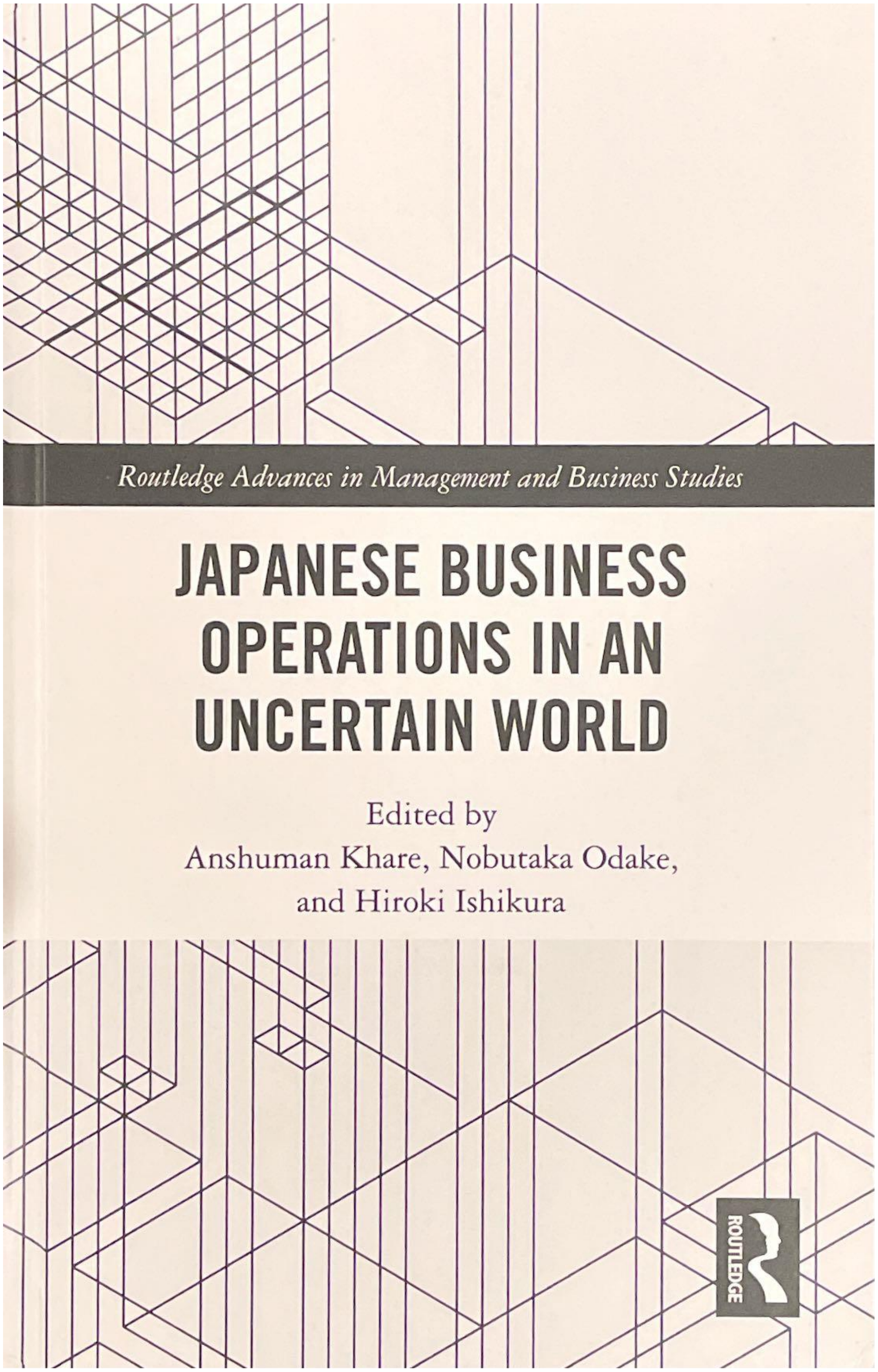
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CHAPTER 2
How Hitachi's Globalization Efforts Prepared it for COVID-19

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Abstract

Japanese companies face challenges when doing business in global markets. There is no right or wrong definition of how to be successful in business – different cultures have different perspectives, and this impacts how business in conducted. US capital markets, for example, emphasize shareholder primacy, whereas the Japanese market has traditionally placed a higher emphasis on serving stakeholders. The mechanisms of Japan's elevation of shareholder interests in business governance are complex, and changes within companies are often very slow when there is not an immediate crisis or other external influences. This chapter looks at the challenges faced by Japan's largest businesses when competing in global markets. It will also examine how Hitachi's leaders have steadily driven the global transformation of Hitachi since the Lehman shock of 2008, thus putting the company in a stronger position to respond to the challenges of the COVID-19 pandemic. Leadership is a key element to driving profitability, and Hitachi's last two Presidents have successfully demonstrated two approaches to strengthening Hitachi's profitability and global competitiveness including (1) adoption of hybrid global + Japanese management styles and (2) business portfolio reform. These approaches may provide a template for a more rigorous response to challenges even in the absence of shocks. The case study of Hitachi presented here illustrates this point.

Keywords: global competition, hybrid management approach, globalization, profitability, Japanese business practices

1 Global challenges facing Japan's largest businesses

Japanese companies face challenges when doing business in global markets. They have lower profitability when comparing return on equity (ROE) across primary stock indexes of different countries, although this has been improving (Constable, 2021). Japan's brand of capitalism is unique and deeply rooted in history and culture. Evolution of Japan's capital markets since Japan's peak in the 1980's has been slow and is bounded by constraints related to Japan's system of government, societal norms, and business practices (Schaede, 2020; Keidanren, 2020). With a shrinking and aging population and huge Japanese equity holdings by the Bank of Japan and the Government Pension Investment Fund (GPIF), the Government has a large incentive to see Japan's companies grow globally and become more profitable (Schaede, 2020). This conflicts with what has worked so well in Japan for hundreds of years, which has been to prioritize employees higher than profits because of the historical ties between family and company that have persisted in Japanese corporate culture (Chetwynd & Schaede, 2020). The drive for higher return on equity creates pressure on the obligation of lifetime employment. The social contract that large Japanese companies observe explains why, in times of crisis, Japanese unemployment fluctuates less than countries like the US (Saito, 2020). It also is a factor in why large Japanese companies have large cash reserves – to weather potential hard times without layoffs. To shareholders, cash reserves are considered excessive when opportunities for greater return, in many cases fueled by innovation, are forgone in favor of protecting stakeholders.Japan's Ministry of Economy, Trade, and Industry (METI) looked at ways for Japan's global companies to enhance their profitability in their *White Paper on International Economy and Trade* (METI, 2017). METI pointed to the need for greater pricing power in global markets, as well as more human capital investment to improve innovation capabilities. Population growth also plays a role in corporate health. Growth, and in turn the ability to invest, can be lifted or lowered by domestic population growth, and Japan's population peaked at the 2010 census. W.W. Baber et al. (2020 in Khare et al., 2020) ascribe lack of domestic growth in Japan as a factor in investment risk aversion, and thus lower digitalization, which impacts global competitiveness.

1.1 Japanese business priorities

There is no right or wrong definition of how to be successful in business – different cultures have different perspectives, and this impacts how business in conducted. The mechanisms of Japanese business reform are complex, and have been very slow to be adopted when there is not an immediate crisis involved. Former Hitachi CEO and Keidanran (Japanese Business Federation) Chairman Hiroaki Nakanishi pointed out that COVID-19 exposed disparities that are growing wider under today's form of capitalism. In Keidanren's Comprehensive Strategy policy proposal, he advocates that Government and businesses must focus on three challenges to create a sustainable form of global capitalism (Keidanren, 2020), as summarized here:

(1) Correct disparities by growing the economic pie through the creation of value, and distributing it properly
(2) Expand investment in the future (inclusive of education, support for families, investing in next generation technologies)
(3) Start putting Sustainable Development Goals into practice as a long-term measure of achieving strong growth

Japanese business practices are simply different in many ways than Western business practices. Nonaka & Takeuchi (1995) explained Japanese values in terms of oneness of humanity and nature, oneness of body and mind, and oneness of self and other. These lead to differences in behavior in business and management, as is discussed extensively in their 1995 book, *The Knowledge-Creating Company*. There are also very helpful frameworks for quantifying those differences along multiple dimensions, such as those from Hofstede (2011) and Gelfand et al. (2011). Table 2.1 below provides a simple, very high-level comparison of business priorities and practices in Japan vs the United States. Understanding these differences will be important context for the transformation methods described in Sections 3 and 4.

Table 2-1 Historical comparison of business priorities and practices between Japan and the US

Japan	United States
Business Priorities	
• <u>Concern for Employees</u> • Commitment to Customers, Suppliers • Commitment to Society, Social Harmony • Long-term Sustainability	• <u>Shareholder Rights</u> • Management Transparency • Financial Disclosure • Long-term Value Creation
Business Practices	
• <u>Consensus Driven, Slow Decisions</u> • Employee Job Security for Loyalty • Risk Averse, Quality Sensitive	• <u>Empowered Leaders, Adaptive</u> • Employee Pay for Performance, Transient • Risk Taking, Time Sensitive

While shareholder rights are gaining traction in Japan through various forms of shareholder activism, a Japanese-style of stakeholder focus is also taking root in global markets through activities such as managing towards a "triple bottom line" (Ho & Taylor, 2007) or focusing on Environment, Social & Governance (ESG) objectives. Cremers et al. (2021) assessed North American, European, and Japanese company goal attainment in ESG, and found Japanese companies to be ahead of North America and behind Europe in Environmental goals. In Social goals, Japan and North America both lagged Europe, with one of Japan's biggest deficiencies being in employee engagement (Gallup, 2017). In Governance, Europe and North America were well ahead of Japan, which lagged in transparency, inclusion, disclosure, and accountability.

1.2 The Importance of leadership in adapting to change

Unexpected events like the Lehman shock or the Great East Japan Earthquake often highlight weaknesses in a company's structure or even in an entire industry, and may result in leadership changes. However, it is the leader at a Japanese company who impacts the scope and permanence of the change that follows any shock. Leaders of Japan's largest companies have indeed made, or have announced their intention to make significant changes in response to the latest shock: COVID-19. For example, Christophe Weber of the Takeda Pharmaceutical Company was very clear, perhaps taking advantage of this event to accelerate change:

> *"We have learned that you can do a lot of work from home and this will change forever the way we work together as colleagues in the company. This is something we are embracing. We are very clear that we will never go back to where we were before the pandemic."* (O'Neill, 2021)

Jean Marc Gilson (2021), who took over as CEO of Mitsubishi Chemical Holdings Corporation (MCHC) Group in April 2021, created guidelines for some clear changes to come in response to the global situation in 2020 in his President's Message:

> *"The things we thought to be impossible a year ago such as remote work and generalized e-commerce are now a reality. Upon review, the companies that are thriving in this environment all share the same characteristics:*
>
> - *A simple and clear sense of purpose and strategy understood and embraced by all,*
> - *A culture of focusing and innovating towards growing markets,*
> - *A keen sense of quick decision-making, adaptability and calculated risk-taking,*
> - *A workforce of very engaged and financially responsible employees at every level of the organization"*

Adapting to COVID-19 for a variety of manufacturers like MCHC means that non-production functions have been moved to home offices, while office capacity is being reduced. Work hours have become more flexible as the favored practice of a row of desks with a manager at the end of the row breaks down in a virtual world. Face to face after work gatherings with colleagues are not a safe option in the pandemic. Change in certain areas is happening fast. When COVID-19 created the imperative for a remote workforce, Hitachi had already spent years pushing forward with initiatives to support mobile and remote work, at least for top executives, as had been a common practice at one of their Silicon-Valley-based global subsidiaries from the early 2000's. Early in the pandemic, it was reported in Japan Chemical Daily (2020) that Hitachi Ltd was ahead of schedule deploying remote access, and that by March 3, 2020 there were more than 50,000 employees simultaneously using remote access. The following sections use Hitachi Ltd. as a case study to demonstrate how Hitachi's two Presidents, in office from 2010 through 2021, made significant reforms to drive profitability, innovation, and global competitiveness The two methods examined are (1) adoption of hybrid global + Japanese management styles and (2) business portfolio reform.

2 A Hitachi case study

Hitachi is a Japanese multinational conglomerate headquartered in Tokyo, with Fiscal Year 2020 (FY20) revenues of 8,729 billion yen, or about $82 billion dollars. The company is managed as five in-house sectors, and also has ownership, but not direct management, of majority stakes in two listed subsidiaries. The five in-house sectors are Information & Telecommunications (IT), Energy, Industry, Mobility (building systems, railway systems), and Smart Life. Hitachi has been divesting their listed subsidiaries, and as of April 2021 only two remain: Hitachi Construction Machinery and Hitachi Metals.

The Lehman shock of 2008 and subsequent deep recession worldwide created a collapse in trade (Saito, 2018), and this put Hitachi in a vulnerable position. From FY07-FY09 losses totaled JPY 952 billion ($12.2 billion). In April 2010 Hitachi's board chose forty-year Hitachi veteran Hiroaki Nakanishi as the next President. Turnarounds are sometimes entrusted to foreigners, as was the case with Carlos Ghosn at Nissan Motor Company in 1999, Christophe Weber at Takeda Pharmaceutical Company in 2015, and Jean Marc Gilson at Mitsubishi Chemical Holdings Corporation in 2021. However, Nakanishi had extensive global experience from his time at Hitachi, and was no stranger to Western business culture, Silicon Valley, and the fast-paced world of high-tech. Nakanishi believed that a Japanese President could turn around Hitachi if he had the right background (Harner, 2012), and his performance proves that, using profit as the metric. He saw the greatest challenge, and the greatest threat to Hitachi's survival, as its low profitability. Operating income rose to 6.3% by the end of FY15. Table 2.2 shows income metrics for Hitachi Ltd. over five Mid-term Management Plan (MTP) periods through FY20**.**

Table 2.2 Hitachi, Ltd. Income metrics at MTP period end, and IT Segment as % of total

Mid Term Plan Period (end value) ➔	*FY07-FY09*	*FY10-FY12*	*FY13-FY15*	*FY16-FY18*	*FY19-FY21 (showing FY20)*
Shocks ➔	*Lehman Shock*	*311 Earthquake*			*COVID-19 Pandemic*
Hitachi Ltd. Operating Income %	2.3%	4.7%	6.3%	8.0%	5.7%
Hitachi Ltd. Net Income %	-0.9%	2.6%	2.9%	3.4%	5.7%
IT Segment % of Total Revenue	19.0%	19.8%	21.0%	22.4%	23.5%
IT Segment, % of Total Op Income	46.8%	24.8%	22.3%	30.5%	54.4%

In the fiscal year ending March 31, 2021 (FY20), Hitachi achieved record high net Income at 5.7% and record high cash flow from operations at 9.1%. This is despite the COVID-19 pandemic and makes a case for Hitachi's preparedness through a combination of management reforms and portfolio shifts. In FY20, over 50% of Hitachi's operating income came from the IT business segment, bolstering that sector's influence within Hitachi.

Looking at a longer-term view of Hitachi Ltd. from FY07 through FY20, the company has:

- Reduced the number of in-house consolidated subsidiaries in Japan from 450 to 159.
- Increased global in-house consolidated subsidiaries from 484 to 712.
- Divested dilutive and non-core businesses yielding close to $20B (based on transaction value, not including minority stake transactions).
- Reduced listed subsidiaries (which are companies owned by Hitachi but also listed on stock exchanges) to two. In April 2021 Hitachi announced that Metals would be divested as well.
- Invested over $17B in acquisitions (this does not include the announced deal to acquire GlobalLogic for $9.6B, with a targeted close in 2021).
- Progressed on their diversity goals, starting FY21 with eight non-Japanese and seven female Executive and Corporate officers (Hitachi Ltd., 2021a).

In 2015, Nikkei Business (2015a; 2015b) highlighted Hitachi in a six-part series that demonstrated Nakanishi's globalization progress in rail, IT, and building systems. It featured headlines related to the railroad business such as "Serious delegation of authority, uncharacteristic of Japanese companies", and "Role model to promote international expansion." About the IT business, there were headlines such as "Advanced corporate governance that is not like a Japanese company," and "Resolution time reduced from 1-2 months to 3 days" about engineering and quality assurance issues impacting time to market.

The remainder of this paper will take a closer look at Hitachi's transformation. Section 3 looks at how the activities of one wholly owned subsidiary in Silicon Valley, Hitachi Vantara, were able to influence many other areas of Hitachi, making it a nimbler and digitally transformed entity. Such changes do not spread in a Japanese company without guidance from the top, and this is where the strong leadership of Hiroaki Nakanishi gave momentum to the types of changes that were taking place in areas such as IT and Rail. Section 4 summarizes the transformative portfolio reforms carried out by the next President, Toshiaki Hayashihara. Hitachi has recently transformed faster than many other Japanese companies, demonstrating that a large Japanese conglomerate can make bold and significant reforms, even in the absence of a present shock. That phenomenon itself has been referred to by Schaede (2021) as "Hitachi Shock", implying that other large Japanese companies can no longer say that significant reforms cannot be done.

3 Hitachi Vantara's impact on Hitachi Ltd

The foundation of Hitachi Vantara (Figure 2.1) began in Santa Clara California as Hitachi Data Systems (HDS). National Advanced Systems was purchased from National Semiconductor in 1989 by a joint venture between Hitachi Ltd. and General Motor Corp's Electronics Data Systems (EDS) unit (Associated Press, 1989). Hitachi bought-out the EDS share in 1999, making HDS a wholly owned subsidiary of Hitachi within what is today called Hitachi's Information & Telecommunications Systems (IT) business segment. In 2000, HDS made the difficult decision to withdraw from the mainframe business, giving up about 75% of revenue. This forced a pivot to networked storage in competition with data storage giants EMC and NetApp. Hitachi then secured an agreement with Hewlett Packard to rebrand Hitachi storage, an agreement with Sun Microsystems to resell HDS storage, and developed both direct and channel sales teams at HDS for global markets. In the same timeframe, a software product management team made up of HDS veterans and an influx of new software experts was recruited to HDS after working at start-ups during the dot.com era. This team began to make dramatic improvements to the software that accompanied Hitachi's very high-quality hardware. Sales of both hardware and software climbed. Within a decade this company had successfully leveraged a combination of global management, sales, and go to market capabilities and Western + Japanese product management and engineering to create a highly successful global business. Storage industry expert Chris Mellor (2010) wrote in The Register about HDS's lead over EMC and IBM in enterprise storage, bolstered by their first-to-market innovation called controller-based storage virtualization (the USP-V). While the technological innovation in the USP-V was a Japanese engineering victory, it was hard to sell, and the global HDS sales team innovated new business models to make the new product compelling to customers. By 2009 HDS was a strong global business that was pushing new boundaries for Hitachi. Ten acquisitions were made between 2005 and 2017 with an emphasis on software and services.

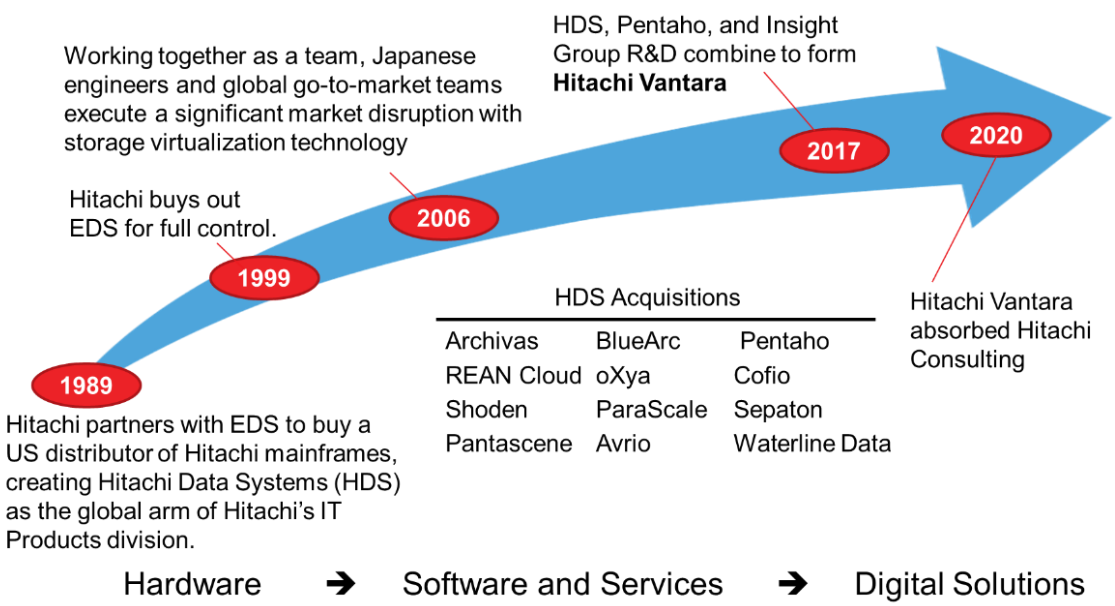

Figure 2.1 Hitachi Vantara History.

Software and services went from 23% of revenue to over 50% (Vellante, 2017). Revenue in 2017 was over $4B across over 100 countries (not including Japan), and Hitachi was now in possession of a large and successful global salesforce focused on digital solutions and services leveraging software, data, and analytics.

3 Agents of change

Hiroaki Nakanishi became the President of Hitachi in 2010, and within a couple of years had taken notice of HDS's CEO Jack Domme, who along with his executive team, had been key to driving the success of an integrated engineering effort between Western and Japanese teams. Domme became a direct report to Nakanishi in 2013 when he became Hitachi Ltd's first non-Japanese Corporate Officer (Kovar, 2013). HDS under Domme's leadership was a great example of cooperation between a Japanese division and their global counterparts, and examples are always helpful for Japanese leaders to point to when driving change in Japan. Nakanishi would hold up HDS as an example of great business results in a globally competitive industry with rapidly evolving markets and competition. He liked the culture and excitement of the HDS team. In 2015, he appointed Domme into the dual role of Chief Executive for the Americas region while continuing to serve as the CEO of HDS.

A Hitachi Ltd. (2015a) press release stated that:

> *Mr. Domme's appointment is significant for Hitachi as it is part of a new global management strategy Hitachi is calling "autonomous decentralized global management," which means Hitachi is placing more direct control for key businesses in the hands of talented local leaders to accelerate global growth by enabling faster decision-making based on market and customer needs. Hitachi has elected to deploy this new management strategy globally in order to grow its Social Innovation Business.*

This role had never been held by a Westerner before. Nakanishi and Higashihara explained their strategy in the Hitachi Annual Report Shareholder's Letter (Hitachi Ltd., 2015b). The regional Chief Executives would devise and implement their own independent business initiatives at the same time that R&D was being reorganized for closer alignment with global customer requirements. Cost structures were being reformed under the Hitachi Smart Transformation Project to enhance cash generation for investing in future growth.

One key function of the Chief Executive for the Americas was to convene a semi-annual meeting of Hitachi's Americas CEOs, a group consisting of over fifty Hitachi Group company and subsidiary CEOs, plus some of their key management team members. Under Domme's leadership, these meetings increased in frequency, and Domme created with the CEOs a sense of excitement around empowered leadership, competitive market-based strategies versus a Japanese product export mentality, business model innovation, and digital transformation across all businesses. Some Hitachi CEOs who were leading successful transformations would speak about how they were able to drive positive change resulting in revenue growth and higher profits. Domme employed the concept of change management through positive reinforcement and peer pressure, in combination with nudging and shaming. This approach is described separately in *The Business Reinvention of Japan* (Schaede, 2020).

Domme had made his impact at HDS and far beyond, and left Hitachi in 2016 after a thirteen-year tenure with the company (Yoshida, 2016). Domme and the leaders under him at HDS worked with counterparts at Hitachi Japan for over a decade and in some cases multiple decades. Such a long relationship created a level of honesty, mutual understanding, and collaboration across Japanese and non-Japanese managers that only comes with time and trust. It was through these long-term relationships, as well as support from the top of Hitachi, that HDS's functional leaders were able to interface with functional leaders in Hitachi Ltd from Finance, Human Resources, Marketing & Communications, Information Technology, and other functions to gradually nudge Hitachi's practices and processes in a more globally aligned and digital direction. These foundations, along with similar phenomena at other global groups like Hitachi Rail, contributed significantly to Hitachi's readiness to cope with the challenges of COVID-19. When COVID-19 created the imperative for remote work, Hitachi had already spent years pushing forward with initiatives in Japan to support mobile and remote work, at least for top executives, as had been a common practice at HDS for all employees from the early 2000's. Best practices born out of the influence from global activities would travel far under Nakanishi's leadership, and would permeate but not fully transform the back-office functions of Hitachi in Japan.

3.2 Keys to success in a "Hybrid" management approach

HDS was respected by Nakanishi for pushing certain boundaries to demonstrate to Hitachi's mid-level managers a new way of doing global business and innovating in solutions delivery. Part of the challenge faced by Hitachi is grounded in the way that HR works at a large Japanese company. Employees enter from college and expect lifetime employment, though this is slowly changing. Throughout their careers in the company, they are rotated to different functions, and by the time they are experienced enough to be a senior leader, they have become an expert at Hitachi, but not necessarily an expert in any particular function such as IT, Marketing or Sales. Even industry knowledge can lag based on being insular to Hitachi or limited to Japan domestic market dynamics. This contrasts sharply with the United States, for example, where an employee may join from a competitor mid-career, bringing with them extensive experience in one function such as Sales, Marketing, or Corporate Development (mergers and acquisitions). Hitachi, like many other Japanese companies, exports products to global markets through global subsidiaries or divisions. This global presence can have business practices spanning from Japanese in nature to local in nature. Anything in-between is a hybrid approach to management. When deep experts in their field and industry, working for a global arm of a Japanese company, are matched with Japanese counterparts at the same level of seniority, the global executive's capabilities are more suitable for success in local markets, whereas the parent executive's company-specific capabilities are more suitable for following processes and procedures of the parent entity in Japan. Both must be done, and doing so in a way that creates lasting change in Japan requires a clear understanding of Japanese business practices and culture, and patience to enable change over multiple Mid-term planning period cycles. Given that these cycles are often 3 to 5 years each, this change is slow by global business standards.

3.3 What type of "Hybrid" management is required?

Goals for hybrid management differ depending upon the relationship between the owned global entity and the Japanese parent organization. HDS started the 2000's as a global sales arm for a storage product factory in Japan, with both hardware and software content. To be successful in such a competitive and fast-paced industry, the hybrid approach had to lean heavily towards local business conventions and adoption of more global approaches, even in the Japan-based supply chain. HDS improved software, scrutinized cost of goods, built a global salesforce, and drove software and services acquisitions. This was a hybrid organization that felt more like a Silicon Valley company than a Japanese company, and no other culture would have succeeded.

3.4 Recommended elements of a hybrid approach for a fast-paced global products and services business

Table 2.3 highlights a sampling of recommendations in four key functions. These are most applicable in a situation similar to the one described for HDS and rely entirely on having a leader at the top of the parent company who is motivated to have a globally competitive business and understands with great clarity what it takes to do so.

Table 2-3: Hybrid Management Approach Recommendations – Product Company Supplied by Japan

Global Executive Leadership	• Demonstrate successes first to gain credibility and support from the top. • Define a market leading vision and strategy to help align and focus. • Relentlessly but respectfully share market and competitive data and insights with Japanese counterparts and top leadership. • Annually set ambitious but attainable targets (may diverge from MTP). • Uphold high ethical standards towards employees, customers, partners. • Eliminate Japanese practices at global offices that do not add value (for example, traditional seating positions in executive meetings). • Rotate leadership meetings through global locations including Japan. • Communicate regularly with employees via Town Halls, including expats. • Create accessible, daytime opportunities for socializing and team building.
Global Finance	• Effectively reduce G&A expenses as % of Sales, freeing up investment funds. • Emphasize market competitiveness and ultimately require financial transparency (with top-level support) regarding costs from in-house suppliers in Japan; scrutinize what should and should not be a profit center. • Benchmark cost of goods vs competition, understand factory constraints. • Structure shared monetary risks and rewards with Japan counterparts. • Introduce market & competitive data into Mid-term management planning process.
Global Human Resources	• Pay globally competitive wages. Attract and retain diverse, top global talent. • Implement performance-based component of pay aligned to key business metrics. • Allow remote work to enable recruitment of best talent in the market.
Global Engineering	• Engage in thorough business planning to increase alignment and understanding. • Introduce agile engineering processes. • Improve Japanese software user experience (UX) for global markets. • Advocate for strategic partnerships where required to compete. • Ensure Quality Assurance (QA) processes match global market needs and timing.

4 Hitachi Ltd's portfolio transformation

Transformation at a Japanese company has as much to do with leadership as with any external factors or shocks. COVID-19 had a significant impact on Hitachi's revenues and profit outside of the IT business sector and increased the urgency of change programs including the use of new software systems, the sale of non-strategic assets including cross-shareholdings (although they had been very active before COVID as well), and reduction of general and administrative (G&A) expenses. Hitachi is clearly on a longer-term path of reform that takes influence from many areas, from the disastrous financial year of 2009 after the Lehman shock to internal factors like Nakanishi's program of "Smart Transformation." Competitive initiatives such as Japan's Stewardship Code and the Ito Review in 2014, the Tokyo Stock Exchange's introduction in 2014 of the JPX400 "shame index" (Schaede, 2020), and the Corporate Governance Code in 2015, have set the stage for Japanese corporate leaders and boards (Yanagi, 2018). Higashihara became President after Nakanishi in 2014 and continued his work while also making bold moves to reform the Hitachi portfolio of companies. The following graphic (Figure 2.2) shows Hitachi revenue along with acquisitions and divestitures on a timeline in increments equal to the Mid-term Management Plan periods.

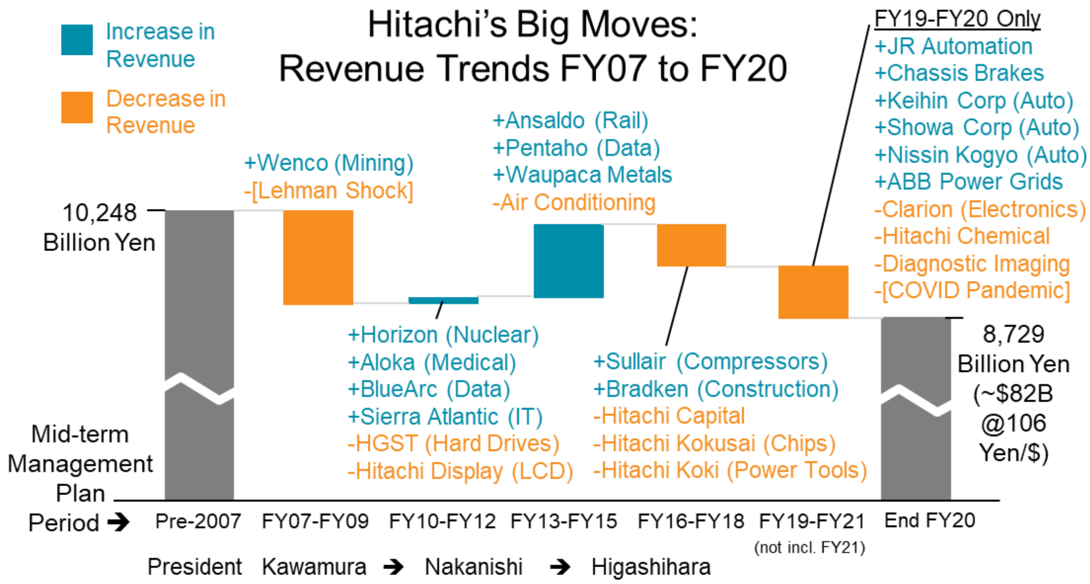

Figure 2.2 Hitachi's major acquisition and divestiture activity, FY07-FY20

In the Hitachi Integrated Report 2020, CEO Toshiaki Higashihara explains the company's often used term "Social Innovation", and that a key element of this is digital technology. He mentions the creation of Hitachi Vantara in January 2020 to "Lead the Development of Digital Solutions on a Global Scale." It is expected to strengthen the digital portfolio of "Lumada", which is what Hitachi calls their advanced digital solutions and services for turning data into insights that drive digital transformation (Hitachi Vantara, 2021). Lumada revenues are quantified in Hitachi's Consolidated Financial Results for the Year Ended March 31, 2021 (FY2020). Core digital solutions business accounts for 672B Yen ($6.2B) spanning all five sectors. Another 438B Yen ($4.0B) of revenue is classified as "Lumada Related", which are advanced products and systems businesses that are expected to generate synergies with the Lumada core business. This is a similar principal that HDS promoted in the 2010's – that continued customer relevance relied not just on superior hardware, but on compelling software and solutions as well as new business models and global sales capabilities. Hitachi is demonstrating how serious they are about delivering on their promise of Social Innovation in global markets. To further expand on their global digital capabilities in 2021, Hitachi Ltd. (2021b) announced their intent to acquire GlobalLogic for $9.6B. This is the highest price paid by Hitachi for any acquisition to date. GlobalLogic adds 20,000 employees to Hitachi Vantara's 11,000, and both companies will sit under US-based Hitachi Global Digital Holdings. GlobalLogic is characterized as a digital engineering services company, and a stated value proposition is to add advanced digital engineering capabilities, and a solid global client base including major technology companies.

5 Conclusion

While the COVID-19 crisis has been a catalyst for many companies to undertake drastic reforms, change the structure of their companies, and push a digital agenda internally and externally, Hitachi has been doing this for over a decade. As demonstrated in this chapter, significant reforms occurred under the leadership of Nakanishi and Higashihara in the wake of the Lehman shock, taking lessons, motivation, examples, and best practices from global operations and global business practices. Nakanishi emphasized the need to be globally competitive, and drove reforms by highlighting global success cases, empowering global leaders closer to the markets being served, and reorganizing Research and Development to be more aligned with market needs. Higashihara boldly reformed Hitachi's portfolio of in-house companies. Since then, Hitachi has become more focused, more digitally capable, and more profitable. Hitachi's leaders have transformed the company persistently and in the absence of shocks since 2011. In the year that many companies suffered large financial setbacks due to COVID-19, Hitachi set a record for net income and operating cash flow.

To what extent has Hitachi changed in Japan, and what is required to successfully compete in global markets going forward? Kieran Gane (2020 in Khare et al., 2020) concluded in a case study that non-Japanese business and transformation models will not work in Japan without being tailored to the Japanese people. This indeed has been a challenge when outsiders bring global management approaches into Japan. Nakanishi believed that overseas reforms would bring results to Japan and change Hitachi in Japan by external pressure. Certainly the decades-long relationships between global executives at Hitachi subsidiaries and Hitachi executives in Japan created a lasting impact and some reforms, but inside Japan these remain bounded by interrelated Japanese business practices that are slow to change. Inside Japan the external business and transformation models cannot be implemented in the same way they would be globally, but Japanese change agents from within Hitachi can make adjustments in Japan, and over time, these have a positive impact on results and remove some of the middle management barriers that can be so prohibitive to change.

Hitachi continues to seek ways to become more global and continues to strive for long term value creation and shareholder returns, which in turn benefits stakeholders**.** CEO Higashihara approved the acquisition of ABB Power Grids as another means to create a "driving force behind the transformation of Hitachi's business and corporate culture into something that makes sense in global terms (Kiba, 2021)." Building sustainable, differentiated global offerings with top market shares and industry competitive margins is hard to do, and requires the businesses to operate at the global speeds observed in the applicable industry, as well as adapting to business model shifts brought about by digital advances and sometimes even digital disruption. Hitachi should continue to benchmark themselves against global competitors, and work in close collaboration with global management teams that have demonstrated success and a willilngness to cooperate, as this seems to be effective at accelerating broader corporate change programs. Further research could look at other Japanese companies with global operations, to see how high-performing global leaders at subsidiaries outside of Japan influenced reforms at the parent company in Japan, and what role the parent company CEO or President played in creating the conditions for accepting new approaches. It would also be interesting to explore whether a high performing non-Japanese global subsidiary leader can continue to be as impactful if shifted to a Japan-based leadership role.

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