

Tata Honeywell streamlines project management to reduce cost to serve, improve productivity and enhance profitability

"We obviously saw a lot of value in the Microsoft EPM solution. We were hence able to justify an investment of Rs 6 million, although we already had licenses for other competitive project planning and scheduling software."

J. Srikant
Deputy General Manager - Projects
Tata Honeywell Limited



Tata Honeywell Ltd. (THL), a joint venture of Tata Industries and Honeywell Inc., USA, was established in 1988. It provides advanced automation and control solutions to customers in the petroleum, petrochemicals, chemicals, metals and minerals and power generation sectors. THL needed to reduce input costs, manage its working capital better, and increase revenues by accelerating project turnaround time. THL with the help of Microsoft Consulting Services migrated from its previous project management solution, to Microsoft EPM solution, to provide a comprehensive tool to its project managers. Microsoft's EPM solution offered capabilities for scheduling, man-hour logging, web-based access, and integration with THL's ERP system. With the implementation of the EPM solution, THL is projecting a significant decrease in its working capital requirement, reduced inventory levels, and an increase in the productivity of its engineers by 5 per cent. According to internal estimates, THL would have a potential for a **total yearly saving of Rs 4.8 million**, which can be attributed to the Microsoft EPM solution.

Formatted: Not Highlight

| CUSTOMER PROFILE | BUSINESS SITUATION | SOLUTION | BENEFITS |
|---|---|--|---|
| Tata Honeywell Ltd. (THL), a joint venture between Tata Industries and Honeywell Inc., USA, was established in 1988. THL provides advanced automation and control solutions to customers in the petroleum, petrochemicals, chemicals, metals and minerals and power generation sectors. | THL needed to reduce input costs, manage working capital better, and increase revenues by accelerating project turnaround time. It needed a project management solution that was aligned with its business requirements in project planning, resource management, analysis and reporting. | THL with the help of Microsoft Consulting Services migrated from its previous project management solution to Microsoft EPM solution, to provide a comprehensive tool to its project managers. Microsoft's EPM solution offered capabilities for scheduling, man-hour logging, web-based access, and integration with its ERP system. It also facilitated what-if analysis and exception based reporting. | <ul style="list-style-type: none">▪ Reduced input costs▪ Reduced working capital requirement▪ Potential for increased revenue▪ Increased engineer productivity |

Formatted: Not Highlight



"The only way to improve profitability in our business is to control input costs. It is critical to control input costs such as salary costs, inventory carrying costs, and cost of borrowings."

J. Srikant

*Deputy General Manager - Projects
Tata Honeywell Limited*

Situation

Tata Honeywell Ltd. (THL), a joint venture between Tata Industries and Honeywell Inc., USA, was established in 1988. THL provides advanced automation and control solutions to customers in the petroleum, petrochemicals, chemicals, metals and minerals, and power generation sectors. Its net sales for the year ended March 2002 were Rs 2,307.7 million, and its net profits, Rs 168.5 million.

THL's business objectives are to create the conditions for a sustainable increase in profitability, by reducing input costs. Another goal is to increase the productivity of engineers, to improve revenue realizations from projects.

"The most certain way to improve profitability in this business is to control input costs. It is critical to control input costs such as salary costs, inventory carrying costs, and cost of borrowings," says J. Srikant, Deputy General Manager - Projects.

THL faced certain key challenges in its business

- It was exposed to financial risk in case of a delay in delivery of domestic projects. "For delays in project delivery beyond the time stipulated in the contract, THL could face a penalty fee levied by its customer, at 0.5 per cent of its revenue from the order value per week," explains J. Srikant.
- It had to incur man-hour (MH) losses, as it was not able to optimally allocate resources to

projects. It was also not able to arrive at standardized reference estimates of MH time required for each project deliverable, which are repeated across projects, as it did not have historical data on actual MH logged for various project activities.

- There was an increase in its working capital requirement, due to the increase in inventory levels at its plant. This was because on-line data on changes in project schedules were not available across work centers.

THL wanted to provide a comprehensive project management tool to all its project managers. "The first step was to streamline project management at a basic level, such as on-time scheduling, resource management functions such as resource scheduling and leveling," says J. Srikant. It required the project management solution to meet its functional requirements of project scheduling, resource management, and MH logging. It needed to provide its executives at corporate and regional offices, web-based data on project time schedules, resource utilization, and project cost/revenue, to enable them to closely monitor the progress in projects, and interact with customers, on a proactive and informed basis.

It also required the solution to be easy to use, with minimal training requirements. And one, which did not place high demands on its existing IT infrastructure. Another key requirement was, to integrate the solution with its Oracle-based ERP system, to access financial data that was

relevant to the project requirements.

The earlier project planning and scheduling system used by THL did not completely meet its requirements. It did not have automatic tools for MH logging. "Project managers had to personally acquire data on time utilization per activity by THL's project resources, and capture those into the system every week," says J. Srikant.

Web-based access to the system was not available. Training requirements for new users were extensive. Also, THL was not able to integrate the system with its ERP system.

Solution

THL decided to migrate from Primavera and the desktop version of Microsoft Project to Microsoft's Enterprise Project Management (EPM) solution. The solution comprises Project Server 2002, Project Professional 2002, and Project Server CAL 2002. SQL Server 2000 is the database engine, and the operating system environment is Windows Server 2000.

Microsoft's EPM solution matched THL's requirements closely

THL decided to deploy Microsoft's EPM solution, as it found the solution aligned closely with its business requirements. Microsoft customized the EPM solution to THL's requirements, and made a detailed demonstration to THL. The project stakeholders, and senior managers at THL had the opportunity to evaluate the product, and assess how it met the requirements of the business. "We viewed Microsoft as an organization, which will provide long term support and continuous development to meet the changing requirements of THL," observes J. Srikant.

He adds, "We obviously saw enough value in the solution to be able to justify an investment size of Rs 6 million, although other project planning and scheduling

software licenses were already available to us."

Putting the EPM solution to work

The solution was developed and deployed by Microsoft Consulting Services with functional design & inputs from the internal Six Sigma & IT team of THL. Microsoft Consulting Services undertook this implementation as a turn key project and delivered the solution in a span of 3 months. Microsoft Consulting with their in-depth knowledge of product as well as user requirement, final package which was rolled out was completely aligned to THL expectations & requirements. The functional components of Microsoft's EPM solution that THL uses, are resource management, portfolio management, what-if analysis, exception reporting, and web-based project management.

- Resource management: These include tools for optimum resource scheduling, resource levelling, and automatic MH logging.
- Portfolio management: There are 5 departments in THL, which are involved in the execution of any project. The Portfolio Management module enables the project manager to gain an integrated view on the status of execution of each project by each of these departments.
- What-if analysis: This facility simulates the impact of various dynamic scenarios on the project schedule, such as a change in the number of resources allocated to a project, a change in the time duration of a task, or a decision to carry out a project activity in-house or through an external agency. What-if analysis uses statistically valid methods to process historical data on projects.

"We viewed Microsoft as an organization, which will provide long term support and continuous development to meet the changing requirements of THL."

J. Srikant

Deputy General Manager - Projects
Tata Honeywell Limited

"Raw material procurement process can be information based; in complete synchrony with the current status of a project."

J. Srikant

Deputy General Manager - Projects
Tata Honeywell Limited

- Exception reporting: Tata Honeywell's senior management, such as Managing Director, Business Unit Head, and Head of Operations require highly selective information for analysis to initiate action on projects that require course correction. J. Srikant illustrates, "For instance, the senior management can query the system to 'list all projects that are delayed beyond contract delivery date' or 'list all projects for which man-hours have exceeded 25 per cent of initial budget'. And, the system will list out the projects along with the set of tasks or activities that are causing the delay."

- Web-based access to project data across the organization: This provides a flow of data on the status of execution of projects to various categories of users in THL - senior managers, for strategic decision-making; corporate information users, for tracking projects that contribute most to revenues; regional (marketing) information users, for interacting proactively with customers; and users at THL's plant, to synchronize production operations with the project cycle.

▲ "Senior managers, such as Head of Operations, need web-based access to information from the system for centralized monitoring of the project management process. These users need summary data on the status of all projects, from different view points. This would enable them to focus on projects that are not performing well," says J. Srikant.

- Integration with ERP: Flow of revenue and cost data between the EPM and ERP systems, to facilitate financial management of

project, and updating the financial accounting system.

Benefits

Business benefits

Increase in revenues

THL is able to obtain precise measurements on available MH capacity and utilization rates, from the EPM tool. It aims to increase utilization rates by 3.5 per cent during the current year. This is expected to result in additional revenue of Rs 1.8 million.

Reduce costs

By using the EPM to track all projects proactively, THL expects to achieve a reduction of 25 per cent in penalty charges for late delivery of projects in the domestic market.

Increase productivity of engineers

THL has targeted a productivity increase of 5 per cent, due to optimum resource scheduling. This would reduce the need for additional manpower. If productivity increases as targeted, the estimated savings would be Rs 1.2 million.

Indirect savings

The total working capital requirement is projected to decrease significantly, due to reduced inventory carrying costs and a consequent decline in borrowings. As its plant would have real time access to project schedules from the EPM system, it would be able to procure materials using the just-in-time concept. "Raw material procurement process can be information based; in complete synchrony with the current status of a project," says J. Srikant.

Technical benefits

Integration of the EPM solution with THL's ERP system

THL is aiming for a full-fledged integration of the EPM system with its ERP system, to enable an automatic flow

of data between the systems. This will ensure that accurate, consistent data are captured in the ERP system, with a reduction in human effort. "We are attempting to create a scenario, where any

task defined in the EPM system, which has a revenue or a cost implication, is automatically extracted by the ERP system," says J. Srikant.

Software and Services

Microsoft Windows Server System™

- Windows 2000 Server™
- Microsoft Project Server 2002
- Microsoft Project Professional
- Microsoft Project Server CAL 2002
- SQL Server 2000™

Microsoft Consulting Services

Microsoft Windows Server System™ is the comprehensive, integrated, and interoperable server infrastructure that helps reduce the complexity and costs of building, deploying, connecting, and operating agile business solutions. Windows Server System helps customers create new value for their business through the strategic use of their IT assets. With the Windows Server™ platform as the foundation, Windows Server System delivers dependable infrastructure for data management and analysis; enterprise integration; customer, partner, and employee portals; business process automation; communications and collaboration; and core IT operations including security, deployment, and system management.

For more information about Windows Server System, go to:
<http://www.microsoft.com/windowsserversystem/>

Software for the Agile Business

For More Information

For more information about Microsoft products and services, call the Microsoft Sales Information Center at (800) 426-9400. In Canada, call the Microsoft Canada Information Centre at (877) 568-2495. Customers who are deaf or hard-of-hearing can reach Microsoft text telephone (TTY/TDD) services at (800) 892-5234 in the United States or (905) 568-9641 in Canada. Outside the 50 United States and Canada, please contact your local Microsoft subsidiary. To access information using the World Wide Web, go to:
<http://www.microsoft.com/>

For more information about Tata Honeywell Limited products and services, visit the Web site at:
<http://www.tata-honeywell.com/>

© 2003 Microsoft Corporation. All rights reserved.

This case study is for informational purposes only. MICROSOFT MAKES NO WARRANTIES, EXPRESS OR IMPLIED, IN THIS SUMMARY. Microsoft, Active Directory, Outlook, Windows, the Windows logo, Windows Server, and Windows Server System are either registered trademarks or trademarks of Microsoft Corporation in the United States and/or other countries. The names of actual companies and products mentioned herein may be the trademarks of their respective owners.

Date Published: July 2003

| | | |
|---|---------------------------|----------------------|
| Page 4: [1] Formatted English (U.S.) | Roy Amitesh (Intl Vendor) | 2/12/2004 4:41:00 PM |
|---|---------------------------|----------------------|

| | | |
|---|---------------------------|----------------------|
| Page 4: [2] Formatted English (U.S.) | Roy Amitesh (Intl Vendor) | 2/12/2004 4:41:00 PM |
|---|---------------------------|----------------------|