

RESHAPING JAPANESE ENTERPRISE THROUGH P2M

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1. FROM CONVENTIONAL STRENGTH TO VALUE CREATION

Japanese enterprises have faced with new competition from low cost countries, such as China under the severe economic environment for more than a decade after bubble economy burst in 1990. Competitive factors, high productivity resulted in cost efficiency, high quality represented by zero defect and good service including keeping punctual delivery schedule, worked before 1990 have no longer functioned as success factors for Japanese enterprise. Management of these three factors was believed as a core role of project managers.

At the same time has changed business structure in Japan, which was built in the Japanese economy after World War II. When the constant growth of the economy could not expect any longer, profitable growth for success based on the conventional business structure finished. Competition for market share or revenue could not generate profit any longer. Then many enterprises suffered for loss of profit and needed to restructure. Middle managers who were trained based on the structure lost way to maintain competitiveness of themselves and their enterprises.

In parallel with the rise of exchange rate of yen to dollars, many manufacturing facilities fled from Japan to low cost countries such as China during a decade. After the Asian economic crisis in 1997, many enterprises in developed countries including Japan shifted their production to China from other East Asian countries. China then emerged as a factory in the world. It became obvious that conventional wisdom of Japanese middle managers could not generate competitiveness of those enterprises. Low cost countries have caught up with Japanese enterprises based on the same competitive factors which used to be strength of Japanese enterprises.

As a rule of the game has changed, Japanese enterprises have faced more complicated issues to manage in order to maintain competitiveness in the market. Middle managers under the circumstances were requested to arm with broader skill sets and set goals not only to manage for efficiency, quality and delivery, but also to create values.

2. COPING WITH COMPLICATED ISSUE

A typical example of the complicated issues is a relocation of factory from Japan to low cost countries such as China. Relocation should be made to maintain a competitiveness of an enterprise. To lead this initiative, managers need to organize several projects to solve complicated issues. Those complicated issues include:

1. To relocate manufacturing facilities from Japan to overseas
2. To build new supply chain management system to control from order receipt to delivery.
3. To build information networks with Japanese headquarters
4. To establish value added scheme to maintain profit in Japan.
5. To build cash circulation system to recover investment.
6. To operate under new scheme, etc.

To cope with these issues, not only to establish a project for each issue but also to integrate those projects to be a program are required since solving each solution does not necessarily mean to solve entire issue which enterprises face. Program management, which is a key to solve those issues, is a core part of P2M (Project & Program Management) developed by Project Management Professionals Certification Center in Japan. Following are detail explanations of each issue.

Relocation of manufacturing facilities from Japan to overseas

Demolishing existing manufacturing facilities in Japan and constructing new facilities in overseas will utilize conventional project management skills. A project can be established to implement the demolition and construction of facilities. P2M defines this type of project as a system project model.

Building new supply chain management system

Order receipt to delivery of products or services is called order fulfillment process. This process is usually built as a part of supply chain management system. Relocation of facilities requires redesign and development of a new supply chain management system. Although manufacturing facilities shifted to overseas, customer contacts normally stay as it is. New organization and new communication system is to be established. P2M defines this type of project as a scheme model.

Building information network

Based on the new supply chain management system developed above, information system will be developed. The system need to be integrated with the existing network information among sales/marketing, manufacturing, design/engineering, control, and others. Developing new system, new organization concept is also employed to justify system investment and develop further efficient organization. Two of those new concepts are shared services and outsourcing.

P2M defines implementation part of this type of project as a system project model and concept development and employment part of project as a scheme model.

Establishing value added scheme

Although manufacturing facilities will be relocated to overseas, profit from the new facilities will be collected in Japan. Otherwise, investment cannot be recovered. For this purpose, new scheme need to be established. The scheme includes how to create value for new system and transfer the profit to Japan. As an enterprise, unless profit generation scheme is created, value will not be added for the enterprise, and then investment will not be recovered. To recover the profit in Japan, profit collection scheme need to be established utilizing transfer price. This type of project is defined as a scheme model.

Building cash circulation system

Financing is an important part of a project. Debt financing from Japanese banks is a normal way to procure investment fund. Since Chinese Yuen cannot be exchangeable to Japanese Yen, Japanese enterprises need to find circulation system of profit from the investment. Otherwise, profit cannot be returned to banks. Yen based business and Chinese Yuen based business are separately designed to circulate cash. This type of project is defined as a scheme model.

Operating under new scheme

Completion of above projects is not a completion of the original purpose. Investment should be recovered as an actual operation work. To maintain new business scheme for a long time and adjust according to the business environmental change, operation model will be developed to embed a new mechanism to maintain the new business scheme. P2M defines this model as a service model.

3. INTEGRATED PROGRAM MANAGEMENT

P2M defines three models for projects, i.e. scheme model, system project model, and service model. In above case, all models need to be applied to solve complicated issues Japanese enterprises face.

Most important thing in this case is to maintain a competitiveness of an enterprise with profitable manner. Each project defined above can be established as an independent project. However, those projects will be integrated as parts of a program of which mission and purpose is described above. Concept for a new business model is first profiled to find a new way which enterprises need to establish. The concept developed is coordinated with company goal or strategy, which aims to maintain or strengthen competitiveness of enterprises or increase enterprise value. Then architecture to govern projects is developed. Each project is prioritized considering the entire program schedule. Then it is assessed whether it is achieved original purpose.

Above approaches are parts of integrated program management, which is comprised of six individual management area.

- 1. Profiling management
- 2. Architecture management
- 3. Program strategy management
- 4. Platform management
- 5. Program lifecycle management
- 6. Value assessment management

Project managers are requested to understand the approach to cope with those issues. P2M provides approach.

4. EMEGING INFORMATION TECHNOLOGY

Recent IT development requires integration of networks. As described above, information network is an important part to solve a complicated issue. Networking is usually made by external networks. Some of them are based on a new platform developed on digital networks. Business to business procurement (B2B) for example, utilizes those networks. Design/engineering collaboration among suppliers and buyers is also established on those networks. Project managers to cope with this type of project are required management skills to integrate

various stakeholders who participate in these networks.

5. CONCLUSION

Conventional project management cannot cope with these complicated issues. Project managers armed with P2M can solve those issues as described above. I believe that those issues will increase in the future in any enterprise. Then the demand for project managers armed with P2M will increase.

In addition, to solve those issues is not only issues of an individual enterprise, but also national issues in Japan. P2M was developed to educate and train a middle manager to cope with those issues, raise and expand capability level of enterprises, and then to strengthen the competitiveness of enterprises. Any enterprise in any country, which faces a competition from a low-cost country and to cope with new information technology, will have similar issues.

P2M will reshape those enterprises to be in a cutting edge of a competition in the world by providing an approach and skill sets as a body of knowledge.

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