Project Flow 2011

Improving Performance on SAP Implementation Project

Applying 3 Rules of Critical Chain

November 3rd, 2011

Daiwa House Industry Co., Ltd.

Group Management Base System Project

"Speed of action is the prime precondition

for the creation of profit."
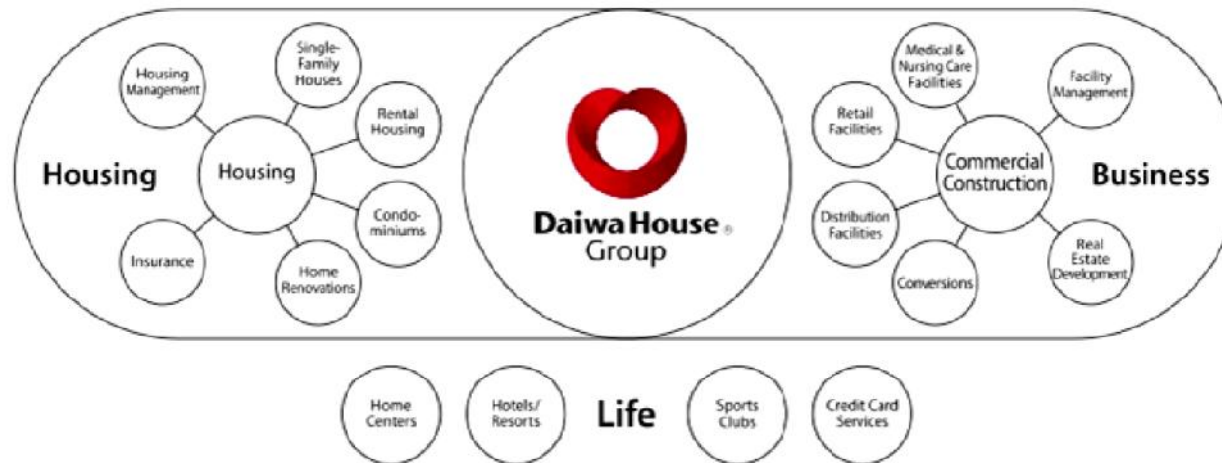
The founder of
Daiwa House
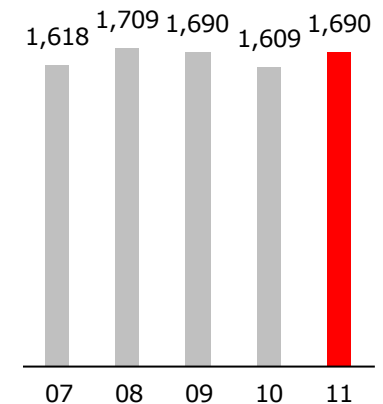
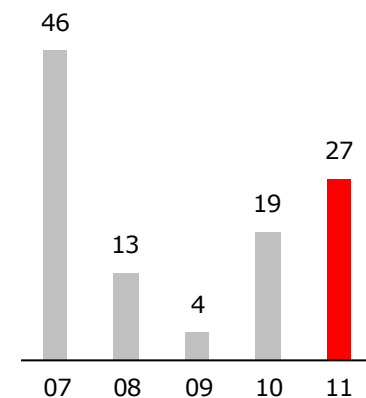Nobuo Ishibashi

1921. 9. 9 - 2003. 2.21

About Daiwa House

Daiwa House Group —
working to co-create value for individuals, communities and people's lifestyles

Revenue
(1 USD = 80Yen)
20 Billion USD

Revenue chart:
- 07: 1,618
- 08: 1,709
- 09: 1,690
- 10: 1,609
- 11: 1,690

Profit

340 Million USD

Profit chart:
- 07: 46
- 08: 13
- 09: 4
- 10: 19
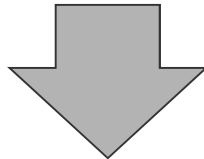- 11: 27

Why SAP Implementation is Needed?

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NEEDS
・Efficient accounting and human-
  resource operations
・Faster closing of account
・Compliance to international
  regulations (IFRS)

LIMITATION
・Legacy system cannot meet the
  needs

SAP
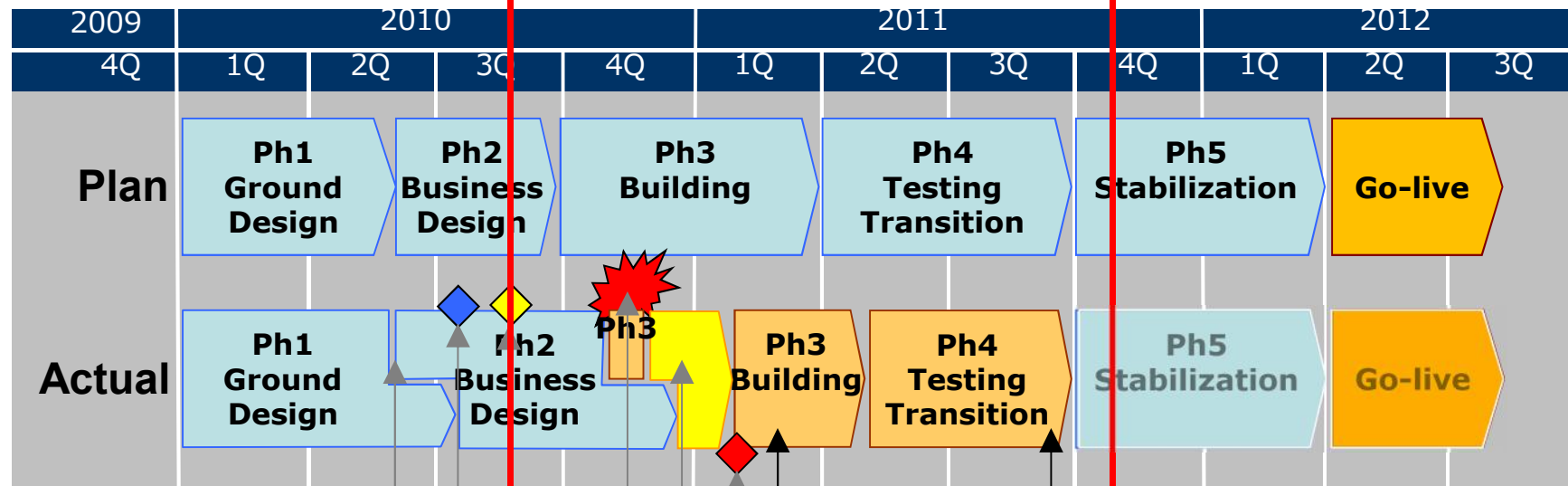# Users: 3,500
Used modules: FI,CO,
  SD,PS,MM,RE,BO,
  HR, etc.
Budget: 84 Million USD

STEP 3
On-going
expansion
and
prosperity

STEP 2
Enhancement on
the competitiveness
of the group business

STEP 1
Enhancement on the
group management
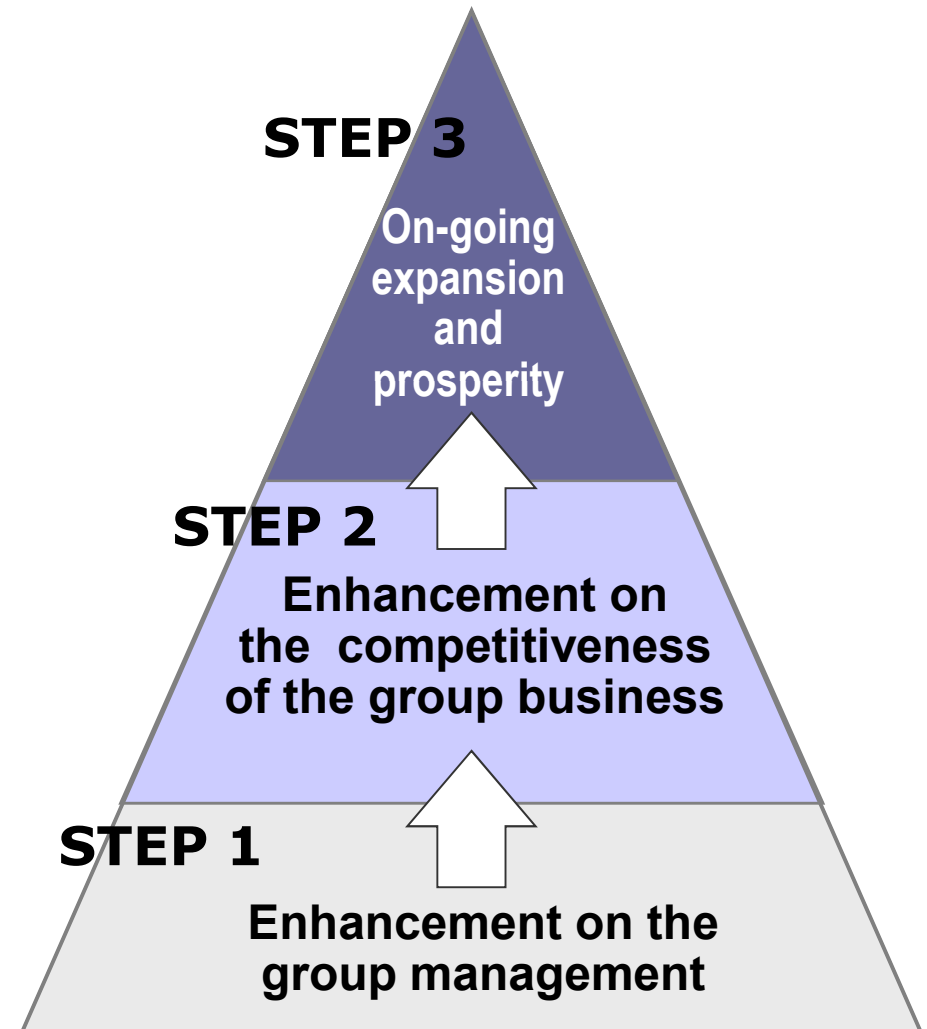
The Heavily Delayed and Stopped Project

STEP1 'FI' module

start / today

2009	2010				2011					2012		
4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	

Plan

- Ph1 Ground Design
- Ph2 Business Design
- Ph3 Building
- Ph4 Testing Transition
- Ph5 Stabilization
- Go-live

Actual

- Ph1 Ground Design
- Ph2 Business Design
- Ph3
- Ph3 Building
- Ph4 Testing Transition
- Ph5 Stabilization
- Go-live

- Only 8 months left for Phase 3 & 4
- Implementation of Full Kitting
- Project freeze to review the whole flow
- The quote for the project overly exceeded our budget
- 3-weeks training by Realization for Critical Chain implementation
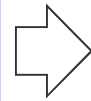- Strong recommendation of alliance with Realization by Goldratt Research Labs.
- Phase 2 was started without completing Phase 1

4

Result of Critical Chain

Cycle-time reduction for different systems and phases

Module	Phase		Start	End	# days	Reduction (%)
FI	Ph3: Building	Base	2011 Feb.01	2011 Jun.14	90	27.7
		Actual	2011 Feb.01	**2011 May.10**	**65**	
	Ph4: Testing and transition	Base	2011 Apr.18	2011 Nov.25	144	25.7
		Actual	2011 Apr.18	**2011 Sep.30**	**107**	

Module	Phase		Start	End	# days	Reduction (%)
HR	Ph3: Building	Base	2010 Dec.15	2011 Aug.19	200	26.0
		Actual	2010 Dec.15	**2011 Jun.03**	**148**	
	Ph4: System Testing	Base	2011 Jun.07	2011 Oct.18	88	26.1
		Actual	2011 Jun.07	**2011 Sep.12**	**65**	

1. Handling of high uncertainty

・Not our main business
・First time to use an ERP
⇨
・ No know-hows
・ No benchmarks
⇨ Ū

2. Elimination of pursuing local goals

(1) Responsibility for their respective interests

Daiwa House ® 大和ハウスグループ　　**FUJITSU**　　**NEC** ABeam Consulting ®

(2) High demand for customization and add-on's

・No system trouble allowed
・Historical business process
⬌
・Project cost & duration
・Global best practice
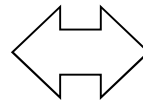
3. Management of physically separated members

TOKYO　　　　OSAKA　　　　SHANGHAI

No Local Measurement

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- ■ User/Vendor hybrid core team
(Daiwa House: 3, Fujitsu: 3, and Abeam Consulting: 2)

  ➡ Common goal was set

- ■ 3 weeks of concentrated Critical Chain workshops and several times of Best Practice audit

  ➡ Eagerness to use Critical Chain and to keep the system simple

  ➢NOTE: After the workshop, support was given mainly by phone, Skype and e-mail without Realization implementer staying on-site.

- ■ Win-win contract execution (next page)

  ➡ Stronger commitment to the common goal

  •Shorter cycle time and bonus are tied

  •Local goal and the project goal are aligned

The Win-Win Contract Details

The reward calculation

Cycle Time	Base Fee	Bonus	Addl. Cost
75 % or less	Yes	A	None
75 to 100%	Yes	B	Yes
100% or more	Yes	None	Yes

Stagger Work Stream & Concentrate Resources Daiwa House ®
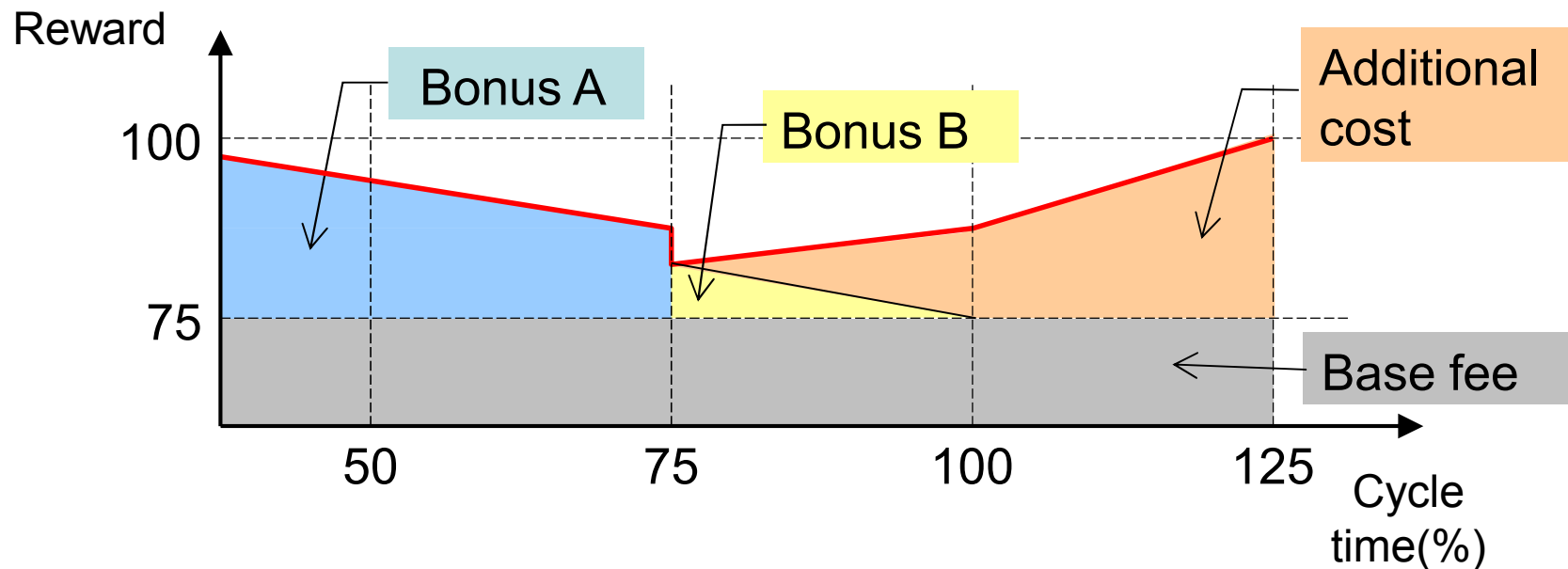
■ **More Full-time members (Project leader and 3 users)**

➡ Better and faster decision

- •System specification

- •Resource concentration and addition

- •Task freeze/open

■ **Co-location of the project members (users and vendors)**

➡ Better communication

- •Faster Quality Assurance

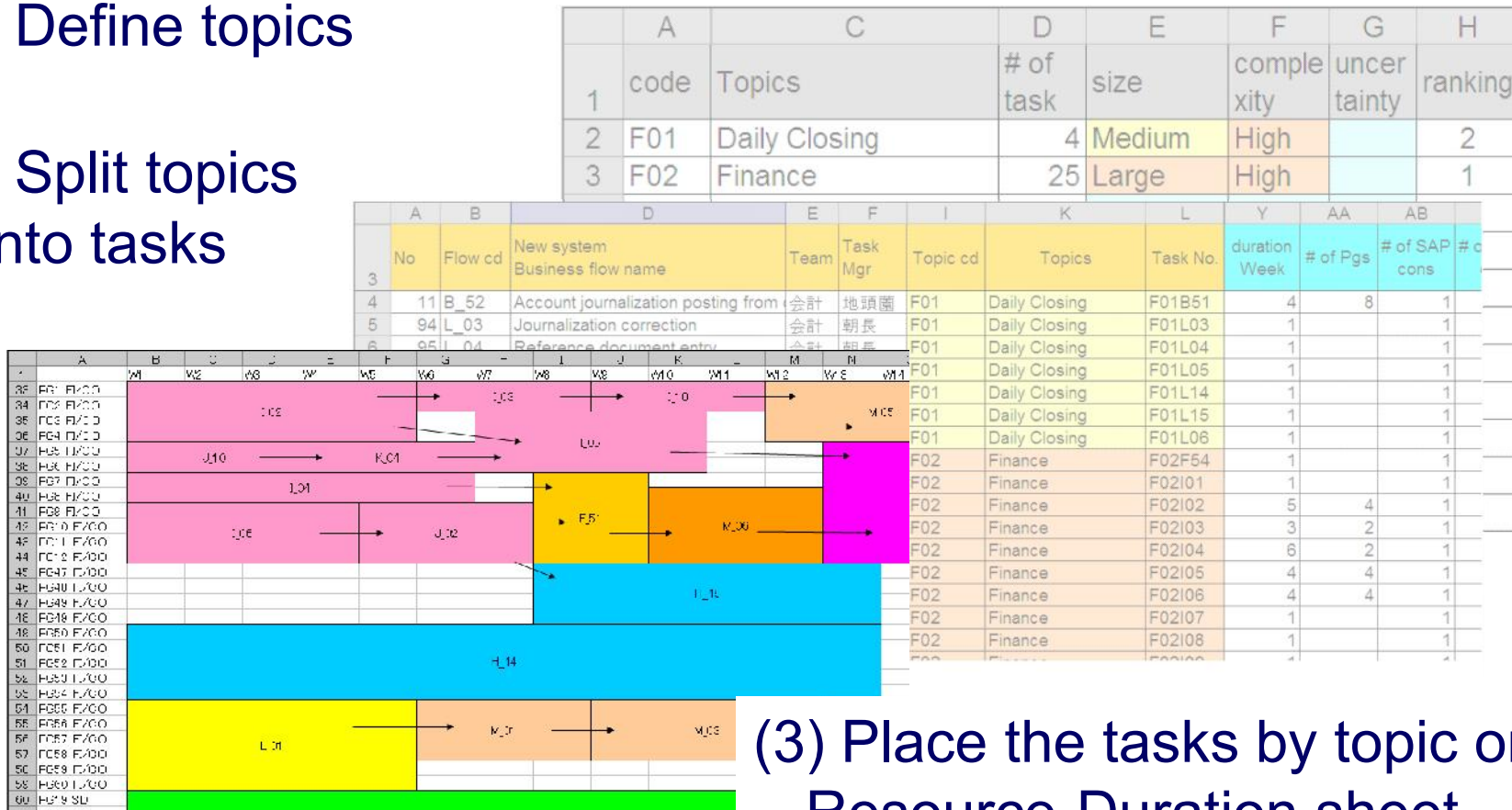- •Avoidance of high WIP

■ **Planning by 'Tetris' method (next page)**

➡ More feasible project plan

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(1) Define topics

(2) Split topics into tasks

(3) Place the tasks by topic on Resource-Duration sheet

Merits
- Resource concentration can be visually planned
- Related tasks are placed as a chunk in the order of importance
- Specialist and time-constraint resources can be placed flexibly

■ Task Update: Remaining Duration calculated according to open check list items

➡ Wild move on the trend chart was avoided (Building, Test)

■ PMO: Meeting minutes are shared timely among TMs

➡ Work as a team

- Better understanding of resource adjustment

- Escalation of issues prompted

- Faster issue resolution

■ Project Control: 'Good Enough' task exit criteria given

➡ Apple polishing tendency was corrected at project level.

1. Holistic view is an engine for people's growth

- A proposal by an SAP consultant during project freeze
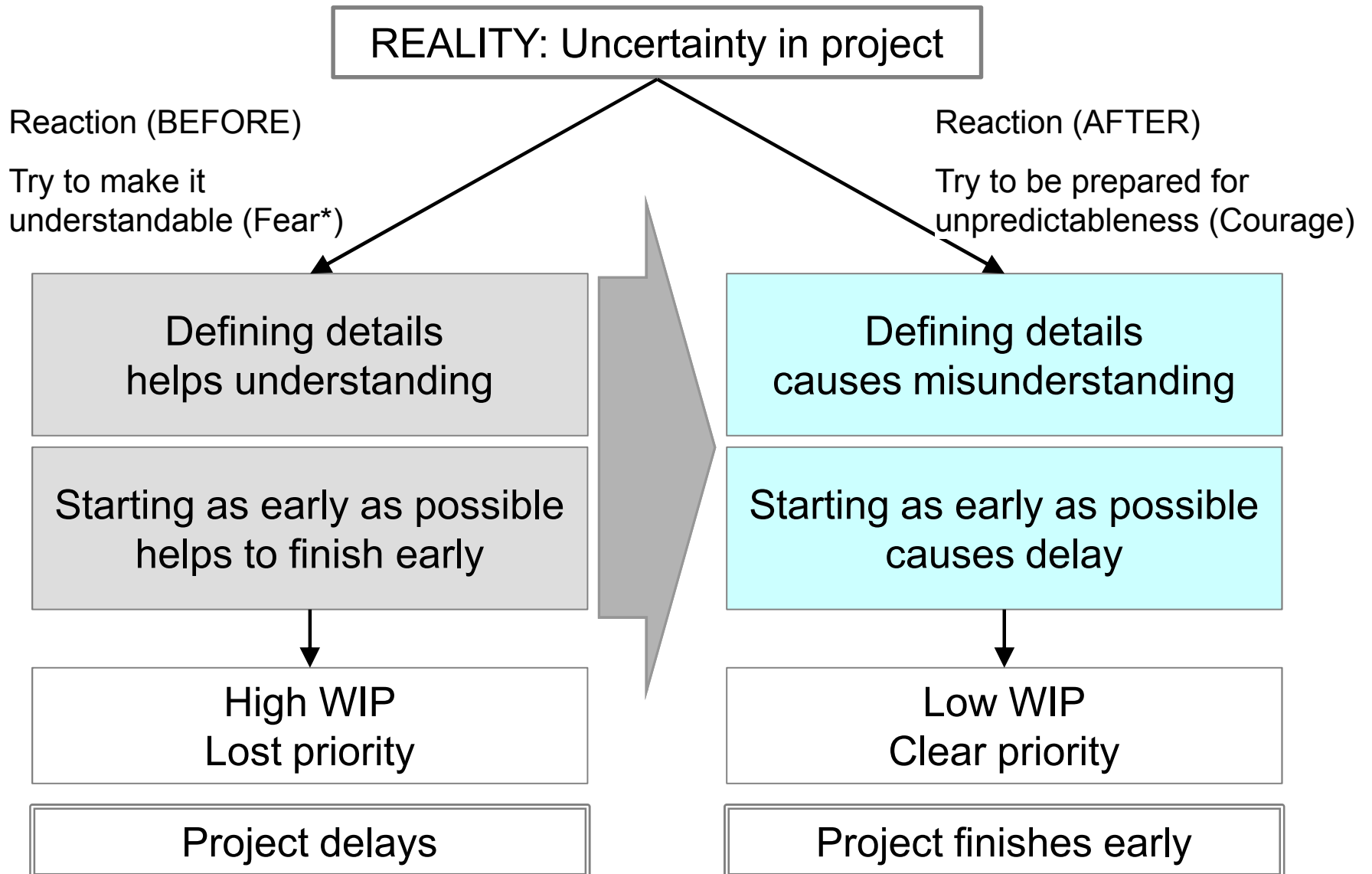- Relationship with remote(Tokyo) members after the earthquake

2. Multitask harms us more than we think

- Full-time assignment＋co-location ➡ Less uncertainty
- Active involvement of users ➡ Flexible allocation of resources

3. Monitor project cost

- Concerto does not manage cost itself
- Cycle time reduction is the best way to reduce the total cost
- Flexible resource assignment can temporally increase the cost

What has changed to What?

REALITY: Uncertainty in project

Reaction (BEFORE)

Try to make it
understandable (Fear*)

Reaction (AFTER)

Try to be prepared for
unpredictableness (Courage)

| Defining details
helps understanding | Defining details
causes misunderstanding |

| Starting as early as possible
helps to finish early | Starting as early as possible
causes delay |

| High WIP
Lost priority | Low WIP
Clear priority |

| Project delays | Project finishes early |

Fears: as defined by Dr. Goldratt in "the science of management"

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From system development to construction and R&D

- Other IT projects (Multi-Project environment)

- New construction method development project

- Implementation to our laboratory as a standard project management method

Acknowledgement

- Menno Graaf (Realization)

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- Dr Alan Barnard (Goldratt Research Labs.)

REALIZATION SM

GOLDRATT consulting

Illumiti

GOLDRATT RESEARCH LABS

Thank you.

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