

Engagement with Customers on Business Growth Scenarios that Anticipate Future Value

With today's rapidly-changing social environment, it is said that the "synchronization" between social sustainability and corporate sustainability is essential. This synchronization can be viewed as a transition of society and the company to a desired future in which the company's business operations contribute to the sustainability of society as well as its own growth. Hitachi has applied NEXPERIENCE, a co-creation methodology, to several hundred projects to date and has achieved results, but from this point forward, co-creation with various partners will be essential to shape the desired future. This is what led Hitachi to develop a method for designing business growth scenarios, which depict the steps of operations that generate economic value for companies and create a sustainable society, and utilize it with its customers in the logistics sector. This article describes Hitachi's efforts to contribute to the realization of sustainable and harmonious business growth together with its customers through co-creation.

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1. Introduction

With the rapid changes in the social environment, society as a whole is undergoing a major shift toward a focus on sustainability (social sustainability in terms of climate change and respect for human rights, as well as the long-term providing of value and sustainable growth in earning power by companies). The ITO Review 3.0 issued by the Ministry of Economy, Trade and Industry (METI) in August 2022 states that companies that do not address sustainability-related issues are finding it increasingly difficult to gain recognition from investors, consumers, and the labor market, and as a result, their continued business operations are being adversely affected in many cases. On the other hand, it stated that this change offers an opportunity to further accelerate X (transformation), as companies are required to

boldly pursue discontinuous changes that are not an extension of their conventional operations. The report also states that in order to implement sustainability transformation (SX) and green transformation (GX) effectively and quickly, they also should be integrated with the implementation of digital transformation (DX)⁽¹⁾.

In other words, companies are required to envision their desired future from a long-term perspective with regard to sustainability, and work towards it in a step-by-step manner for business growth through DX^{(2),(3)}. Specifically, it will be essential for companies to achieve sustainability by combining operational efficiency and demand creation in their business operations, and it will be even more important to develop and realize a long-term vision and growth roadmap for their business based on this vision.

Hitachi has been providing co-creation system integration (SI) services that identify onsite issues and develop solutions through collaborative creation (co-creation) with

customers, and has accumulated the knowledge gained through these services in Lumada⁽⁴⁾. This led Hitachi to design and implement a business growth scenario design methodology that creates a roadmap scenario for realizing not only economic value, but also social value, in an effort to achieve the sustainability required in the future.

This article introduces Hitachi's co-creation efforts in the logistics sector using a business growth scenario that balances sustainability with harmonious business growth.

2. Latest Trends of DX for Realizing Social Value

As mentioned earlier, companies are being called upon to balance economic value and social value. However, economic value and social value can sometimes conflict, as when operations that seek to expand business performance increase the environmental burden. In order to achieve both of these goals, it is essential to incorporate business growth scenarios into daily business operations in a concrete manner, and at the same time, to visualize the actual status of operations to ascertain whether they achieve management goals, and to conduct DX to improve productivity. However, the reality is that many companies, while understanding the necessity, are still trying to find the best place to start⁽⁵⁾. Because of this situation, services to support DX began to appear several years ago.

Siemens AG offers a roadmap development service that takes into account a company's DX maturity level. In this service, the consultant grasps and evaluates the DX maturity level onsite through workshops with customer company stakeholders, determines the overall direction, and supports the implementation of DX by preparing a roadmap that matches the customer's situation.

Since 2007, Accenture PLC has been aggregating the knowledge of more than 40 industries held by its global offices, and by creating templates of this knowledge, the company has been able to provide its customers with quick and accurate solutions. Accenture also offers AI Powered Knowledge Sharing, a service that supports data-driven business operations by drawing value from customers' own data as they enter 2022. In this system, artificial intelligence (AI) analyzes the context of issues faced on site and presents appropriate solutions in real time from data held both inside and outside the company.

The government has also targeted DX in industry as a key measure. METI has defined DX indices and guidance to raise awareness of DX among companies and managers, and is attempting to accelerate the process by taking measures such as company certification and the selection of excellent companies according to their level of DX⁽⁶⁾.

These trends suggest that the demand for services that enhance corporate strength through DX will continue to increase.

3. Developing Business Growth Scenarios with Customers with a Long-term Vision

The previous section described services for increasing corporate value through DX support. Still, in the last several years, companies have found themselves in a business environment that they have never experienced before, with the COVID-19 pandemic, soaring oil prices, drastic exchange rate fluctuations, global warming, and a shrinking work force making the future outlook unclear. Under these circumstances, it will be a challenge for companies to set up a long-term vision to create not only economic value, but also sustainable social value, and to find a way to create a business roadmap to realize this vision.

3.1

Methodology for Designing Business Growth Scenarios from the Customer's Perspective

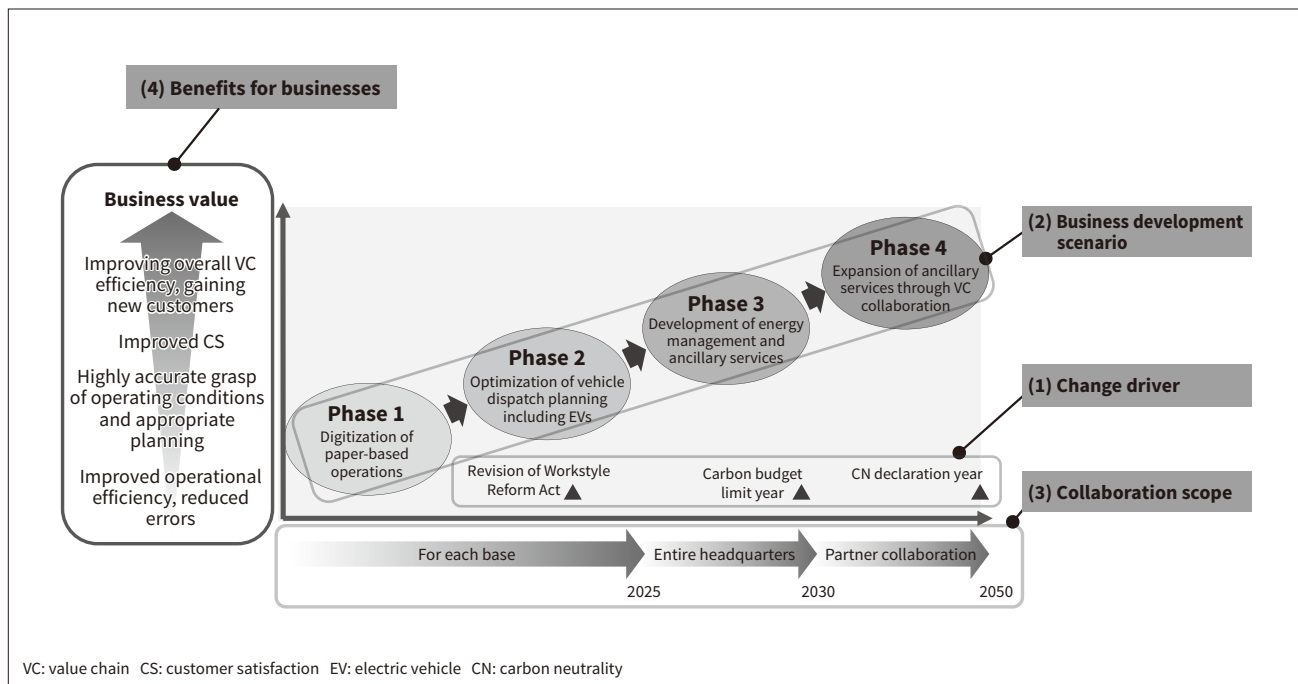
The business impact of changes in the business environment varies by industry and company. For example, some industries were hit hard by the COVID-19 pandemic, while others benefited. This led Hitachi to develop a business growth scenario design methodology that takes into account changes in the business environment from the customer's perspective and defines how the business will respond and change through DX toward the desired future corporate vision laid out by the customer's management (see **Figure 1**).

The business growth scenarios consist of four main elements: (1) change drivers such as events and megatrends that are expected to have a large impact on business, (2) business development scenarios that take into account the business impact by the change drivers and gradually reform and change business and operations toward the desired future corporate vision, (3) the timing for implementing the scenarios and the scope of collaboration among the stakeholders who should collaborate in each phase to implement the scenarios, and (4) the realized value for the businesses that the scenarios will bring in each phase. The change drivers here refer to future matters for which enforcement is predetermined, such as revisions of laws and regulations, and to uncertain matters, such as changes in the business's customers. The latter include, for example, demographic changes affecting demand, consumption trends, capital and IT investment trends, and behavioral changes such as ethical consumption in line with growing interest in the Sustainable Development Goals (SDGs).

The purpose of developing business growth scenarios is to create a preparatory step (roadmap) for realizing the sustainability that customers demand through empathy, rather than just making DX initiatives more efficient in certain operations. Hitachi will continuously design and provide the combination of solutions needed to move to the next

Figure 1 – Business Growth Scenario and Its Main Components

The figure shows the methodology for designing the steps of improvement and reform based on the current situation toward the desired state that a company aims to achieve through DX.



phase by following this scenario, and flexibly change the scenario as needed if the business environment changes from initial expectations.

3.2

Implementation in the Logistics Sector

The logistics sector is an industry where many change drivers lie ahead. First, in 2024, the so-called “2024 issue” is expected to require drivers to reduce their working hours due to the impact of the amended Labor Standards Act, and by 2030, it is said that the number of drivers in the road freight transportation industry is expected to decrease to about 53.3% of the 2000 level⁽⁷⁾. Furthermore, measures to achieve carbon neutrality are also essential.

In this instance, the customer that Hitachi collaborated with is a medium-sized company that provides services to corporations with offices nationwide. In addition to measures to address the above-mentioned issues, management identified the improvement of service quality and value-added services as essential initiatives for the company as a whole. On the other hand, when Hitachi surveyed the onsite issues faced by each sales office, they voiced a variety of frank opinions. In addition to handling various types of transaction slips at workplaces with many suppliers, there are still many analog processes. As a result, it took time to collect and organize the information necessary for vehicle dispatch planning, and when sudden changes occurred, it was time-consuming to review the plans, and errors were common. Also, a handheld terminal was adopted to improve inspection efficiency, but with the aging of workers,

there were some who said that the additional items were too heavy to carry. The site manager saw the gap between these survey results and the future envisioned by management and thought that some measures were necessary, but was having a hard time designing measures to get started.

3.3

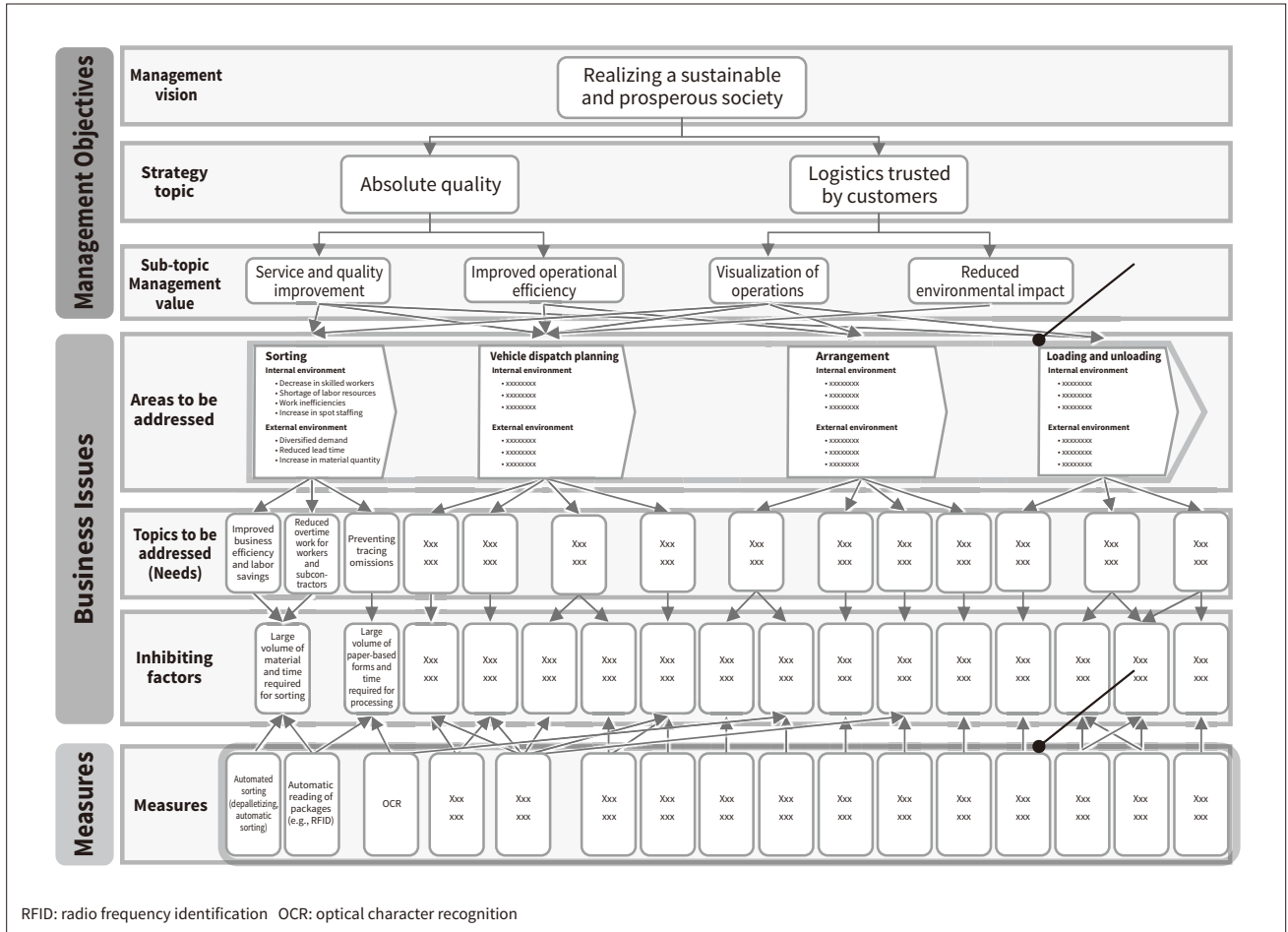
First Steps by Developing Business Growth Scenarios

Hitachi first structured the customer issues using a Business Issue Organization Tree in order to get a structural view of the customer issues and to identify the priority issue areas to be addressed. This is always created before starting a business growth scenario. The value chain is integrated horizontally, where the management’s vision of the future company and recognition of issues are placed vertically at the top, and the relationship between the issues and impediments for the onsite staff to realize the management’s recognition of issues are structured vertically in a tree shape at the bottom (see **Figure 2**). Onsite issues are broken down into the business processes that make up the value chain, and sometimes unexpected common points can be found among different business processes. With this in mind, scoring was conducted from the viewpoints of the multiple parties involved, including the onsite managers and those in charge of the site, to identify areas of high priority for taking action.

Based on the DX status (extent of digitization and digitalization) of the identified areas, Hitachi prepared a scenario consisting of several phases, including the measures that should be started first and what actions should be

Figure 2 — Structure of Business Issue Organization Tree

The relationship between the business issues faced in realizing the management goals of a company and the process up to reaching the proposed measures is structured in a tree-like form to enable a bird’s-eye view of the entire process.



implemented by a certain time in response to the change drivers described above. The initial phase is the early digitization of data related to the series of operations associated with vehicle dispatch planning, which has become a bottleneck. The next phase is the reduction of CO₂ emissions by streamlining vehicle dispatch planning and thereby optimizing the number of trucks in operation. This phase is followed by the creation of value-added services by allocating the time margin gained from the streamlined operations to other operations. In addition, the number of sites and stakeholders targeted in each phase is expanded in stages. According to the customer, the digitization of data had been considered several times in the past, but had been put off because it could not be shown to be cost-effective. In this case, however, the customer was able to identify the scope of work to be undertaken in the initial phase and present a solution that fit the budget. Then, the customer was able to demonstrate that this initiative was not a partial improvement in operational efficiency, but part of operations aimed at achieving sustainability, enabling the customer to obtain management approval to begin the improvements. Currently, the initial phase of solution implementation is underway.

Business growth scenarios cannot be prepared unless Hitachi understands the way of thinking of the customer’s management and the operations at the onsite level, and has broad foresight into how the customer’s business environment will change and how it will be affected. Hitachi believes that further enhancement of these skills will be essential in the future.

4. Conclusions

Thus, by using a business growth scenario consisting of several growth phases in the logistics sector, Hitachi was able to achieve a long-term vision for sustainability and the creation of a business roadmap to realize the vision.

Looking forward, companies that pursue only their own efficiency without considering their contribution to sustainability will have difficulty gaining recognition from investors, consumers, and the labor market, and it is expected that companies will accelerate their sustainability efforts.

Hitachi will continue to contribute to society and corporate transitions for realizing sustainability through co-creation using business growth scenarios.

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