utilization of IT services (e.g. security) as well as enhancing education and literacy in order to reduce the burden on the site.**

Suggestion ❸

Reequip IT/Digital Divisions

To realize the value mentioned earlier, it is necessary to dramatically transform the organizational capabilities and behavioral patterns of IT/Digital Division Taking on the challenge of transforming one's own division with determination will be an essential role of the CIO/CDO.

- **Rather than thinking about "what can be done" based on existing IT governance, organizational structure, and personnel, begin by considering "what must be done" and then reverse engineer the necessary organizational and personnel reforms.**
- **Act as a bridge between business and technology to detect opportunities in creating future corporate value and explore the outcomes in a way that is exploratory. To achieve this, build trust with management and business functions division, and ensure that personnel have the mindset and language skills to find solutions that are mutually beneficial to both business functions and IT divisions.**
- **As an IT standard, make decisions based on creating business outcomes while ensuring the reliability and cost-effectiveness of systems.**
- **IT/Digital Division should not merely remain as a "provider of technology" but also take the lead in driving standardization of company-wide operations by pushing for "Fit to Standard" (aligning business processes with system standard specifications). Promoting "Fit to Standard" particularly in non-competitive areas makes it possible to always utilize optimized IT service standard processes, functions, and environments, which leads to reduced development and maintenance costs as well as rapid functionality extensions and updates, thus realizing maintainability, scalability, and cost efficiency while also reducing risks.**
- **Advance the standardization of IT systems and IT operations as well as the integration of data generated from the platform to create synergies across the entire company in the medium term.**
  To gain cooperation from business units division, implement a system that combines the staging of short-term business achievements (incentives) and long-term overall control (discipline).

Suggestion ❹

Challenges of the Domestic IT Industry

In order to achieve the value transformation of IT/Digital Division in each company, it is essential to revitalize the domestic IT industry in addition to the previous three points. The following actions are necessary to resolve issues through collaboration between companies and through industry-government-academia partnerships.

- **Building industry-specific IT platforms as industrial capital**

  The reason why the "D" in DX tends to be overpriced in Japan is partly due to past business practices and complex distribution structures. To break free from this constraint, it is important for domestic user companies and IT companies to share know-how and intellectual property (IP) and build industry-specific standards for Japan, while reducing total costs and achieving cost-sharing.
  Such collaboration between Japanese companies and industries could serve as a countermeasure to prevent market domination by overseas software and service companies, as well as the decline of domestic knowledge and bargaining power.

- **Raising Japan's IT/digital talent capability**

  Despite the declining population, Japan is entering an era where university admission is almost universal and talent is being produced in millions. Moreover, when applying advanced technologies like generative AI, evaluation is not always based on the technical specifications but with an emphasis on business impact. Therefore, the goal should be to increase talent who can apply technology with business sense, not just limited it to STEM personnel.
  Through industry-government-academia collaboration, it is desirable to foster digital talent from humanities graduates and establish joint recruitment activities for IT positions, thereby forming clusters of potential talent and motivating and enabling them to become effective contributors.

- **Ensuring career paths and talent mobility**

  To carry out transformation in each company, organizational flexibility is important to aggregate IT/digital talent as needed.
  Even in Japan's labor market where the culture of lifetime employment still remains strong, there is a need for a safety net that ensures talent mobility between companies and sharing of rare talent to avoid anxiety or burden among individuals who do not require frequent job changes.
  As a result, this would help curb the outflow of highly skilled talent to foreign companies like GAFAM while also facilitating the inflow of knowledge from such companies.

The suggestions extracted through discussions with core members have become key topics that will contribute to strengthening the competitiveness of Japanese companies through the utilization of IT/digital technologies.

To promote this broadly within Japanese companies, it is essential that, from the management side, the importance of these topics in business competitiveness is recognized, and when appointing a CIO/CDO, it is necessary to select the most suitable individuals from both internal and external sources based on their skills and aspirations while empowering them with authority and responsibility.

By doing so, such personnel can be cultivated as drivers of company-wide transformation.