ITOCHU TECHNO-SCIENCE Realizes Over US$60 Million in Efficiencies Gained by Deploying Secure Infrastructure

Executive Summary

CUSTOMER NAME
ITOCHU TECHNO-SCIENCE

INDUSTRY
CPG/Retail/Transportation

BUSINESS CHALLENGES
- Increase customer satisfaction
- Establish a more effective communications system for employees
- Develop a framework to encourage collaboration

SOLUTION
- eWork@CTC—a customer-centric environment that breaks down inter-department barriers and allows seamless collaboration

BUSINESS RESULTS
- Web Desktop portal has saved CTC US$16 million annually.
- CTC estimates new sales activities of US$44 million as a result of increased salesforce efficiencies.
- CTC has created an organization focused on customer satisfaction, based on "enhanced security" and "improved convenience."

Perhaps the most important job of IT solutions providers is to win the trust of their customers. A compelling way to do this is for providers to implement and verify their solutions in their own businesses first, and then confidently recommend the solutions to customers.

BACKGROUND

ITOCHU TECHNO-SCIENCE Corporation ("CTC", which stands for Chu-ito Techno-Science Corporation) is the general IT solutions provider for the trading conglomerate ITOCHU Group. Floating an initial public offering on the First Section of the Tokyo Stock Exchange in December 1999, CTC recorded US$2.27 billion in consolidated revenues for the period ended March 2005, ranking it solidly among the top five companies in Japan's information services industry.

With a particularly strong presence among communications carriers, CTC has an equally impressive history of numerous network-related solutions implementations for companies representing a broad range of industry segments. CTC is also one of the most powerful Cisco® channel partners in Japan. Recently, CTC devised and implemented a strategy to incorporate leading-edge solutions in its own firm, using this experience as a showcase for customers.

IT investment in Japanese companies is driven by two business requirements: 1) the need for advanced security, and 2) the need for business productivity gains in office work tasks. The Personal Information Protection Law,

CISCO SYSTEMS

Prepared by Cisco Systems, Inc.
Internet Business Solutions Group

which became effective in April 2005, has spurred Japanese companies to increase their security-related efforts, since every company is now required to establish robust security systems. In addition to legal ramifications, Japanese companies also recognize that security compromises will tarnish their corporate value and standing in society. In short, Japanese companies have become much more serious about dealing with information systems security.

In the past, companies referred to office work productivity initiatives as "white collar" productivity improvement. Few companies had any specific policies, and productivity in these terms was little more than a slogan. Today, the story is much different. Companies are beginning to reengineer traditional work by adopting Web-based business applications and IP Communications. The result is a clearly demonstrable reduction in costs.

> ## "WE NEED TO GAIN AN EARLY UNDERSTANDING OF CUSTOMER ISSUES AND THEN BE ABLE TO OFFER PROPOSALS QUICKLY."
>
> **Masahiro Kobayashi, Deputy General Manager,**
> **Information Systems Department, CTC**

From the perspective of an IT solutions provider, security and productivity improvement represent significant and growing markets. CTC has set its sights on being Japan's leading provider of business reengineering engagements in these two areas.

BUSINESS CHALLENGES

As CTC engages in its daily business, the first priority is customer satisfaction. CTC has formalized several policies to help achieve this goal; unfortunately, none of these policies led to radical improvements in customer satisfaction levels. As CTC looked at its performance more closely, the executive team came to the conclusion that its own internal organizational systems and communications environment were not customer oriented.

"With current IT solutions, we need to gain an early understanding of customer issues and then be able to offer proposals quickly," says Masahiro Kobayashi, deputy general manager, Information Systems Department, CTC. "Of course, the same applies to development. Our sales and systems engineering departments have to coordinate closely throughout an engagement. If they don't, we could incur significant losses."

Before this initiative, CTC had offices in eight different sections of metropolitan Tokyo, with each department located in a different office building. Certain customer engagements required sales and systems engineering staff to be in constant communication. Many times, systems engineering staff would have to travel 40 minutes one-way to get to the building housing sales staff. In addition to a physical separation between departments, CTC also discovered a philosophical difference. Located in one building, sales and customer support personnel were extremely sensitive to customer needs and satisfaction. On the other hand, the technology and administrative departments, located in different buildings, were farther removed from the customer, without the same sense of urgency related to customer service. Looking at the firm as a whole, CTC management realized that the organization was not customer-oriented.

To create an organization focused on customer satisfaction, CTC had to adopt a more effective communications system for all departments involved—directly or indirectly—in customer service. CTC also needed to develop a framework that would both encourage and facilitate collaboration.

After CTC management agreed on the need to address these issues, they made the decision to move all 2,000 employees in the metropolitan Tokyo area to the Kasumigaseki Building in Tokyo's Chiyoda Ward. The firm planned to complete the move in January 2005. This office consolidation presented the perfect opportunity to reengineer the firm's IT infrastructure completely. Prior to the move, each office (department) had its own file server, its own groupware server, its own portal, its own network equipment, and so on. There were no unified rules for purchases of PCs or other equipment. But with the move to Kasumigaseki, CTC would be able to manage all IT resources according to rules set by the Information Systems Department. The firm would also be able to assert a central IT governance function and apply unified security policies.

In particular, CTC looked forward to being able to design and implement integrated physical security with respect to office access and information systems security. With the coming enforcement of the Personal Information Protection Law, CTC found an excellent opportunity to build a complete, top-to-bottom security structure. This chance to consolidate the IT infrastructure and establish a new information security platform also created a chance to adopt new productivity applications for the firm's office workers. If the wide range of different groupware, workflow, document management, portal, and other applications in use across CTC could be unified and incorporated within the new IT infrastructure, CTC management believed that the firm would see dramatic improvements.

One more piece was needed to complete the puzzle. In the office consolidation, CTC saw the chance to incorporate a robust IP Communications system within its organization. In the past, CTC had conducted many IP telephony engagements on behalf of its customers, not the least of which was a large-scale implementation for the company's own CTC branch in Osaka. Given their practical experience, CTC executives knew they could build an IP Communications component with relative ease, to add extended productivity to their suite of new in-house applications.

> **"WHEN WE WERE CONSIDERING OUR EWORK@CTC INITIATIVE, WE HAD THE OPPORTUNITY TO VISIT THE CISCO HEADQUARTERS IN SAN JOSE AS PART OF AN IBSG ENGAGEMENT. THERE, WE LEARNED ABOUT FACILITIES OPERATION METHODS AND QUANTITATIVE TECHNIQUES THAT REALLY OPENED OUR EYES TO WHAT WAS POSSIBLE."**
>
> **Katsuyuki Shirota, Vice President and Chief Information Officer, CTC**

SOLUTION
During the planning stages, CTC received extremely helpful benchmarking information from the Cisco Systems® Internet Business Solutions Group (IBSG). One of IBSG's services is to provide customer management with concrete examples of how Cisco uses IT in its own business. The purpose is to help business managers gain an understanding of the potential of IT when incorporated into corporate strategy. Of course, IBSG provides customers and potential customers with much more, including consulting related to strategy formulation methodologies, quantitative evaluation techniques, and organizational management policies.

In particular, CTC management attributes their inspiration to the new-style office and underlying IT-based collaboration environment, which is similar to that of Cisco's headquarters in the United States. CTC realized that office layout, network design, IP telephony, and other communications tools—off-site and at-home work environments—and all of the related security must be completely unified.

"When we were considering our eWork@CTC initiative, we had the opportunity to visit the Cisco headquarters in San Jose as part of an IBSG engagement," says Katsuyuki Shirota, vice president and chief information officer, CTC. "There, we learned about facilities operation methods and quantitative techniques that really opened our eyes to what was possible." Shirota related how seeing "self-service" Web applications used throughout the Cisco organization captured the imagination of CTC management.

The final result of this planning and observation process was the new concept, eWork@CTC. A new way to work for all CTC employees, eWork@CTC represents an information infrastructure built on twin pillars of "enhanced security" and "improved convenience." eWork@CTC is primarily a customer-centric environment that breaks down inter-department barriers and allows seamless collaboration among different functional groups. Security and networking are the underpinning of the new system, which also emphasizes self-service applications designed to minimize indirect administrative work. eWork@CTC is essentially paperless, combining improved efficiency and security for work tasks. The new system features extremely advanced top-to-bottom functionality, allowing eWork@CTC to be a showcase for CTC as a leading IT solutions provider.

For example, CTC employees who use diskless SunRay terminals (Sun Microsystems' thin client) have been issued Java cards that they insert into the terminals, which are found throughout the office. When inserted, the Java card brings up the desktop configuration the employee was using when the card was last removed from a terminal. This allows employees to continue work on open files or to view open Web pages they had been accessing earlier. Since the desktop data is stored on a server, employees can use any SunRay terminal throughout the office.

Employees with notebook PCs can retrieve their notebooks from personal cabinets in the morning, find any seat assigned to their group, set up their IP telephone with their internal extension, and begin work. Accessing a Web Desktop integrated portal leads employees to an information screen tailored to their own work functions. If they need to call co-workers, they search through the online employee directory and click the name of the person to make the call. Workers can confirm whether others are in the office and leave a note in a matter of seconds. CTC's eTeams integrated groupware is available directly from the Web Desktop, allowing the coordination of even complex multidepartmental meetings by quickly looking up and coordinating employee schedules.

The new work environment has dramatically reduced the time necessary to resolve questions between sales and product personnel. All engagement-related information is organized on the integrated Web Desktop portal, allowing sales personnel to go there first to retrieve information. If, by chance, the salesperson cannot find the right information, he or she can contact the product manager, who then accesses the extremely robust search functions of the eFiles archive. In this way, questions are asked and resolved in a matter of minutes. This "improved convenience" is intimately interconnected with the other pillar of eWork@CTC, "enhanced security."

"In connection with the move to the Kasumigaseki Building, our first task was establishing physical security," says Takaya Nagata, assistant to general manager, Information Systems Department, CTC. "For areas requiring top-level confidentiality, we have built in fingerprint authorization combined with the use of IP cameras and other measures to prevent unauthorized access. We have also implemented an extremely robust information security system that complies with ISMS certification standards."

For example, PCs connected to the internal network require not only an ID and password, but must also first clear a hardware-level authentication procedure. Another example is employee usage of an eDrive. The eDrive is a personal file storage format that allows an employee to use a PC without saving any files to the local hard drive. This not only promotes a paperless work environment, but also prevents sensitive documents from being disclosed should a PC be lost or stolen.

CTC has adopted a total of 12 such workplace applications. Perhaps the most surprising thing about eWork@CTC, however, is the speed with which it was implemented. Kicked off in June 2004, the system was under full development by July and released for employee use in March 2005. Accomplishing the implementation of a complex work environment for over 2,000 employees in so little time was extraordinary. As an IT solutions provider, CTC demonstrated just how capable it is in its own business element.

EWORK@CTC FEATURES
Enhanced Security Features
eIdentity/Single Sign-On

- Unified management of internal information, including users, departments, and so on, and a framework for immediate access to accurate information. Users have a single sign-on process to access multiple server clusters. Single Sign-On provides enhanced security against unauthorized disclosure of personal information, and central password management results in improved usability.

eGuard

- Integrated individual authentication/object recognition. No intranet connections are authorized unless the PC being used provides hardware-level recognition in addition to a correct personal user ID/password. eGuard also allows mobility throughout the office over a secure wireless LAN. eGuard prevents all unauthorized users from logging into the network from within the office.

SunRay Adoption

- SunRay is a diskless terminal (thin client) manufactured by Sun Microsystems. Through the Web Desktop (described below), employees use personal Java cards to call up their individual work environment from the server. Since everything is stored on servers, no sensitive data is leaked outside the company, even if a PC or terminal is stolen.

eAsset

- Accurate and up-to-date status tracking of all IT assets (hardware and licenses). eAsset simplifies the process of calculating asset values during fiscal period close and also eliminates network access by unauthorized devices via eGuard individual authentication and object recognition technology.

eFiles

- High-availability file server. Unifies or replaces the individual file servers that had been located in each individual CTC department. Offers efficient search and advanced file-sharing capabilities.

eDrive

- Helps CTC enforce a policy of not saving files on local employee PCs. Both in-process and completed files are managed on the eDrive, greatly reducing the risk of losing or disclosing sensitive information.

IMPROVED CONVENIENCE FEATURES

eTeams

- Unified groupware enabled through Web-based applications. Allows for seamless inter-departmental collaboration. Includes functions to plan meetings efficiently and adjust individual schedules.

Web Desktop

- Integrated portal. Serves as the launching pad for all Web-based applications. Displays information content according to an individual's role. A single sign-on system, Web Desktop is also the desktop accessed when employees use SunRay terminals. Web Desktop prevents inefficient workspace clutter and the need for frequent corporatewide e-mail broadcasts that might be missed by employees.

eSchool

- An environment for broadcasting organizationwide eLearning content, particularly for instructing employees about security. Employees can create and disseminate their own eLearning content.

eProcess

- Digitization of internal documents. Serves as the backbone of the request/approval workflow process. Allows for efficient design and definition of new workflows.

eTeams and IP Telephones

- Clicking the name in the eTeams address book initiates an IP telephone call. Single sign-on to IP telephone and the Desknet application. Features include employee presence/location confirmation, call-back requests, and other functions. CTC uses this system to realize the potential that IT telephones have for improving office work productivity.

eTeams and Mobile Phones

- Employees can access eTeams remotely using mobile phones. Most eTeams functions are available for employee use at off-site locations.

eGate

- Provides secure access to internal IT resources via the Internet. It restricts data/file saving on devices such as PCs while enabling an efficient work environment that is the same as the office.

BUSINESS RESULTS

CTC has already realized numerous and diverse benefits from these applications. For example, CTC has saved US$16 million annually by integrating all of individual department portals into the CTC Web Desktop, not only eliminating unnecessary construction/operating costs, but also dramatically reducing inter-department inquiries (including telephone calls, e-mails, and so on) and other time-consuming tasks related to ongoing projects.

Assuming the CTC sales force is able to translate the full benefit of time efficiencies to new sales activities, CTC estimates a leverage effect of approximately US$44 million in proportion to current annual sales. The combined total of work and sales efficiency gains at CTC is expected to be about US$60 million annually. Without a doubt, this is one of the leading examples of office productivity improvement in Japan. These figures represent calculations for the first year of eWork@CTC implementation. CTC anticipates these numbers to rise over the second and third fiscal years, once benefits begin to accrue in other areas as well.

NEXT STEPS

The information systems groundwork is already in place at the Kasumigaseki Building. What issues will CTC take on next? "Our next job is to subject the quantitative implementation benefits to the PDCA cycle and continue making improvements," says Masahiro Kobayashi. "For example, there are a number of things we can improve to further expand a paperless work environment. But we have seen a significant impact from what we have already accomplished. I think once our customers actually see our eWork@CTC, they will understand the great potential for their own companies."

MORE INFORMATION

The Cisco Internet Business Solutions Group (IBSG) is a global consulting team that helps customers transform their organizations by strategically applying advanced technologies and business process innovation. A unique combination of industry experience and business and technical knowledge enables IBSG consultants to serve as trusted advisors to many of the world's top organizations.

For further information about IBSG, visit **http://www.cisco.com/go/ibsg**

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