Week 3 - Scope

Peter   So, project scope, Bruce – how does your organization deal with that, to ensure the project scope is well-defined and people know what they have to do with the project?

Peter   Hao, how do you deal with project scope at Toyota?

Hao   Scope is a very interesting thing. We never get it right (laughs). And I think that's why we always end up with a project either being delayed or discussed about. But knowing that, we basically do projects with an open mind with scope. In theory, we have two groups of projects – we have projects that have very, very straightforward, clear scope, very clear, so in the budgeting process we will put aside certain contingent funds to accommodate any change of scope and allow, well we empower the steering committee to make decisions on how to use that part of the contingent fund but within a certain parameter like 25% or 15% of the total cost of the project within a certain limit. You go and manage that. That way, at the enterprise level, we don't get bogged down because of smaller projects.

The bigger ones, or more strategic in nature, where we are getting into brand new areas of business that we have never touched before, trying to nail down the scope is very hard. But also, if you pay too much attention on defining the scope to the details, either it's going to take you a long time so you're going to lose to your competitor or you're going to ask for something that has been made up. I would say, because you don't understand it so much that people are going to try to make it up or guess. And guessing is not a good thing in our business. You would rather say you don't know and find out then to say you guess that's the case. But projects like that, what we try to do, we try to define upfront what the goals are that we are trying to achieve with that project. Can we separate it into smaller chunks so that we have more of a focus to find out what those smaller chunks look like? And as long as you can deliver the multiple of those chunks that we separated out, that delivers the overall goals and objectives and we are okay with that. And even with the smaller chunks that we are dealing with, we allow that you have – again, when we cut it down to that piece, we form a steering committee and, again, give them an allowance to work with that.

Say, you can flex your scope within this segment of the project or smaller project, 25 or 30% of what the original is that we are talking about. But if it hits 20% of the 30% that we have given to you, you need to call a meeting to talk about that. Because you are getting to the point where we have to talk about it. But don't wait until you are exceeded the fund and then come back and talk. Talk before you get there. And through the

monthly tracking, the PMO will track all those discussions and raise issues to the corporate planning function. That way, we report it back to the president and the executive committee. That's where we fish the issues out and let's take them out and start talking about that. We've found it works very well for us because when you are in marketing and sales you need to hit the market as soon as you can, faster than your competitors. And spending too much time on defining scope and arguing about it, it doesn't do anyone good. So, you've got to take a good balance of speed and reasonably defined scope to go with and then you kind of learn it and refine it as you go.

Peter   Thank you. Helen?

Helen   Uh, I think scope can be elusive which I think Hao is referring to. Sometimes it is a bit of an accordion. You start out this big and you squeeze it down and I think it's very important to go to your premise, your basic question Peter, how important is scope? I think scope is very important. Because if you have scope creep, which is the nomenclature that we often use, it increases time, budget and all of those other things. So you really do want to fence it in as we always talk about. Fence in your scope, have it documented. And I agree that you can go into, sort of using the other nomenclature, paralysis analysis, you know, you're just going to continually go into this churning cycle but you really do want to nail it down as much as possible. And we try to get it actually written down and signed off and read through and it does take us a bit of time on that.

Maybe to give a little bit of a concrete example, as I was listening to both Hao and Bruce talking, I was thinking about a concrete example of something like a table. So, my business unit comes in and says my objective is I need to build a table, build me a table. And so we could go off and build this little square table and come back and say okay, you said build a table, we did. And the person comes back and says, "Well no, I wanted this big, round, oval table." Oh okay well, so we go back. So what you want to do is just sit down with the person and say, "When you say build me a table, do you want a square, an oval, do you want it this tall, do you want it to expand, how much weight should it support?" So, we have our analysts that try to pull of that information out so be as succinct as possible. And, then, sort of a final thought on it. What we've started doing now is we're going into prototypes. So instead of waiting the four months, six months, whatever it takes to build the table, we build a table out of paper. So it's not built out of the material that we need, but we build the table and say, "Okay does this look and feel like you want?" And they say, "Oh no, I wanted it this way or that way." It's a lot easier to change it in the prototype, we make the changes. So, it helps, when a user sees something, in our business when they can see something, and stepping away from the table from our business, it's a screen, a report, it's a

service, it's a product. Whatever we can do to show them something they can they say, "Oh I know that's what I said, that's not what I mean." So to me helping them see something early on in the project helps nail down the scope more accurately. And that's what it's all about because quite frankly, the more time you spend on the front end, the less time you'll spend on the back end because it's a matter of just execution. But it's that front-end scope, design, analysis that is so critical.

Peter   Thank you.