



NEC Makes Bold Strides to Transform; Sees Significant Opportunity Outside Japan

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IDC's Quick Take

The [news](#) that NEC attended the FIWARE (open source platform for smart digital future) event in Malaga at the end of November validated many of the messages of the global NEC analyst event held in Tokyo in November 2018. The aim of this document is to look at the high-level strategy and messaging as shared at the analyst event, especially related to growing the enterprise business in Europe.

Event Highlights

NEC, founded in 1899, has annual revenues of over \$28 billion and 109,000 employees, a strong focus on social responsibility, and innovation in areas like biometrics. It has a wide-ranging portfolio that includes hardware, software, and services, but also smart IT, cloud, analytics, and artificial intelligence. NEC also places a lot of emphasis on the co-creation of solutions by its wide ecosystem, including its 4,000 partners across the world.

NEC's President and CEO, Takashi Niino, opened the annual summit at the Tokyo International Forum. The event was attended by 25548 visitors. The CEO keynote and the rest of the event underscored NEC's social value creation and commitments in its drive to be "Orchestrating a Brighter World." A part of this effort was related to the concept of Digital Inclusion, a society where IoT, AI and other digital technologies permeate all areas of life. He then drilled down into NEC's seven themes for social value creation: sustainable earth, quality of life, work style, safer cities and public services, lifeline infrastructure, communication, and industry ecosystem. These were in turn related to the seventeen Sustainable Development Goals set by the United Nations. In each of these seven areas NEC has strong offerings, including its biometric authentication solution Bio-IDiom and AI technologies called "NEC the WISE". It was also very encouraging to hear CEO Niino call out the importance of communications in a hyper-connected age, where networks not only underpin digital transformation, but are seamless, agile, resilient and secure in ways that we have not seen in the past. An interesting example in EMEA is the work NEC and its subsidiary, Netcracker, did with services player Bechtel, to create a cloud-based portal and marketplace.

It was also no surprise that in the run-up to the 2019 Rugby World Cup and 2020 Olympic and Paralympic Games – both to be held in Japan – that public safety featured strongly at the event. Solutions such as biometric and AI will play a key role to ensure the safety of competitors and spectators in what will be the most connected and networked events in the history of sport. At the same time, other solutions like SDN and security will enable flexible and safe communications environments, while drones will be a visible aspect of the security umbrella.

This social-centric approach remains a differentiator for NEC, compared with many technology vendors with a narrow quarterly result focus, and one that the company should emphasize in non-Japanese markets such as Europe, the Middle East, and Africa. As such, this approach is also heavily outcome-

based, which is a major leap forward from the product-centric approach of the past. This means that there is a significant focus on "co-creation" ("Kotozukuri") in the customer ecosystem, working with a range of partners to achieve the business outcomes implicit in the seven themes for social value creation. These partners ranged from operational technology players such as GE Digital to agricultural players and universities, leveraging areas such as AI and IoT. Related to this is the NEC Future Creation Hub, which will open in early 2019. Infused across all these themes was the overall message about the need to move at scale and speed.

In response to a question from IDC, CEO Niino said that the performance of the business outside of Japan is a very important issue to him and the leadership team and he called out two aspects. First, the role of Paul Kievit, who is the EMEA lead but also Head of Enterprise Business in both EMEA and the Americas. Approaching EMEA and the Americas as a more unified entity from a management responsibility point of view helps to drive sales success as best practices are adopted, technology innovation shared, and a general focusing of minds. Kievit is a seasoned European executive with a keen understanding of Japanese business culture and the American way of doing things. IDC believes that it is important for NEC to accelerate growth outside of Japan, including via its "Enterprise Global Transformation" initiative and in the partner ecosystem. Second, CEO Niino referenced the January 9 acquisition of U.K.-based IT services company Northgate Public Services Limited (NPS) for \$633 million from private equity firm Cinven. Established in 1969, Northgate Public Services develops software and services for the public sector, mainly in the U.K., and employs approximately 1,400 software engineers throughout the U.K. and India. NPS works closely with U.K. police and government organizations to deploy its business platform across a broad client base that includes local police forces, tax collection offices, social security offices, and housing authorities. As such, it fits very well with NEC's high-level strategy and the emphasis on safe cities. NEC plans to roll out the Northgate solutions across the UK Commonwealth countries.

IDC's Point of View

It was evident from the presentations, 1:1 meetings and solution demonstrations that the company is making bold strides to transform from a product-centric organization to vendor that is firmly anchored in its social commitment, but at the same time making massive strides to be a clear leader across a wide portfolio. To this analyst, it was evident that the company has covered a lot of ground between the 2017 and 2018 events. The messaging was much crisper and the company can point to a wide range of use cases and successful implementations.

Yet, at the same time, it is fair to say that NEC is not as well-known in EMEA (and the U.S.) as it could be, and that it has considerable upside in growing its market penetration and share. NEC's outcome-based and co-creation approach requires a new role for the channel partners, and indeed, often new types of partners. In specific geographies such as EMEA, there could be huge potential upside for NEC as it moves from being a provider of IT building blocks such as compute, storage, communications and network equipment to an enabler of the smart enterprise, including a strong focus on safe cities and IoT, where solutions such as unified communications and software-defined networking come together to improve quality, reliability, and availability. However, it will require a set of channel partners that can demonstrate vertical expertise and thrive in an outcome-based world shaped by social value creation. We'll continue to keep a close eye on NEC in EMEA, but also beyond as the business outside Japan will continue to offer strong growth opportunities.

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