

# Kao Corporation



Kao Corporation is known for its state-of-the-art information systems and its progressive approach has been covered by numerous IT journals and scientific papers. Particularly note worthy is Kao's utilization of the SAP ERP package to standardize all the systems for its global group companies.

Kao's group companies in Japan are no exception. Kao Corporation in Japan had been operating on an in-house system for nearly 40 years. Nevertheless, Kao, striving to realize "Globally Integrated Management," embarked on the redevelopment of its domestic systems with a project named "Blue Wolf<sup>\*</sup>"

\*The name "Blue Wolf" derives from the Chinese characters signifying "beacon" (written "smoke of the wolf"), since beacons, in olden times, were used as means of transmitting information over long distances, faster than by using a man or a horse.

## Challenges

- Reinforcement of enterprise management through the visualization of global management information
- Swift and low-cost responses to rapid changes in the business environment and M&As
- Gaining negotiation capabilities that would enable Kao to compete with the major European and U.S. retailers
- Preparation for IFRS-compliance

## Solutions

- Standardization of business processes and performance indicators worldwide
- Development of a system that would enable the gathering of high-precision business data in real-time
- Supporting swift decision-making through centralized management of data from across the world
- Implementation of KPIs that would enable speedy and ongoing business improvements
- Facilitating the implementation and expansion of best practices to / among groups and non-group companies

## Success factors

- Project driven by leadership; Shared a common goal that includes all the operational divisions
- Speedy and major personnel assignments required for project promotion
- Establishing appropriate meeting structures, and execution of quality / progress management through frequent communications

## Pursuit of best practices through the utilization of SAP ERP

### A decade spent on integrating all the systems of global group companies

#### The new integrated system developed on the basis of separation of core and non-core areas

International competition in the manufacturing industry has intensified over the years and has become increasing borderless in every aspect. To boost Kao's competitive edge on the international stage, a "visualization" of management information was required that would enable Kao to measure the group companies worldwide on a common scale. Information has as much value for Kao as its products. Therefore, a system that accurately processes such data on a daily basis would require the flexibility, versatility and expandability to enable it to swiftly and economically respond to drastic changes in the business environment and M&As.

With these requirements in mind, the main feature of the grand design of the new system, as envisioned by Kao, was the separation of the system operation based on core and non-core areas. The former comprised the planning systems, including procurement planning, production planning, inventory planning, and sales planning, which had been developed from Kao's unique know-how accumulated over the years. The core areas would continue to utilize the existing system, while the non-core areas such as purchase management, production management, logistics management, and sales management, which managed and analyzed performance data, and financial accounting / controlling, would be redeveloped using the SAP ERP package.

Nobunori Oji, Corporate Associate Officer and Vice President of Global Information Systems, recalls the challenge

of implementing the package. "This was not merely replacing the former system area with the SAP ERP but using that as the basis and trying to devise how to swiftly incorporate best practices. The Company already had a system with which we had become familiar over the past 40 years. Therefore, by changing the non-core area instead of the whole system, we needed to fit the different pegs into different holes."

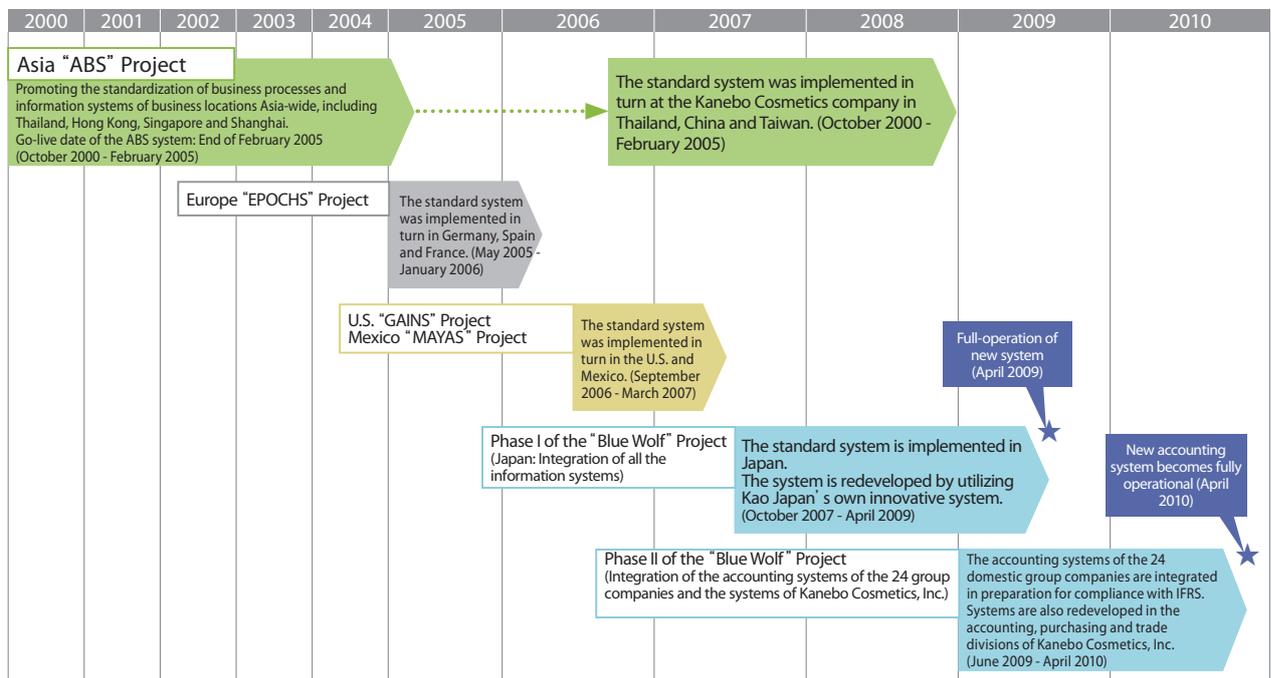
ABeam was the chosen implementation partner for Kao Corporation.

#### The project to integrate the systems of the 22 Asian business locations commenced a decade ago.

In fact, Kao Corporation and ABeam had already commenced a joint project almost ten years ago, that would become the cornerstone of the current solution in Asia.

In July 1997, the distribution model in Asia changed drastically as a result of the Asian monetary crisis, which began in Thailand. To keep pace with such seismic market changes, Kao Corporation in Thailand boldly moved to implement the SAP ERP package, which would enable swift system development, and was rewarded generously for this move. Encouraged by this success, in 2002 Kao launched the "Asian Business Synchronization" (ABS) project to promote business improvements and standardize all the systems of 22 business locations Asia-wide, including Hong Kong, Taiwan, Thailand, Singapore, and Shanghai. At the time, ABeam was also chosen by Kao Corporation as the implementation partner for the ABS project.

#### History of Kao's information technology projects, including the "Blue Wolf"



Based on Diagram 2 on page 36 of "Special Report: The vision of 'Japanese Information Digitalization' in pursuit of the 'Blue Wolf,'" (Nikkei Computer, November 25, 2009), and partially edited by ABeam Consulting, Ltd.



**Nobunori Oji**  
Corporate Associate  
Officer  
Vice President of Global  
Information Systems  
Kao Corporation



**Masayuki Abe**  
Vice President  
Information System  
Strategic Planning  
Kao Corporation



**Hiroyuki Kowase**  
Vice President  
Information Systems Division  
Global Business  
Synchronization Group and  
Global Business Development  
Kao Corporation

The SAP modules implemented under this project included those for financial accounting, controlling, sales management, and inventory management. Approximately 1,300 business items including business processes, codes, rules and KPIs were standardized. The Industry Framework®, an industry-classified template developed by ABeam, played an integral part in this wide-ranging and complex process. This is one of a number of industry-classified templates that has been remodeled based on methodology used in previous projects and aggregated the high-quality business processes of consumer-goods manufacturers.

“This came in extremely handy when deciding on the scope of business processes, and became our major ammunition for business process standardization,” recalls Hiroyuki Kowase, Vice President, Information Systems Division, Global Business Synchronization Group and Global Business Development, who was then a central figure in the Project Management Office (PMO). The use of the same template throughout Asia enabled responses to business processes that varied by country and users speaking different languages. Business improvements also proceeded at an accelerated pace, as the efforts made transcended the mere implementation of tools and the KPIs were understood by all those involved, down to the on-site personnel. The project also paid off in Europe and in the U.S. Right after the ABS project, the SAP template was implemented at an industrial chemical product company in Europe, to standardize the systems and promote business improvements. This project overcame the huge obstacle of having to assume function enhancements of the template and

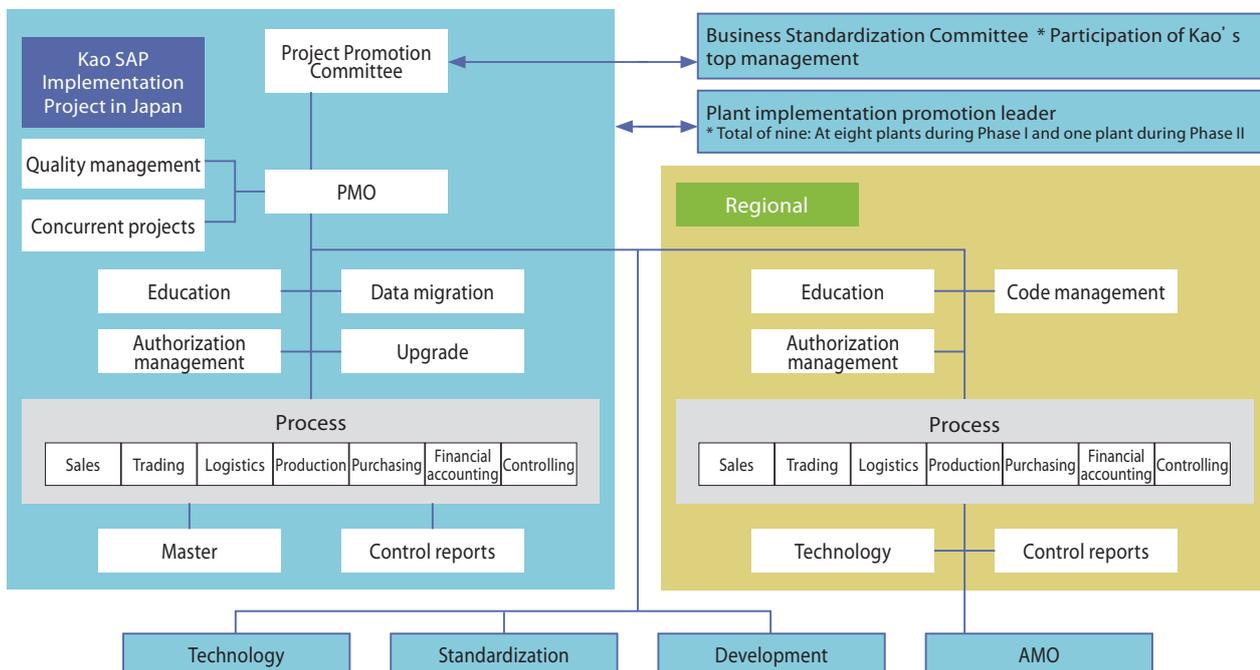
was completed in a record time of just eight months. Furthermore, in the U.S. and Mexico, the project, with experience gained from functional enhancements in Europe, was completed in a matter of five months. These global projects are said to have contributed to an enhanced management level and improved performance.

### Targeting the crucial climax of “Global One” Kick starting the “Blue Wolf” Project

The “Blue Wolf” was initiated on the basis of these successes, with the standard system implemented on non-core areas in Japan based on results achieved in Asia and Europe.

The project was divided into Phase I (from October 2007 to April 2009) and Phase II (June 2009 to April 2010). During Phase I, nearly 140 systems and subsystems such as those at the headquarters and the eight domestic plant systems, were standardized using the SAP ERP, and Kao succeeded in realizing visualization through the centralized management of inventory information and accounting journals, and real-time coordination. During Phase II, the accounting systems of the 24 Kao group companies in Japan (including the Kanebo Odawara Plant) were standardized simultaneously. “We also decided to entrust ABeam with the “Blue Wolf”. During the ABS Project, ABeam not only offered technical solutions but also thoroughly understood the gist of the project; and seemed to be adept in managing large-scale projects, as indicated by the cross-sectional meetings they held for us.” Recalls Nobunori Oji.

### Project Structure



## Core ABeam members



**Akira Akaishi**  
Executive officer, Principal,  
Practice Leader  
Outsourcing  
ABeam Consulting Ltd.



**Hideyuki Honda**  
Senior manager  
Manufacturing /  
Consumer Business  
ABeam Consulting Ltd.



**Keiji Horie**  
Senior manager  
ABeam Consulting (USA)  
Ltd.



**Kenta Shiobara**  
Senior Expert  
P&T ITM Sector  
ABeam Consulting Ltd.



**Takemi Katsurada**  
Senior Manager  
P&T FMC Sector  
ABeam Consulting Ltd.



**Takayuki Kudo**  
Manager  
P&T-SCM Sector  
ABeam Consulting Ltd.

ABeam utilized the “ABeam Method,” ABeam’s unique project management methodology, to plan concept development, requirement definition, development, testing, go-live and subsequent go-live support from the overall project schedule. Additionally, when standardizing business processes, the meaning of each term used had to be confirmed, and a uniform terminology formed. In Phase I alone, nearly 400 consultants were engaged, in addition to nearly 80 members of Kao’s project team, and in order to handle the pre-go live anticipated training and other issues, consultants headed to plants throughout Japan, namely Wakayama, Tokyo, Sakata, Kawasaki, Tochigi, Kashima, Toyohashi, and Ehime. Additionally, as pointed out by Masayuki Abe, Vice President and Information System Strategic Planning of Kao Corporation, “We needed to pursue efficiency that took into account the differences in the volume of information handled per person in each country.” The impact of overseas operations requiring consideration and round-the-clock discussion going beyond the framework of the individual companies was conducted to ascertain which functions needed to be added to the new system and whether enhancements were necessary.

### Project management from an onsite perspective

While the consultants explained the necessity of the new system at each plant using localized terms, the plant managers acted as “Plant implementation promotion leaders” to coordinate the voices of the onsite users, which resulted in much-needed user feedback during the crucial SAP implementation phases. “The system was probably easy to accept even for the onsite users,” suggests Masayuki Abe. “ABeam came out to the plants and handled the project from an onsite perspective. Even during the preliminary briefings, they kept the channels of discussion open to the satisfaction of all onsite users.”

If projects become as massive as this, there is a tendency for teams to become overly compartmentalized. When this occurs, the information flow began to slow and it tends to hamper efforts to manage the progress and quality of the project. “To avoid such a problem, we assigned a hierarchy of leaders that would head up multiple teams cross-sectionally, despite the segmentalized nature of the teams, and strove to share information,” recalls Hideyuki Honda, Senior Manager of ABeam’s Manufacturing and Consumer Business Division. They made elaborate efforts to build the best team including subcontractors and strived to share the mutually exclusive intelligence to keep its quality high.

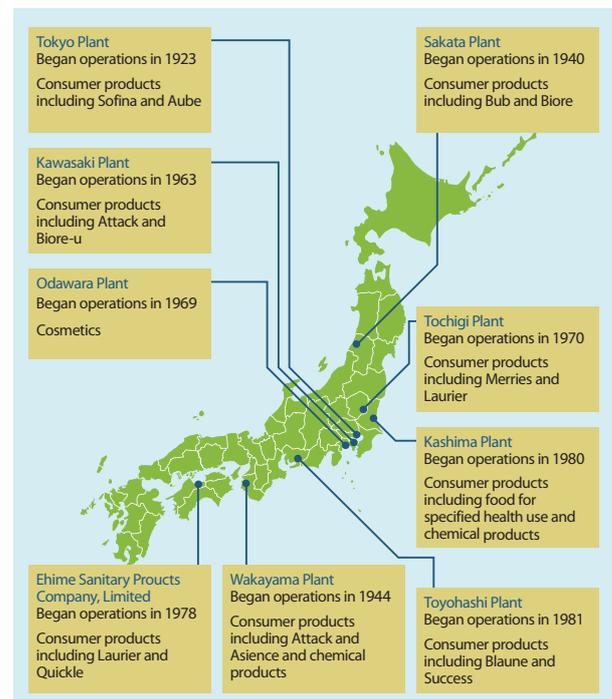
Nobunori Oji points out that the organization-building and effective communication required by these large-scale projects need not necessarily follow a set form: “Regardless of whether similar meetings were convened on a regular basis, when necessary, ABeam would gather the related parties to convene a meeting. This agility was what counted.”

Even more astounding than the wide-ranging applicable area was the number of users (4,000: total of both Phases) involved in this project. Ultimately, nearly 900 operational issues and approximately 6,000 system developments in Phase I, and nearly 240 operational issues and nearly 4,000 system developments in Phase II were tackled. “We owe a great deal to the fact that we had embarked on the ABS Project in Asia together,” recalls Akira Akashi, Lead Client Principal, who directed the ABeam side of the project. “Our partnership that goes back a decade, the trust, the sense of unity, ABeam’s unique methodology, the Industry Framework®, and other professional tools all came together to demonstrate optimal value.”

### Perpetual change is in Kao’s DNA

Thus Kao was able to standardize the business processes, the KPIs and systems of its global group companies, and achieve “visualization” of its global management information. Consequently, this facilitated the swift and global deployment of Japanese operational know-how, as well as allowing overseas expertise to be incorporated into Japan. Centralized management of global data helped accelerate decision-making and equipped Kao with new infrastructure on which to focus its management resources and muster its comprehensive strength to engage in global competition. The time, effort and costs involved in system maintenance and operation were also reduced dramatically.

### Plants where the system was implemented



The current project was so innovative that it was hailed as “Having turned Kao’s new page” on Kao’s Intranet. As indicated in the phrase, “Continuous Improvement & Innovation,” which appears in the well-known “Kao Way” (corporate philosophy), perpetually changing with changes in society is a chief component of Kao’s DNA.

The new system was launched without a hitch and has currently moved onto the maintenance and operation phase. However, even as the project reaches closure for the time being, Kao is looking into the future. The road to becoming “Global One” will never cease. ABeam will continue to be called on to demonstrate its advanced issue-solving capabilities in line with Kao’s continuous progress.

Nearly a decade has passed since the ABS Project in Asia. ABeam’s stance of keeping astride with developments in the field and continuously taking on challenges has been highly acclaimed. As a Real Partner, we will continue to evolve with Kao and follow the path toward progress by keeping Kao’s future in sight.

### ● Voice (Evaluation of ABeam)

“We felt a strong commitment that went beyond the corporate framework on the part of ABeam as a fellow project member or rather as a Kao member to successfully complete the project. This was true not only of managerial consultants but also younger staff. Although Kao has been able to realize the visualization of management information through the current system integration, we hope that ABeam, as a consulting firm, will continue to contribute to the growth of Kao.”

**Mr. Nobunori Oji,**

Corporate Associate Officer Vice President of Global Information Systems, Kao Corporation

“We are grateful that ABeam strictly followed the schedule at the crucial points of the project, such as the go-live date. Our trust in ABeam grew as a result of their thorough responses to the difficulties arising in Phase I. We are most grateful for the fact that ABeam truly understood the purpose of the project and appreciated the methods that we used.”

**Mr. Masayuki Abe,**

Vice President Information System Strategic Planning, Kao Corporation

“The consultants came out to the field and heard what we had to say. They then not only did what was required of them but also went beyond the corporate framework and were committed, almost as if Kao employees themselves, to do whatever it took to achieve the goal. We have known ABeam for nearly ten years now, but I feel it is this type of culture that we, at Kao, have in common with ABeam.”

**Mr. Hiroyuki Kowase,**

Vice President, Information Systems Division, Global Business Synchronization Group and Global Business Development, Kao Corporation

### ● Client Data

#### Company overview

Company name:	Kao Corporation
Location:	3-10, Nihonbashi Kayabacho 1-chome, Chuo Ward, Tokyo 103-8210 JAPAN
Estd.:	May 1940
Business:	Manufacture and sales of consumer products, cosmetics, industrial chemical products and industrial products
Total sales:	1,184.3 billion yen (Consolidated, FY 2009 ended March 31, 2010)
Employees:	34,913 (Total number of employees of Kao Group consolidated companies)

#### Project overview

Summary:	SAP implementation project in Japan
Timeframe:	Phase 1: October 2007 - April 2009 Phase 2: June 2009 - April 2010
Member count:	Up to 500 (Total number of client members and consultants)
Software:	SAP® ERP (ECC6.0), SAP® NetWeaver (MDM, PI, BW, Solution Manager), SAP GRC, SP GTS, SAP EP, etc.

Received the “Project Award” of the SAP Award of Excellence 2010

In 2010, ABeam Consulting, Ltd. received its ninth consecutive “Project Award” for Kao Corporation’s “Blue Wolf 2009 SAP Implementation Project in Japan.”