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HITACHI: PIONEERING A "FACTORY" STRATEGY AND
STRUCTURE FOR LARGE-SCALE SOFTWARE DEVELOPMENT

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INTRODUCTION

This paper is part of a larger study examining the question of whether or not companies are choosing to manage a complex engineering activity such as large-scale software development with a range of strategic considerations and organizational as well as technological approaches that corresponds to the spectrum usually associated with "hard" manufacturing, i.e. job shops, batch organizations, and factories exhibiting various degrees of flexibility in product mixes and technologies. The research project includes the proposal of technology and policy criteria defining what a factory environment for software might look like; a survey of 38 software facilities in the U.S. and Japan to determine where firms stand in relation to these criteria; and detailed case studies examining the technology and policy implementation process followed at firms identified as being close to the factory model.¹

There are several interrelated conclusions: (1) This spectrum, including "factory" approaches, is clearly observable in the sample of software facilities in the U.S. and Japan. (2) There appears to be nothing inherent in software as a technology that prevents some firms from creating strategies and organizational structures to manage product and process development more effectively, even with a relatively new and complex technology such as software. (3) The basic technological infrastructures to aid software process

management are not significantly different between Japanese and U.S. firms. (4) But, Japanese firms -- led by the NEC group and Toshiba, and followed by Hitachi and Fujitsu -- are significantly ahead of most U.S. competitors in implementing "flexible factory" type of strategies focused on reusing standardized components (modules of code) and then customizing end products.

This paper analyzes what is probably the most difficult aspect of the software factory -- the implementation process. Hitachi is significant for two reasons: One, its Software Works (originally a facility performing both systems and applications programming) was the first software factory established in the world, and Hitachi has made available extensive historical and technical documentation for this facility's technological and policy systems. Two, Hitachi has extended its factory approach to both applications and systems software development.

I. HITACHI: THE STRATEGIC AND STRUCTURAL SETTING

Corporate Organization and Products

Hitachi originated in 1908 as the machinery repair section of a mining company in the town of Hitachi, Japan, a couple hours by train north of Tokyo. In 1986 it had approximately 80,000 employees and sales in the neighborhood of \$20 billion dollars. Hitachi's major area of business was communications and electronics equipment, including computers and software (36% of fiscal 1985 sales), although the company also sold heavy machinery (21%), home appliances (24%), industrial machinery (9%), and telephone exchange equipment and other products (10%).² In computer sales among

Japanese companies during 1985, Hitachi ranked fourth, behind Fujitsu, IBM Japan, and NEC, but was traditionally the market leader in large mainframes and second to IBM in very-large mainframes.³

For most of its history, Hitachi's organization has centered around factories, of which the company operated 28 domestically in 1986. These belonged to 7 groups: Computers, Electronic Devices, Consumer Products, Industrial Components and Equipment, Industrial Processes, Power Generation and Transmission, and International Operations. Group headquarters retained responsibility for sales, but factories have been responsible for product engineering and manufacturing. Factories also operate as independent profit centers, with financial management based on 6-month budgets for each factory. Plant managers are thus responsible for engineering and production costs, the setting of production amounts, and any related expenses; and company policy has required factory managers to institute standardized controls and procedures for budgets as well as engineering and manufacturing management. There have been no exceptions, not even in the case of software.⁴ This is what led to the birth of the world's first software factory.

The Computer Group

Computer exports for Hitachi have been relatively small in comparison to domestic sales (about 17% in 1985).⁵ Mainframes are designed to compete specifically with IBM models as well as to be fully compatible, and appeared to be of unique designs. For example, the AS/9000, introduced around 1982 to compete with IBM's 3081 model, used denser circuitry and a shorter data-flow path than IBM to provide considerably more computing power for the

dollar. It was also, according to Datamation, "a more expandable and more cost-effective mainframe, with expanded performance levels when compared to a similar IBM system."⁶ Hitachi computers introduced to compete with IBM's new 3090 Sierra series, the AS/XL 60 and 80, also achieved computing speeds equivalent to the IBM machines with half the number of processors and at a lower price.⁷

The 1962 incident in which Hitachi engineers were caught by the FBI attempting to buy information on the 3081 operating system, particularly new features that IBM had decided to imbed in microcode ("firmware"), suggests that Hitachi has actively sought information on IBM machines and software to help its hardware and software engineers design compatible products.⁸ This process of information gathering or even "reverse engineering" may have also aided the performance of Hitachi mainframes and software.

It is also the case, however, that underlying Hitachi's apparent technical success in hardware and software is a long history of computer development. Hitachi engineers began experimenting with this technology in the mid-1950s and completed their first model in 1957, using parametrons (a solid-state device used primarily in Japan during the 1950s), and then a transistorized business computer in 1959. The model for this machine was developed at a Ministry of International Trade and Industry research institute, the Electrotechnical Laboratory (ETL), and largely completed during 1956 -- two years before the commercial introduction of transistorized computers in the United States. The main ETL designer, Takahashi Sigeru, helped transfer this technology to Hitachi and moved to the company formally in 1962, where he headed hardware product development until 1980.⁹ Along with in-house research and product development, Hitachi also benefited

from a licensing agreement with RCA between 1961 and 1970, through which it manufactured RCA-designed computers, as well as sold RCA software, for resale under the Hitachi label in Japan.

The production of computer products before 1961, along with the arrangement with RCA, reflected a dual strategy within Hitachi: independent development of new technology as well as direct purchasing of technology from abroad. This two-fold approach turned out to be extremely important: When RCA failed to introduce competitive new products in the late 1960s and then withdrew from computers in 1970, Hitachi had sufficient internal expertise to design machines that would eventually compete with the IBM 370 and subsequent mainframes. Equally important, Hitachi engineers had an opportunity to cultivate independent skills and develop a distinctive, factory-centered approach to software development.¹⁰

Hitachi's computer group in the mid-1980s consisted of six main facilities, two for software and four for hardware. The Software Works, which started with 348 employees in 1969, grew to nearly 3000 before being separated into two sites during 1985. It has continued to produce operating systems for mainframes, mini-computers, and office computers; related systems software (such as language processors); and on-line data-base programs. The smallest programs were several thousand lines of code and the largest several hundred thousand.¹¹ Omori Software Works produces large-scale customized applications programs such as real-time banking or factory control software. Research and development on new hardware technologies as well as software development tools and design concepts took place in two corporate facilities.¹² In addition, Hitachi had numerous subsidiaries producing computer-related products and services, including 23 software

HITACHI COMPUTER GROUP, CA. 1986

<u>LINE FACILITY</u>	<u>EMPLOYEES</u>	<u>PRODUCTS</u>
<u>Hardware</u>		
Kanagawa Works	2,800	Mainframe Computers
Odawara Works	2,400	Peripherals
Asahi Works	1,100	Small-Scale Computers
Device Development Center	80	Semiconductor Devices
<u>Software</u>		
Software Works	1,400	Systems Software
Omori Software Works	1,500	Applications Software
<u>CORPORATE R&D</u>		
Central Research Labs	1,200	Basic Research
Systems Development Laboratory	350	Systems and Applications Software Technology

Corporate Programs for Engineering and Manufacturing Improvement

The software factories took part in all company-wide efforts at analyzing and improving various aspects of engineering and manufacturing operations. Several corporate programs appear to have led to an increasing refinement and improvement of the factory concept (technology and procedures) for software, and of engineering performance in this area.

For example, a company-wide movement among Hitachi factories since 1968 has been the "Management Improvement" (MI) program. The major focus of this has been to promote the establishment and implementation of specific standardization, "zero defect," and productivity-improvement

objectives.¹⁴ At the Software Works, during 1969-1971, this movement took the form of setting standards for design, programming, and testing activities, introducing a document control system and a zero-defect program, and launching a study of how to reduce personnel costs and increase programmer performance. As a next step, in 1973 managers asked all planning personnel to submit suggestions on how to improve productivity; this resulted in 1437 proposals, some of which were adopted quickly -- such as structured programming techniques and better debugging methods.

Also under the Management Improvement program, during the later 1970s, the Software Works launched studies of design productivity, reliability, profit generation, and market share.¹⁵ Management formally organized these efforts through the factory staff structure, such as a Rationalization Promotion Center in 1975 (headed by the factory manager).¹⁶ The company-wide focus in recent years has centered on three specific areas and potential ways to integrate and improve productivity in product engineering and production; Hitachi has equally applied the concepts and recommendations in hardware and software facilities:¹⁷

<u>Area</u>	<u>Main Objective</u>	<u>Solutions</u>
Design technology	Shorter times	CAD Standardization
Production engineering	Labor reduction	Automation Process improvement
Control technology	Less work-in-process	Inventory control

Another example is quality assurance. Since the founding of the company, Hitachi has followed a practice called "gleaning," which involves picking out product- or system-design errors, analyzing them, and then

formally recommending solutions and making reports to colleagues. Factories have case reports once a month; there are also reports at the division level approximately once every other month. The Software Works adopted this practice in 1977, with the particular objective of developing design and analysis procedures that would reduce the recurrence of system problems identified by customers, such as not meeting user specifications or designing programs that were not "user friendly."¹⁸

II. SOFTWARE STRATEGY: THE FACTORY MODEL

Product Proliferation and Programmer Shortages

The first Hitachi computers of the late 1950s and early 1960s used drums for main memory, and paper tape for entering programs and data as well as receiving output. Thus, they did not require software except for simple input/output programs and a few subroutines for scientific calculations. With the inclusion of core memory and card readers during 1963-1965, it became possible to use higher-level languages such as FORTRAN and to write more sophisticated programs. Yet the hardware still had no interrupt features, so control programs were small. The first program resembling a modern operating system for a Hitachi computer was a Fortran "monitor" system introduced with the HITAC 4010 in 1965.¹⁹ But this was actually an RCA product (model 401), which Hitachi produced from imported knock-down kits; Hitachi required little product engineering or software knowledge, except to be able to service the machine.²⁰

An in-house project, on the other hand, provided Hitachi engineers with extensive experience in both hardware and software development, as well as

began to strain engineering resources. In the early 1960s, Hitachi's Central Research Laboratory took on contracts with Tokyo University, the Japanese Meteorological Agency, and Nippon Telegraph and Telephone's main laboratory to build a very-large scale computer capable of time sharing, dubbed the HITAC 5020. The Central Laboratory completed one unit for its own use in 1964 and then, under the direction of Shimada Shozo, set out to produce an operating ("monitor") system that would allow the 5020 to perform input, output, and computation functions simultaneously. Laboratory engineers had previous experience developing an assembler and FORTRAN compiler for Hitachi's parametron computers; between 20 and 30 were assigned to work on software for the 5020. The Central Laboratory was one of two sources of computer expertise in Hitachi at the time; the other was the Totsuka Works, which produced telecommunications equipment and had led the company's entrance into computers during the 1950s.²¹

Shimada's major source of ideas for the operating system software was MIT, where he and several other Hitachi engineers visited in 1965 on the introduction of a Tokyo University professor to the head of MIT's electrical engineering department. MIT researchers were then developing their own time-sharing system, Multics, using a GE mainframe. Shimada received a copy of the manual, which discussed several new approaches and ideas such as 2-level addresses and virtual memory. In Shimada's words, the Multics manual "actually made our mouths water." As soon as he returned to the Central Research Laboratory, he made the development of a comparable operating system his next project, in cooperation with Tokyo University's Computing Center. The first delivery of the 5020 was in 1965, to Tokyo University.²² They finished a Japanese version of Multics in 1968, a couple years before

The 5020 was not suited for businesses and the project team became short-handed as Hitachi management gave priority to developing system software for the HITAC 8000 series.²⁴ Introduced during 1967-1969, the 8000 family was a Japanese version of the RCA Spectra series (which was partially compatible with the IBM 360). The 8000 also provided a major incentive to create a formal strategy and mechanism for program development, because RCA was not developing adequate system software. Hitachi decided at first to use the RCA operating system, TDOS, but this required at least two magnetic-tape stations for compilers and the program library. In contrast, a major feature of the IBM 360 was that all functions were available on a faster and larger disc drive system. While RCA hesitated over whether or not to develop a disc system, Japanese customers insisted on this, prompting Hitachi to start modifying RCA's TDOS around 1966 and create a new "disc operating system," DOS.²⁵

Designing an effective disc operating system capable of on-line processing exacerbated the strain on software-engineering resources in Hitachi. The manager of the project, Sakata Kazuyuki, found 80 engineers to work on the system, with assistance from Hitachi's Central Research Laboratory, the Totsuka Works, two subsidiaries (Hitachi Electronics Service and Hitachi Electronics Engineering), and a subcontractor, Yoshizawa Business Machines. (The groups from Hitachi Electronics Engineering and Yoshizawa remained together and formed the basis of the company's largest software subsidiary, Hitachi Software Engineering, established in 1969.)²⁶ Both TDOS and DOS provided the basic structure of EDOS, which allowed for greater volume on-line and large-scale batch processing and was

completed in 1969; this became the foundation for Hitachi's current operating system for large-scale computers.²⁷

Yet another software project Hitachi tackled in the 1960s was an operating system for a project sponsored by MITI and Nippon Telegraph and Telephone (NT&T) to build a very-large scale computer, called the HITAC 8700/8800 within Hitachi (the NT&T version, the 8800, was to be used for telecommunications data processing). Development work for the software started in 1968 at the Kanagawa Works and was then taken over by the Software Works in 1969. The commercial operating system that resulted from this project, OS7, had multi-processor, multi-virtual memory capabilities, as well as supported large-scale batch processing, time sharing, and on-line real-time computing.²⁸ The first commercial deliveries came in 1972-1973, primarily to universities and research institutes.²⁹ The computer fell short of several performance goals and was not as powerful as the 370 series, which IBM introduced while the 8700/8800 was in development. Nonetheless, the project provided Hitachi with extensive experience in IBM-compatible hardware design, integrated-circuit logic chips, and large-scale software engineering. Furthermore, the 8700 successfully targeted a relatively large domestic market for IBM-compatible machines, which Hitachi was later able to switch to its M-series, which competed directly against the IBM-370 and subsequent series.³⁰

Systems programs were not the only software orders to Hitachi during this period. Since few companies in Japan outside of the computer manufacturers had in-house software expertise, Hitachi and the other mainframe producers had to design several large applications programs. In Hitachi's case, these included a series of real-time reservations systems for

the Japan National Railways (the first programmable system Hitachi delivered in 1964, with 1100 terminals throughout Japan); on-line currency-exchange and deposit systems for the Tokai Bank (1965) and Sanwa Bank (1967); and real-time production control systems for Toyo Kogyo (Mazda) and Nissan (1968).³¹

The banking systems were particularly important, because most Japanese banks at the time were buying these from IBM; Hitachi's system marked the beginning of a shift to more domestic systems.³² Developing the Tokai software, which connected 200 remote terminals around Japan to a central processing center in Nagoya, was a particularly difficult but valuable learning experience, according to Sakata. Before taking on the job, he and other Hitachi engineers spent nearly two months in the U.S. during 1963-1964 to observe several American airline and banking systems, including Howard Savings in New Jersey and Continental Illinois in Chicago. They were thoroughly dismayed at how difficult the programming looked and, once they completed the initial Tokai system, it took a full year to get the software working properly. Due to the contract terms, Hitachi was not paid for this extra debugging time and had to absorb the costs itself.³³ The cost and frustrations of this project made Sakata and other managers particularly concerned about improving their ability to control schedules and time estimates, as well as bugs.

Evolution of the Factory Strategy

During the late 1950s, engineers at Hitachi's Totsuka Works, including Sakata, believed that, since computers relied on digital technology similar to the telephone exchange equipment they were already manufacturing, Hitachi

would be able to manufacture computers independently.³⁴ This factory thus began hardware design in Hitachi, and also established the first group officially responsible for software development (mainly language processors and utility programs), the engineering service section. The section started in 1960 with about 10 engineers and in 1963 was divided into two planning sections, one for government and university business, and another for private contracts. The concept of "service" was intimately linked to software since, to sell computers, Hitachi had to learn from potential customers what their needs were and then be able to provide adequate programs. Closely related to this section was another group which trained technicians for maintenance.³⁵

Hitachi management next decided to establish a separate computer division in 1962 along with a new factory to manufacture hardware, the Kanagawa Works (separated from the Totsuka Works). The hardware design section in the new plant took charge of writing or revising software for the new RCA machines Hitachi was planning to offer. But managers worried that the dispersion of a scarce resource -- software engineers -- would make it difficult to write software for the new 8000 series. This situation then led to the creation of centralized system program department in the Kanagawa plant, headed by Sakata and modeled after a similar department in RCA.³⁶ The new department formally brought together the group in the Central Research Laboratory that had been developing software for the 5020; the software engineers already in the Kanagawa Works; and a program section at the division level (although physically located in the Kanagawa Works) that had been studying programs for pre-Spectra series RCA machines produced in Japan. The core group consisted of about 60 engineers; Hitachi

hired another 20 personnel, for a total of 80.³⁷

Underlying the establishment of this department, according to the head of the design section and Sakata's successor as department manager in 1969, Fujinaka Satoshi, was also "the anticipation that we would develop software as a factory product." With the 8000 series going on sale and software for the 5020 yet to be delivered, noted Fujinaka, "Work was increasing so rapidly that the new structure couldn't catch up with it. Every day was a struggle with time."³⁸

The next logical step was a software factory. In fact, rapid growth of the computer division caused acute shortages of space and personnel in both the hardware and software areas. The building housing the Kanagawa Works, located in Totsuka-cho, Yokohama, was expanded but this was still insufficient. As a result, Hitachi established a separate facility for peripherals (Odawara) in 1966 and purchased another site in Hadano, an hour or so by train from Totsuka, where it built its current mainframe plant (Kanagawa Works). The design and production departments moved to Hadano in August 1968, leaving most of the company's software departments at Totsuka (a few others, for some systems engineering and small-scale computers, remained within the division's staff organization until later in the 1970s). In February 1969, the Totsuka building was officially upgraded to a separate factory -- the first software facility in the world referred to as a "factory."³⁹

According to the managers who operated the new factory, Komoto Yukio (the first head of the Software Works), Nakatani Nobuo (his successor), and Sakata Kazuyuki (who served as deputy general manager during the 1970s), there were two reasons for following this strategy: One

was the acute shortage of software engineers and the hope that centralizing software development in a single facility would bring about an increase in productivity. Despite a nation-wide search for software engineers, they still had considerably less than their target to staff the new factory in 1969. The second and major reason was a corporate decision to stop treating software as simply an engineering service that went along with hardware but to view it as a separate product that could and should be produced and inspected, with guaranteed quality, in a more disciplined environment. The key benefit of the factory approach, Hitachi managers believed, was an improved ability to control quality.⁴⁰ Hitachi managers such as Shibata also believed they were making a conscious departure from the approach used at RCA, where software quality was not emphasized and little attention was paid to fixing bugs. Japanese customers would not tolerate the bugs discovered in RCA programs, forcing Hitachi, according to Shibata, to find a better way of guaranteeing quality.⁴¹

Nor was the decision to establish a software factory made in a casual manner; executives discussed it at the highest levels of the company. Hitachi President Komai gave the final order to organize the Software Works as an independent profit center, in keeping with Hitachi's traditional organizational structure and control system. A debate within Hitachi ensued over the nature and name of the new facility; some engineers wanted to establish a "Software Center." But President Komai intervened and ordered that they "call it a factory."⁴² This was despite the fact that no other company in the world had established a factory for software production, and Japanese university professors criticized Hitachi, maintaining that software was not sufficiently understood to be produced through engineering and

factory methods.⁴³

The Factory Architects

The central figure in the development of the factory's process and quality control systems was Sakata Kazuyuki, the individual who had served as manager for several key projects as well as for the system program department (currently he is a senior managing director of Nippon Business Consultants, a Hitachi software subsidiary). Sakata had entered Hitachi in 1941 from a technical high school and gone to work as a machine operator in the Totsuka Works. After additional training at Hitachi's in-house engineering school and a two-year stint in the army, he joined Totsuka's production engineering department in November 1945 and began developing standard times for machining operations as well as studying job tasks, scheduling, and conveyor systems to improve productivity. In 1957, Sakata moved to the accounting department and got his first glimpse of a computer -- an IBM 421 tabulating machine. In 1960, he was reassigned and made the manager of a new computer inspection section, which had about 30 members. When Hitachi management separated computer development from the Totsuka Works in 1962 and established the Kanagawa plant, Sakata continued as manager of the inspection section, which was now located within the engineering department. The following year he became head of the computer division's engineering service department, which did systems engineering for Hitachi customers. Then, in 1965, with the establishment of the system program department, Sakata became responsible for software production and quality control.

Sakata's major frustrations were bugs in the software Hitachi was

receiving from RCA, and the shortage of programmers, which he had to divide among the RCA machines, the 5020 project, and applications programs. A dozen Hitachi hardware engineers not working on the 5020 learned how to write software by studying and translating RCA's COBOL, FORTRAN, and ASSEMBLER manuals for the HITAC 3010 and 4010 machines; seven or eight then continued in the system program department reviewing the new programs from RCA and correcting bugs before shipping the software to Hitachi customers. This experience, as well as his background in hardware production management and inspection, and in computer engineering service, convinced Sakata that there had to be a better way to produce programs and prevent breakdowns due to errors: setting the same quality standards for software as for other Hitachi products, and rejecting the notion that the nature of software was such that there would always be bugs. "Thus," Sakata recalled, "even though it was software, we called [the new facility] a factory."⁴⁴

The key individual who became responsible for implementing Sakata's basic ideas was Shibata Kanji, currently the head of the engineering department in the Software Works. He first joined the engineering service section of Hitachi's computer division in 1964 after majoring in electrical engineering at Shinshu University, and later moved to the system program department and then the production administration section of the Software Works.

Shibata quickly became the in-house expert on software-engineering management soon after he joined Hitachi. One aspect of the company's training program for new engineers required them to take several months during their second year to write a paper on a theme related to their work,

and then give a presentation. Shibata chose to collect data on programmers working on software for the RCA machines and the 5020 -- how much time they spent each day on different activities and different types of programs. Programmers did not like being watched closely or keeping records, recalled Shibata, so they stopped doing this in 1966. But Sakata, Shibata's supervisor in the system program department, read his paper and decided this data was too valuable not to collect. Sakata then hired female employees to keep the records, which became the basis of the Software Works' production planning and control system.⁴⁵

III. FACTORY ORGANIZATIONAL STRUCTURE AND MANAGEMENT

Control Philosophy

With the decision to establish a software factory, Hitachi software managers became obligated to adopt company-wide accounting and management procedures and thus innovate in software engineering management by devising systematic controls on the process flow, costs, and product quality. There was little opportunity, then, for Hitachi managers to treat software as an "art" or "craft." In Hitachi's hardware factories, the management systems evolved centering on standardization and components control. Sakata and Shibata believed it was possible to apply the same concepts to software.

In particular, Shibata wanted programmers to design modules that would serve as the equivalent of standardized hardware parts. "Around 1970 we came to believe that we had to introduce a components control system similar to what you find for hardware, and in the Software Works we

established a committee to take this up as a special project." The committee members soon realized, however, that "software is not sufficiently standardized to be treated the same as hardware components control." They changed their priorities and decided that, first, they had to find a way to standardize product design, just as this had been done in hardware manufacturing, and then worry about components control. A special committee then started establishing standards for all activities, while the original committee adopted the name "Structured Programming Methods Committee," believing that structured programming techniques would provide a way to standardize the software design process. Company engineers next spent several years studying these techniques from available literature, as well as analyzing programs Hitachi had already written to find ways to improve the design structure. This was before structured programming became discussed more widely in industry journals and adopted by other companies.⁴⁶

In addition to their central objective of standardization, the experience of Sakata and other Hitachi managers in hardware production had encouraged them to believe that improvements in productivity and quality (reductions in bugs) were most likely to come from better tools and management systems. In software, they viewed these as higher-level languages and modularization for long-term maintenance, as well as visible charts and documentation for better process control. Developing a "visualized" production control system became an especially important goal, because software engineering did not involve visible raw materials. To pursue these objectives, they decided to analyze, and then attempt to manage, the overall process of software development in much the same way as they saw hardware engineering and

manufacturing. They developed factory systems that provided controls for production management, including man-power, process, quality, and product controls; and for product engineering, including standardization, design, and inspection. The controls involved a mixture of manual and automated support-tools and systems, with strong efforts during the late 1970s and 1980s toward computer-integrated production.⁴⁷ (See Table)

Initially, the motivation for pursuing factory-type production and product-engineering systems was to be able to inspect software products, like any other product Hitachi manufactured, and thereby be able to guarantee quality. But a side benefit of the system of controls, according to Shibata, turned out to be the "minimization of problems." This has resulted in significant improvements in productivity, thus indirectly addressing the shortage of skilled programmers.⁴⁸

Process Flow and Organization

The factory organization contained departments and functions similar to those in hardware manufacturing plants: product planning, inspection, engineering, accounting, and general affairs, as well as training. Hitachi managers did not view the factory organization as static; over time, they consolidated some functional areas, added design departments as software technology evolved (such as for artificial intelligence and computer graphics), and centralized all large-scale custom applications (railways, banking, industrial) development in a second facility, the Omori Software Works.

Hitachi engineers conceived of the software development process in much the same way as other software engineers around the world: as primarily composed of design and testing activities. Data on man-power

allocations (total number of workers) per process at Hitachi Software Works ca. 1985 indicates this is an accurate conceptualization: roughly 50 to 55% went into planning and design, 5% to coding, 30-35% to debugging, and about 10% to inspection.⁴⁹

The organizations and process flows were somewhat different for systems software as opposed to applications software. As seen in the table, the Software Works began with three design departments for distinct types of programs: system development (custom applications engineering), system programs (basic software), and on-line programs (large-scale real-time applications programs for the National Railways, NT&T, banks, and other industrial or institutional customers). For systems software, the design departments were responsible for design, program construction (coding), and debugging, with inspection done by a separate department. At Omori, however, high level design was done by systems engineering departments specializing in different industries or functional areas, and this was separated from program construction and system testing. In this clearer division of labor between design and "manufacturing," according to Shibata, Omori operated more like a "factory." There was a division of labor for systems software as well in the sense that younger programmers were asked to do coding, but there was no organizational separation of design and program construction as at Omori.⁵⁰

SOFTWARE PROCESS FLOW AND DIVISION OF LABOR⁵¹

A. SYSTEMS SOFTWARE (Hitachi Software Works)

Design Departments

Basic Design
Functional Design
Structural Design
Coding
Stand-Alone Debugging
Combinational Debugging
Comprehensive Debugging

Inspection Department

Initial Inspection Planning

Documentation Planning

Inspection Program Compilation

Final Product Inspection

B. CUSTOM APPLICATIONS SOFTWARE (Omori Software Works)

System Engineering Departments

System Proposal Compilation
Demonstration
Estimate

Programming Departments

System Construction/Consultation
System Design
Program Implementation
Conversion
System Test

Inspection and Quality Assurance

Final Inspection

Follow-Up Service

SOFTWARE FACTORY ORGANIZATIONAL EVOLUTION

A. Hitachi Software Works 1969 Organization Chart⁵²

DESIGN DEPARTMENTS

SYSTEM DEVELOPMENT
Design Groups (6)

SYSTEM PROGRAMS
Planning Group
Design Groups (2)

ON-LINE PROGRAMS
National Railways (2 Groups)
NT&T (4 Groups)
Banking (2 Groups)
Government (1 Group)

ADMINISTRATIVE SECTIONS

Administration
Inspection
Engineering
Accounting and Control
General Affairs

COMPUTER TECHNOLOGY SCHOOL

B. Hitachi Software Works 1986 Organization Chart⁵³

Product Planning Department

DESIGN DEPARTMENTS:

No. 1 Systems Programming
No. 2 Systems Programming
Database Programming
Data Communications Programming
Language Processor
Artificial Intelligence
Computer Graphics
Small-Scale Systems Programming

OTHER DEPARTMENTS:

Engineering
Documentation/Manual Development
NT&T Information Processing Systems
Inspection
Computer Center Service
Software Education Center
General Administration
Purchasing
Accounting and Control
Software Technology Center

C. Omori Software Works 1987 Organizational Structure and Functions⁵⁴

SYSTEM ENGINEERING DEPARTMENTS

Banking
Media
Hospitals
Local Government
Industrial
Distribution
Accounting
Payroll
Networks
Tool Development

PROGRAMMING DEPARTMENTS
Analysis, Planning, Design
Implementation
Inspection & Quality Assurance

OTHER DEPARTMENTS

Program Support
Contract Service Program
Technical Support Center
System Design Automation
Computer Center
System Simulation Test

A flexible aspect of both factories, however, was the ability of managers to move personnel freely between among groups within a department, such as if problems arose on a given project. For example, departments in Hitachi Software Works generally had between 500 and 600 people, with the NT&T department being the largest (around 900); departments were then organized into groups of about 100 programmers, with sub-groups of about 30 members. Managers could also appeal to engineering groups within each department to add manpower to help solve project-related difficulties, or they could appeal to the Engineering Department and the Software Technology Center for problems or develop tools considered to have factory-wide relevance.⁵⁵

Staff Departments and Functions

PRODUCT PLANNING

The Product Planning Department in the Software Works was launched in 1970 to centralize planning activities dispersed among the system program department, the large-scale program area, and the administration (control) section. Responsibilities included planning for products such as new operating systems, beginning with OS7, but also for exports. In 1974, for example, the department set up promotion conferences to determine policy for Hitachi's M series, which Hitachi was designed to compete directly with the IBM 370 family. These activities included preparing for OEM exports to Intel in the U.S. and studying how to make the Hitachi hardware fully IBM compatible. To assist in this effort, Hitachi also established in 1972 a Computer Liaison Office in Mountain View, California, which the Product Planning Department in the Software Works administered directly. This

office served as an "information pipeline" on IBM, replacing RCA, and in 1978 was absorbed by the San Francisco office of Hitachi America.⁵⁶ In the late 1970s, the department became involved in product pricing as Hitachi unbundled software from hardware, and in administration of overseas technical contracts.⁵⁷

ENGINEERING (PRODUCTION ADMINISTRATION)

This department originated in the engineering department, software section, of the Kanagawa Works, and was moved in 1970 to the Software Works. It began with two sections (engineering and administration) and 36 members. The engineering section served largely as a liaison group for the computer division, other Hitachi factories, and subcontractors, providing explanations and documentation on software-product pricing and progress on product development. The administration section was responsible for production management and process control (scheduling), as well as administration of the computer and software centers attached to the factory. This group set standard times and was responsible for cost control and studying software productivity. It also helped develop control systems to monitor design and inspection, as well as other tools, in conjunction with the System Development Laboratory (established in 1975) and the Software Technology Center (established in 198X). General-use tools were always paid for out of the factory budget. Other sections of the original engineering department later became full departments: procurement, which purchased software from overseas and Japanese subcontractors; and the documentation/manuals section.⁵⁸

INSPECTION

This department originated with the Software Works and has followed the strategy of developing inspection and control techniques based on actual operating data. The manager of this department reports directly to the factory head, as in all Hitachi factories. In addition to overseeing all testing and debugging, an important tool has been the "needle probe," to identify bugs while a program is in development and provide data to revise estimates and formulate countermeasures to correct the problems. The inspection department also operated the SST, established in 1977, which simulated user conditions and used input/output and circuit defect generators to detect bugs; organized the design review task forces, which include reviewers from several different departments, including inspection; evaluated the performance of programs at customer locations; took charge of maintenance; compiled information on bugs and developed methods of testing for potential defects and developed the factory's bug forecasting system. In addition, the department had responsibilities for programmer training and helped develop support tools.⁵⁹

ACCOUNTING AND CONTROL

The members of this department set up and have maintained the factory's cost accounting system. A major problem in the beginning was how to treat orders, sales, and income. Management then decided to total development expenses for systems software after a project's completion and then charge these back to the Kanagawa Works. Payments for applications programs for customers were included with the hardware; the Software Works received payments by submitting in-house order tickets. Essential to the

calculations were the standard times for all software development activities, set by the engineering (production administration) department.⁶⁰

SYSTEMS ADMINISTRATION (OMORI SOFTWARE WORKS)

This department originated in 1973, from the computer division's systems consultation department, which developed large-scale applications programs for the government and private customers. Fujimoto, the head of the Software Works, and Sakata, the deputy general manager, moved this divisional department to the Software Works as part of their effort to centralize and standardize design activities, in preparation for the introduction of the first M-series mainframes in 1974, which required additional personnel to rewrite programs to run on them. The institution of SC (system consultation) standard times corresponded to the move of this department to the Software Works. The department also took over responsibilities for financial controls for leased systems.⁶¹ Hitachi then moved the systems administration department to the Omori, Tokyo site, and in 1985 made this a separate factory for applications programs.

MANPOWER CONTROL

The basic tool for manpower control in Hitachi's software factories is standard times for all phases of the development process, beginning with basic design. Since the establishment of the Software Works, a committee of Hitachi managers has revised these once per year, to keep up with improvements in programmer productivity. This attempt to study and discipline an engineering activity began in the mid-1960s, when programmers in the Kanagawa Works began recording data on computer time and personnel

required to develop particular programs. Guided by Shibata, Hitachi engineers had enough actual data and confidence by 1967 to establish formal procedures for estimating both labor and machine hours for program development, initially placing this information on job tickets. The inauguration of the Software Works in 1969 then made it necessary to adhere to Hitachi's company-wide budgeting and cost-accounting procedures, which used standard times as basic accounting units for all engineering and production activities.

"We were perplexed," recalled Sakata, but they set up a committee that succeeded in drawing up formal standard times for each activity and for each class of programmers, based on their training and experience. The standard times consisted of debugged program steps per day or month, and took into account factors such as the type of program being written and the language being used. They collected the data in a "red book" that became, in the early 1970s, the basis for the factory's current cost accounting and planning systems. Hitachi instituted these controls for software several years before IBM began promoting the use of standard times, although the System Development Corporation had published some materials discussing how to devise standard times for software during 1967-1968 and these provided several suggestions to Shibata.⁶²

Hitachi managers early on realized that systems software development required a different set of activities than customized applications software. To deal with this problem, they established SC (system consultation) standard times in 1973.⁶³ The systems engineering groups also developed separate tools and systems such as HIPACE (Hitachi Phased Approach for High Productive Computer System Engineering) to standardize their proposals and

to aid in design automation. The evolution of different standards and tools made it relatively easy to move the applications departments to the independent Omori site.

Planning and scheduling improved significantly soon after the factory was established, through the compilation of actual data for each phase of the development process, and continual refinement of planning techniques. Accurate programmer classifications were considered essential to both the planning and budgeting systems, which, for each project, took into account the experience and potential output of team members. Programmer classifications were determined largely but not entirely by their length of service in the company. Seniority was a fairly accurate indicator of performance, according to Sakata, because actual data showed that coding speed increased markedly with experience. But, at any given time, only between 20 and 30 percent of programmers actually met standard times, and it generally took 2 to 3 years to reach standard times for coding (and longer for design).

Programmers were also tested before managers raised their official classifications. They were made to take certain courses, and then tested at the completion of each course. In addition, all programmers twice a year were tested through competition in contests, where they had to write flow charts and code to solve certain problems. The contests involved both individuals and groups, and management recorded the results in a data base as a reference for future planning and scheduling.⁶⁴

PROCESS CONTROL

Establishing a capability for accurate planning and process control were

his most enduring problems, claimed Sakata. These were especially important because Hitachi's computer division sales department would always announce new computer products and give out specifications before the Software Works had developed the systems software. This placed a tremendous burden on software managers to meet their targets. Customers also wrote their own applications programs, based on the advance specifications, and became very upset if the systems software was delayed or if Hitachi changed the specifications.

The Software Works' process-control system monitors the status of each project through documents covering the first half of the development process. Large projects include several hundred people, divided into teams of about thirty with responsibilities parcelled out equally to team members. Time and manpower estimates rely on actual data for past projects, including the annually revised standard times.

For example, scheduling for a given project first involves the system architects determining the general functional specifications and how many program steps this will take. This is the most difficult part of scheduling, according to Shibata, and thus the most error prone. Then they look to standard times data for each phase of the development process and calculate a standard time objective for the entire project. They next look at the skill levels and particular programming experiences of the employees available for the project. Using the standard times as a reference, they work out a schedule based on required program steps, man-months adjusted for skill and experience levels, and computer time.

At the inception of the factory, managers began using simple arrow diagrams and then a computerized diagramming tool, PERT Network System

(PNET), to keep track of projects and draw up a master schedule. Hitachi linked this experimentally with a planning simulation program in 1971, HICAP (Hitachi Computer-Aided Planning). It did not prove to be especially accurate, however, and involved other problems. Most serious was that letting the computer control the schedule was too lax, since parts of a program often have to be completed before other work can continue; managers preferred to deal with these types of problems through personal negotiations. In addition, during project progress meetings (formalized in 1973-1974 and which met once a month to discuss problems and potential solutions), they found it convenient to use arrow diagrams on paper, because of all the schedule changes they usually made. Hitachi thus went back to manually written arrow diagrams for process planning, until the factory introduced CAPS as an on-line production control system in 1978 to track the actual progress of completing modules and documentation, and of debugging and design review. This system involved the assignment of every programmer to a specific terminal as well as a central data base to keep track of the process flow, mainly through the completion of documentation.⁶⁵

In the debugging process, the basic control mechanism has been check lists, which indicate problems and progress toward solutions, including from 1973-1974 a system of tickets (or tags) for accompanying documents.⁶⁶ Hitachi used PX tickets to accompany daily control charts during debugging, and PY tickets for daily control charts during inspection. PZ tickets accompanied control charts identifying specific defects or bugs, while PW tickets designated control charts used during planning, design, and coding. Other tickets indicated the state of work-in-process, and progress in correcting defects. Overall monitoring of the debugging process was also

incorporated within CAPS.⁶⁷

To determine what percentage of a project has been completed, managers submit reports on completion of modules. If a program is designed to have 100 modules, for example, and 80 are completed, then they consider the project 80% done.⁶⁸ One of the results of the control systems used at the Software Works is that, if projects are falling behind, managers can add people -- not just anyone, but the best people available -- and generally finish close to the target. This was because the factory environment facilitated rapid understanding of projects.⁶⁹ In contrast, IBM's experiences with the 360 operating system development was that adding people tended to make projects later, due to the communication time needed to familiarize new personnel.⁷⁰

QUALITY CONTROL

Hitachi engineers defined quality control for software as, first, preventing the creation of bugs in the design stage, and, second, meeting performance specifications. These two factors directly impact the customer and so, according to Shibata, Hitachi gave them primary importance. Two other features of quality that directly affected the manufacturer were maintainability and portability of a program, so Hitachi also tracked these measures secondarily.⁷¹ To improve quality control in the mid-1970s, Sakata, Shibata, and other factory managers decided to adopt structured design methods, high-level languages, and formal systems for quality and process control, and product engineering. These facilitated long-term maintenance as well as short-term productivity by making it possible to divide job tasks more easily and to test completed modules and programs.

In 1971, the factory instituted control charts indicating the generation of bugs and status of corrections, as well as a "needle probe" technique, developed by Sakata, to test a program being developed when about 60% was completed, and then revise the overall bug estimates.⁷² In 1972, Hitachi added another ticket-control system: P tickets to designate program changes, and B tickets to indicate corrects of bugs. In 1974, these were linked to the PX-PW-PZ process-control ticket system, to simplify project control and estimating. At the same time, the needle probe tool and data on actual bug generation for different types of programs became the basis of a time-series statistical program for forecasting bugs instituted in 1975, FORCST. This also provided programmers with examples of bugs in different types of software, to help them avoid making similar errors.⁷³ Included as part of the quality control effort were also design review sessions from around 1974 (particularly used for applications programs where Hitachi had to meet customer specifications).⁷⁴ In addition, the system-leaning practices, focusing on particular system design problems and solutions that seemed instructive to present to all employees in the Software Works, supplemented other quality assurance activities.

Following the practices of other Hitachi factories, the Software Works, with assistance of engineers from the System Development Laboratory, formalized as well as automated its quality control tools and procedures during the mid-1980s, referring to its system as "SQE" (Software Quality Evaluation). This maximized not subjective measures of quality but program "reliability" (shinraisei), and consisted of a set of procedures and tools to "support and improve" reliability by determining the number of defects and the software and providing quick analysis of the causes of errors and then

feedback to make corrections and prevent similar errors by predicting and correcting errors before products reach the customer. The objective was continual improvement in the level of "built-in" (tsukurikomi) design quality. Previously, quality control primarily involved the statistical evaluations of finished programs, without systematic error analysis, feedback into design, or control over future design efforts.⁷⁵

Two basic policies underlay the SQE system. One was that the error analysis should involve a broad number of measures and sufficient information to allow useful feedback for all phases of development, from initial design through inspection. These measures, tools, and analysis techniques were also supposed to be sufficiently flexible to adapt to changes in programming environments over time. The second was that the entire set of procedures and tools should be easy to use for everyone involved in development of the software; therefore, Hitachi made the tools available for personal computers. It should be noted that these two characteristics-- defect analysis and feedback to design to build quality into future products, and simplification of tools and procedures to make sure they were used widely, insuring at least some measure of success -- were both characteristic of Japanese quality control practices in other "hard" manufacturing industries.⁷⁶

The basic procedure followed was to (1) use reports on bugs from customers to estimate how many latent defects existed, (2) combine this information with in-house data on bugs uncovered, (3) predict the number of defects in new, similar products, and (4) attempt to locate these "built-in errors" through testing. As long as a product type and its user environment, as well as its workforce, did not change too much, Hitachi engineers felt

confident they could use historical data to predict latent bugs in new programs, particularly since the data captured made it possible to revise estimates continually.

Several simple statistics were considered most useful in estimating and analyzing errors: development size (number of steps or lines of code); program processing content and structure; program development configuration; percent of the program written in high-level languages; number of design man-hours given the size of the program; number of test man-hours given the size of the program; number of checklist items given the size of the program; comparison of the estimated and actual sizes of the program; patterns formed by bugs detected.

The SQE tool set consisted of three subsystems -- design quality estimation, test quality estimation, and comprehensive quality estimation-- each covering different phases of the development process.

The design quality estimation subsystem was first used in the planning stage. For design reliability, first, a table was drawn up for each new program listing the number of bugs expected to be in the software and the number detected as development progressed. Second, a reliability checklist was used to make sure the software performed the basic functions its was designed for. Third, as part of the error analysis procedures, a "quality objectives establishment" program was written to model the occurrence of bugs, using coefficients drawn from historical data on factors such as program size, processing content and structure, percent written in high-level languages, number of man-hours spent on design and testing.

The test quality estimation subsystem was use to evaluate quality during the different testing steps. A QC graph chart actual bugs detected on one

axis against estimated bugs likely to occur in different stages; this made it possible to monitor visually progress in error detection, as well as provide immediate "feedback" to design and "feedforward" to improve later testing-- before a product was completed. To track the data on actual bugs versus estimates at the completion of each development phase, and to generate estimates on how many bugs were likely to remain undetected, Hitachi used a program called FRCST.

The comprehensive quality estimation subsystem was used in final inspection. This used data generated by the other two subsystems to evaluate a program on the basis of eight criteria covering product design, product quality, and operating quality.

PRODUCT CONTROL

This consisted of a formal system, started by the system program department in the Kanagawa Works, for both storing program source files and accompanying documentation for future reference, either to correct bugs or to add enhancements. In 1976, Hitachi started the practice of keeping copies of all programs in a separate location to guard against destruction from earthquakes or accidents.⁷⁷

STANDARDIZATION

In addition to standard times, from the inception of the Software Works, Hitachi managers made "job standardization" a top priority. They did not establish long-term fixed standards, because personnel and technology were changing continually. But the standards establishment committee initially met almost weekly to determine what short-term work standards

should be and codified these as the Hitachi Software Standards (HSS). This entire effort involved a deliberate attempt to standardize software as Hitachi factories standardized the development and production of material products; specifically, managers tried to prevent programmers from designing, coding, and documenting software products in different ways. In Shibata's opinion, standardization of the entire process flow was probably the most important technique Hitachi found to raise productivity, particularly when combined with high-level languages and group-programming support systems such as CAPS. The fewer bugs that resulted was one advantage; another was that standardized documentation made inspection easier.⁷⁸

According to the official factory history, the standardization effort was extremely difficult and not very successful at first. Over time, however, factory managers succeeded: The effort depended on the establishment of a structured design method in 1973 to facilitate program maintenance and portability, despite the lengthier programs that often resulted.⁷⁹ At the same time, the factory instituted a standardized "components [modules] control system" and then in 1977 a general-use software tools registration and control system. Meanwhile, the factory published standard coding manuals for each programming language used in the facility.⁸⁰

The structured programming method Hitachi adopted began with a standardized approach to design: (1) determination of user requirements; (2) determination of external specifications (the program's logic structure); (3) determination of internal specifications (the program's "physical" structure); (4) manufacturing (coding); and (5) inspection (testing and debugging). The logic structure represented the functional layers of a program and the interconnections (input/output) between those layers. First, programmers

wrote specifications in natural language and used an in-house tool, CEG (Cause-Effect Graph), and decision tables to identify inconsistencies or flaws in the logic structure. They then broke down the object function into partial functions to develop algorithms to implement the desired specifications. The physical structure represented the actual modules making up the program (their hierarchical arrangement as well as interconnections) and data (data hierarchies, data and module interconnections, and data-point relationships).

Hitachi's major design objectives were (1) to match the physical structure as closely as possible to the logic structure; (2) to standardize the physical structure; and (3) to make the elements of the physical structure as independent as possible. This latter principle required each module to have only one input and one output, and each module to be in effect a "closed subroutine." Documentation also followed a standardized format. In addition, several support tools relied directly on the standardized design structures. AGENT (Automated Generator of External Test Cases), for example, automatically generated test items from the cause-effect diagrams and served as a logic-design support tool. ADDS (Automated Design and Documentation System) served as a design-support tool for the physical structure by analyzing design information and generating documents in graphic form.⁸¹

Related to standardization was the capability to reuse modules developed for both system and applications programs. Since standard times did not assume a programmer would reuse software, doing this allowed programmers to meet or surpass standard times, and helped managers meet cost or scheduling targets more easily than without reusing modules. Potential reusability was considered at the very beginning of designing a

program, and facilitated through the standardization of design through structured programming.

The tradeoffs, according to Shibata, involved performance and enhancements; structured programs designed to contain reusable parts did not always perform as well as newly written programs. In fact, a general rule Hitachi used was that, if they had to revise 30% of the code in a module, then, in terms of functional performance, it was better to write the module needed from scratch. Only in 1985 did Hitachi managers require programmers to start keeping data on how much code they were reusing, although survey data in the previous paper ranked Hitachi in the high category for this measure, exceeded only by Toshiba, which was over 50% (See Appendix table on "Reusability Analysis"). For new releases of systems software, the reusability rate was about 90%.⁸² The most opportunities for reusability, however, Hitachi viewed as being in applications programs.

In addition, considered as part of the standardization and reusability effort were a series of systems to facilitate the transfer of programs among different machines. HIPAL (Hitachi Program Application Library), an on-line data base of applications programs and utilities, was first set up within the computer division in 1968 and then transferred to the Software Works in 1970. A tool for translating programs for different machines, HITRAN (Hitachi Translation Program Library), was separated from the HIPAL system in 1977. Both of these were for in-house use. HILINK (Hitachi Users' Program Library Network) was a separate system launched in 1975 that made it possible for Hitachi customers to exchange programs they had written.⁸³

TRAINING

Training was integral to standardization and the general success of the factory effort. Consequently, an education program was set up along with the Software Works. Hitachi hired both software engineers who had studied in the U.S., as well as high-school graduates which the company had to train itself. But the expansion of Software Works personnel from 348 in 1969 to over 900 in 1971 created a severe strain on instructors; a temporary solution was to make greater use of large meetings, as well as use the results of tests based on the Hitachi Software Standards and contests among the programmers, to judge the abilities of programmers.⁸⁴ Managers recorded the results of these tests and contests and used them (along with length-of-service information) to classify programmers as an aid in estimating time and cost schedules.⁸⁵

The education and classification scheme extended for 12 years in Hitachi, after which individuals received the grade of chief programmer or system engineer, depending on whether they were in systems software or applications software. During the first year in the Software Works, employees were classified as trainees and took courses in introductory computer science and basic programming. They remained classified as "junior" programmers or system engineers from the second through fifth years in the factory, during which time they received additional courses. Programmers with between six and ten years of experience were designated junior leaders and received middle-level courses. Between their ninth and tenth years, programmers rose to the status of planners or sub-leaders, while undergoing advanced training. Chief programmers continued their education and studied subjects such as software reliability, use of design review, semiconductors, and computer network technology.⁸⁶

There was a distinction between the systems and applications factories, however. In Hitachi Software Works, where there was no organizational separation of program design from program construction (implementation), young employees who started out doing coding eventually could rise up to become designers. In Omori, however, there were separate career paths for system engineers versus specialists in implementation. Within the implementation area, a young employee might move up from doing simple coding to detailed design and planning, but would not normally switch to the system engineering area. The reason was that Hitachi managers felt implementation and systems engineering for outside customers required specific and different sets of skills, in which employees should specialize, although all systems engineers generally spent about two years working in program implementation before moving over to the high-level design area.⁸⁷

IV. THE TOOL SET

The initial essence of the factory infrastructure at Hitachi was primarily a combination of policies to promote standardization and the use of "good" practices such as structured design. A set of tools to facilitate division of labor and group programming evolved afterward, largely in response to several problems in software management that appeared to defy complete solution through management alone. A Hitachi memorandum cited six areas of specific concern:

1. The invisible nature of the production process
2. Increasing scale, complexity, and diversification of program functions

3. Pressure for higher reliability
4. Difficulty of improving production efficiency
5. Shortage of software designers, especially experienced designers, and managers
6. Increased work hours for management.⁸⁸

The response engineers at Hitachi's Systems Development Laboratory and at the Software Works arrived at during the late 1970s was to develop computer-aided systems for functional support (such as design, coding, and testing) and group programming in general. The factory's policies for standardization, design, and inspection functions for systems software were integrated through CASD (Computer-Aided Software Development System); and the policies for man-power, process, and quality control through CAPS (Computer-Aided Production Control System for Software). Both CASD and CAPS relied on various subsystems or support tools, and standardized methods. They themselves also evolved into a broader effort labelled ICAS (Integrated Computer-Aided Software Engineering System), aimed at fully integrating product-engineering and production-management tools and activities.⁸⁹ The System Development Laboratory has directed the development of these technologies, with the cooperation of the Engineering Department in the Software Works in areas related to production and quality control.⁹⁰

Computer-Aided Software Development System (CASD)

CASD was mainly a response to the increasing size and complexity of software programs and grew out of a design and debugging tool Hitachi

developed during 1975-1977 to centralize controls for supporting and standardizing design through the use of structured programming, high-level languages for system construction, multiple and remote computer sites, and a central program library.⁹¹ After 1979 it became also a tool for reliability improvement, evolving increasingly in parallel and with linkages to CAPS, which standardizes a variety of technologies and activities to improve control over manpower planning and scheduling as well as cost, process flows, and quality.⁹²

There were two basic assumptions underlying CASD: One was that labor productivity in software could be improved by standardizing the tasks in each phase of development and then utilizing support tools. Second was that performance could be improved not only through standardization but also through automating these support tools for each phase of the development process and then integrating them into a single system. This was an attempt, in the words of the architects of the system, to "modernize" as much as possible of what has usually been considered a manual activity, supported only with tools for discrete parts of the development process.⁹³

Structurally, CASD included three interconnected support subsystems, for design, programming, and testing. The design-support subsystem constructed the design documentation and analyzed the design specifications. The programming-support subsystem made it possible to write the system using a high-level language, and analyzed the results. The testing-support subsystem then helped devise the test items and run the program being tested, as well as evaluate the comprehensiveness of the tests after they were run.

The design-support subsystem relied on a structured-programming tool

called Automated Design and Documentation System (ADDS) as well as Hitachi's Module Design Language (MDL). MDL made it possible to standardize and formalize design specifications at the module level; the ADDS system placed this documentation, as well as corrections or changes, into a central database, and checked for obvious errors, thereby assisting in the design review process. Printers and terminals provided the capability to "visualize" the design documentation. The tables and charts produced by ADDS covered areas such as the functional layered structure of a program, module specifications, the data flow path, module connections, and summaries of the modules, functions, and changes.⁹⁴

The programming-support subsystem relied on a standardized language for coding, the Hitachi Programming Language (HPL). This also facilitated design review. HPL's main components were a compiler and what Hitachi called the Static Code Analysis (SCAN) system. Coding reviews were supposed to catch program bugs as early as possible and also provide a way to examine the program logic. Hitachi engineers were frustrated because this was largely a manual process, and was affected significantly by the different levels of ability of the programmers. To address these problems, the SCAN system received static-code analysis data from the HPL compiler and put out various reports for use in the coding review. These reports analyzed the program control structure in graphic form, the program's data structure, and the module control structure and relationship between modules and data. Then, SCAN checked the results of these analyses with design information from ADDS.⁹⁵

The testing-support subsystem was intended to tackle problems of quality control and productivity simultaneously by facilitating the

identification of bugs and, correspondingly, the reduction of man-hours devoted to testing. This subsystem had four objectives. One was to clarify in detail the design specifications, on the assumption that the test items had to determine the conformance of the program to its specifications. Another was to establish testing standards for a given program, recognizing that it was impossible to test all potential operating conditions. In addition, the subsystem was designed to automate as much of the testing process as possible, as well as evaluate the comprehensiveness of the tests. Several other tools -- Cause and Effect Graphs (CEG), Automated Generator of External Test Cases (AGENT), HPL Test and Debugging system (HPLTD), and Test Coverage Manager (TESCO) -- were integrated within the system to perform these objectives.⁹⁶

Computer-Aided Production Control System (CAPS)

As with CASD, CAPS development was inspired by several persistent problems. Hitachi managers wanted greater standardization and control of the process flow, delivery times, quality, and overall costs. In particular, CAPS focused on the following areas:

1. Collection and analysis of management or process-control data in accordance with the structure of a program
2. Chronological analysis of each type of process-control data
3. Imposition of controls on the process limits of design documentation
4. Japanese character and graphic output through a non-impact printer
5. Multifaceted quality analysis
6. Construction of a data base for actual data and standard times

7. Automatic collection of data
8. Capability for on-line instantaneous utilization of the automated output.⁹⁷

The manual procedures and computer-aided production-control tools introduced at the Kanagawa Works and then the Software Works between 1967 and 1976 provided the foundation for CAPS, of which Hitachi completed an initial version between 1977 and 1980, by establishing a formal means of collecting and analyzing both historical and current data on programmer productivity and project management. The incremental evolution of these management policies and tools is clearly evident in the following chronology of major milestones preceding the start of CAPS development:⁹⁸

- | | |
|------|--|
| 1967 | Completion of a system for computing labor and machine hours for software development (Kanagawa Works) |
| 1969 | Establishment of standard times for software development (Software Works) |
| 1971 | Establishment of programmer ability coefficients and amendments of standard times |
| | Completion of an estimation and budget system using standard times and a simulation system for resource planning |
| | Completion of a PERT Network System (PNET), an automatic diagramming system for schedule control |
| | Implementation of a manual system for time-series analysis of test processing and quality control |
| 1972 | Completion of a system for budget-vs.-actual expenditure control for man-hours and machine-hours for each project and department |
| | Implementation of a manual system for document schedule control |
| 1973 | Implementation of a manual system for job process control |
| | Implementation of a manual system for productivity analysis and |

control

- 1974 Completion of a productivity analysis system for each project and department
 - 1975 Implementation of a manual system for defect factor analysis and quality control
 - 1976 Development of a time-series statistical program for forecasting defects (FORCST)
- Establishment of a standard scheduling system
- Implementation of structured design methods

Central to CAPS was the standardization and clarification of program structures; this the factory accomplished by requiring programmers to use structured design methods. But successful implementation of the computer-aided features of the control system depended equally on several improvements in hardware technology. One was high-performance computing power, so that numerous programmers could be on terminals connected to the same data bases; this was done by installing Hitachi's largest mainframes, the M-180 and M-200H. CAPS also demanded increased storage capacity for the historical data base recording past data and present data, and comparing these with standard times; this came through another Hitachi product, MSS (Mass Storage System). To use MSS efficiently required a large-scale data-base management system; Hitachi filled this gap with the development of several systems, most notably ADM (Adaptable Data Manager). Managers also wanted simple visual graphic output, to make it easier to follow the process flow; this was achieved through the use of non-impact laser beam printers that printed Japanese characters as well as English. In addition, managers wanted to formalize the development process for new software products and then shorten the time needed for program development; Hitachi

has been most successful in accomplishing this in the applications area, with a series of procedures and tools such as EAGLE and HIPACE, as well as CORAL (Customer-Oriented Application Program Development System), and CANDO (a prototyping tool). These are used primarily in Omori and applications subsidiaries.⁹⁹

An example of this mixing of management policy and computer technology can be seen in the incorporation of standard times into CAPS. Controlling programmer time and machine time was considered critical because, according to Shibata and Yokoyama, these accounted for over 90% of software production costs. Sakata had earlier decided it was necessary to establish standard-time estimates for man-days and computer time. Shibata and his contemporaries, however, wanted to incorporate these into a computerized system that would enable Hitachi to follow the time estimates more closely in the actual production process. Standard times required, first, determining job standards and, second, classifying programmers by ability; managers such as Shibata wanted to be comprehensive but stressed that standard times be as simple as possible, so they would be easy to revise as well as to simulate, while still covering most of the appropriate criteria. To facilitate the accuracy and utilization of the standard times, for each project, estimates and actual data were fed as the project progressed into a central production data base from on-line terminals. This made it possible to compare progress to estimates and revise estimates during the project. Under CAPS ca. 1980, data points included the following:

1. type of object machine (large, medium, small, peripheral)
2. type of program (control program, on-line user control, generator, simulator, etc.

3. process phase (basic design, functional design, etc.)
4. degree of difficulty (newness)
5. production volume (number of steps)
6. language being used (assembler, COBOL, FORTRAN, etc.)
7. machine being used

In addition, cost overruns and late deliveries were the result, Shibata and Yokoyama believed, of inaccurate daily scheduling and planning. To correct this problem, Hitachi engineers wrote an algorithm to calculate manpower needs and schedules automatically. This took two factors into consideration: (1) actual working hours of the committed programmers; (2) the minimum necessary times required for different phases for each type of software program and standard times. Another assumption at Hitachi was that there was a relationship between the progress of a software project and its quality; an ideal system would thus integrate production management and quality control data. Therefore, they designed CAPS to estimate automatically the number of defects likely for each phase of development, according to the type of program, number of steps, items tested, and other factors, based on actual data.¹⁰⁰

CAPS relied completely on the use of structured programming techniques, and then used this design technology to make the structure of programs visible. A data base control system designed for structured programs divided into modules, ADM (Adaptable Data Manager), automatically checked actual progress versus estimates, as each module of a program was completed. ADM then produced a detailed printout tracking the schedules for design, testing, and inspection, with additional information on documentation

and quality (errors in the specifications, design documents, or manuals; bugs found in test items and coding; analysis of the causes of bugs and countermeasures). Three subsystems -- for documentation daily-schedule control, testing preparations and programming progress control, and testing, bugging, and inspection progress control -- were also integrated within CAPS and provided additional printouts with information and analysis. In this sense, CAPS was more than just a system for production management that provided a visual capability for process monitoring; it also analyzed data and served as a tool for quality control.¹⁰¹

As a production and quality control system, CAPS was not fully integrated with CASD but was developed in parallel. For example, CASD output files were not automatically sent to the CAPS production database source file; nor did CASD automatically send corrected modules to CAPS. Automating the information flow was, however, a major area of development and central to the ICAS program.¹⁰² For example, between 1980 and 1983, Hitachi completed links between the two systems making it possible to register program modules in the CAPS program library automatically from CASD, and to automatically feed data on bugs from CASD to CAPS.¹⁰³

Integrated Computer-Aided Software Engineering System (ICAS)

ICAS also represented a mixture of technology and standardized methods and procedures), but was aimed at incorporating even more advanced methods and computer-aided tools. It contained four main features: (1) an integrated methodology for the structuring and abstraction of software, using a formal language and graphic notation, throughout a life cycle defined as need analysis, requirement definition, planning, programming, testing,

operation and maintenance; (2) interactive tools for each phase of the life-cycle; (3) an "intelligent" workbench, using a personal computer, allowing programmers to use the tools by having dialogues with the computers; and (4) complete management of information for all phases using a relational database. The basic philosophy of this approach was to develop not "methodology-free" tools, leaving it up to the user to decide on which development methodology to employ, but to present computer-aided tools with a "fixed development methodology of multi-purpose use," allowing users to develop software quickly by using the tools "without having to worry about which methodology to apply."

Requirements definition involved stepwise refinement in the procedural, functional, and logical description of the system being designed. From the conceptual model, programmers determined the control structure, abstracted data and formed data modules, and defined functional algorithms with only three control elements -- sequence, repetition, and selection -- using PDL or PAD (Problem Analysis Diagrams). ICAS then automatically converted the functional algorithm into statements written in a programming language. Several tools simplified needs analysis and description (PPDS--Planning Procedure to Develop Systems and FRAME--Formalized Requirements Analysis Method), and requirements definition (RDL/RD (Requirement Definition Language/Analyzer)).

Design-aid tools included ADDS (Automated Design and Documentation System) and MDL (Module Design Language), already part of CASD, as well as PDL/PAD (Problem Design Language/Problem Analysis Diagram). PDL/PAD was intended to automate coding and completely integrate design documentation and source programs. It consisted of a program logic design

tool, based on structured programming, and a tool to convert automatically design documents into high-level language source programs (PL/1), or vice-versa. For example, departments writing in COBOL were able to automate as much as 30% of coding tasks.¹⁰⁴ In addition, DBDS (Database Design System) was a tool for designing databases. Test-aid tools included AGENT, TESCO, and CEG, discussed above. A Software Engineering Workbench (SEWB) and a Software Engineering Database (SEDB) provided an infrastructure to use these tools in an integrated manner. The relational database stored all data from each tool input into the computer.¹⁰⁵

The quality control portions of ICAS were in actual operation in the Software Works as of 1986 as part of CASD. Other subsystems of ICAS being refined at the Systems Development Laboratory, Hitachi Software Works, and Omori Software Works were already in use for applications software. Most important were HIPACE, the set of procedures and methodologies to guide system design, and EAGLE (Effective Approach to Achieving High Level Software Productivity), an automated system-development support tool used to locate reusable modules from a parts library.¹⁰⁶ EAGLE was also linked to the PAD system, making it possible to generate new modules from high-level designs while retrieving existing modules for other functions from a parts database.¹⁰⁷

Even before complete integration within the ICAS project, HIPACE provided a factory-type methodological infrastructure and EAGLE a factory-type technological interface for applications development at Hitachi's Omori facility and Hitachi Software Engineering.¹⁰⁸ Hitachi intended HIPACE to reduce costs in customized applications development by facilitating communication between the company's system engineers and customers and

applying well-defined, standardized procedures to system development and project management. It set the process flow as follows: analysis, system planning, system design, program design, program construction, test, transfer (to customer), installation and evaluation. First, engineers used Structured Data Flow diagrams (SDF) to analyze customer needs. Planning Procedure to Develop System (PPDS) and Standard Procedure to Develop Systems (SPDS) then provided documentation and project-management standards for each phase of the development process. A set of worksheets referred to as Work Breakdown Structure (WBS) provided the format for planning of the actual design, programming, and testing tasks. To facilitate long-term maintenance and reliability (and reusability), engineers then used HIPACE-SA for structured analysis, HIPACE-SD for structured design, and HIPACE-SP for structured programming (usually in COBOL or PL/1).¹⁰⁹

The EAGLE system extended the HIPACE methodology by adding four computer-aided functions: (1) conversational language processing from system design through testing, using easily understandable menus; (2) a central database on design specifications and program implementation, as well as project management (tracking information from the standardized work sheets defined in the SPDS manual) to facilitate system development and maintenance; (3) automated construction of new source programs from standardized patterns ("skeletons") and components (sub-routines); and (4) automatic compilation of maintenance documentation.

The process flow in using EAGLE was also clearly defined. The first two steps are the analysis of data types and interrelationships and their recording in a "data dictionary" database; this is followed by registration of the system design and program documentation in a specifications database.

At this point, new standardized modules are identified and registered in a central program parts library, and existing components are identified for the system being developed, if applicable. This makes it possible to "assemble" programs using the new and reused modules. Hitachi also makes these standardized modules available as products with the EAGLE systems it sells to customers, although company engineers have found that "data modules" are easier to use than processing algorithms, which tend to be more difficult to standardize. EAGLE next generates an outline of the program from the detailed (module-level) specifications and then produces a source program. The source program is then edited to add particular functions wanted by individual users. Finally, test commands are automatically generated and carried out in conversational language (Japanese).¹¹⁰

Recent efforts (1984-1986) to develop the EAGLE system have focused on making it both more flexible for meeting customer needs as well as more appropriate to a factory environment stressing division of labor and maximal use of standardized components. On the one hand, the conversational interface has been improved; and the system now handles PL/1 and CORAL (Customer-Oriented Application Program Development System -- a Hitachi language for writing specifications in Japanese), in addition to COBOL. New software makes it possible for customers to design their own menus, rather than use only the ones Hitachi provides, to add unique features to programs being constructed. The system also can now be used to construct data-base and data-communications programs, in addition to business-applications programs.

EAGLE has also been modified to work more smoothly in a time-sharing environment, to allow more people to divide up the tasks of system

development and have better access to the library of reusable components.¹¹¹ The overall result, according to Hitachi data, is that programs designed with EAGLE generally show a 2.2-fold improvement in "productivity" (Hitachi usually measures this by lines of code per programmer in a given time period). As indicated in the table below, EAGLE also has shifted more effort into system design and substantially reduced necessary for testing. For a hypothetical program taking a year to develop without EAGLE, this would mean a reduction in development time to 5.4 months, with testing being reduced from 4.8 to 1.4 months and program implementation from 4.8 to 1.9 months. Around 1986-1987, the Omori Works also introduced a design automation system using artificial intelligence techniques to automate some of the system engineering tasks, such as documentation construction, data retrieval for hardware and software configurations, and system simulation.¹¹²

	<u>Without EAGLE</u>	<u>With EAGLE</u> ¹¹³
<u>Development</u>	100 (12 months)	45 (5.4 months)
<u>System Design</u>	20% (2.4)	38% (2.1)
<u>Program Implementation</u>	40% (4.8)	36% (1.9)
<u>Test</u>	40% (4.8)	26% (1.4)

Another system to save on design time is APP (Applicable Program Products), which is a library of basic programs for different applications that, if appropriate for a particular customer, Hitachi will use as a basis for building semi-customized systems. The objective of this approach was to cut costs in development, shorten the time required, and guarantee at least

"stable quality in operations." As of 1987, APP core programs existed for banks (on-line banking, credit evaluation, customer information); broadcasters; hospitals (accounting); local governments (residents information systems, library information systems); finance (accounting systems); personnel management and payroll calculation; videotex; computer-room operations and control.¹¹⁴

V. ADDITIONAL ORGANIZATIONAL FLEXIBILITY

Where Hitachi has needed more organizational or geographic diversity to meet customer needs than its two software factories provided, it has relied on approximately 23 subsidiaries. The largest were Nippon Business Consultants (ca. 2500 employees), established in 1959; Hitachi Software Engineering (ca. 2400 employees), established in 1969; and Hitachi Micro-Computer Engineering (ca. 1500 employees), established in 1982.¹¹⁵ Hitachi classified these firms into ten groups, with several overlapping:

- (1) General systems and applications software houses
(Nippon Business Consultants, Hitachi Software Engineering, Hitachi Information Networks, Hitachi Computer Consultants, Hitachi Computer Engineering; and the regional companies Hitachi Chugoku Software, Hitachi Tohoku Software, Hitachi Chubu Software, Hitachi Nishibu Software)
- (2) Industrial-use control systems
(Hitachi Industrial Engineering, Hitachi Process Computer Engineering, Hitachi Control Systems)
- (3) Semiconductor and micro-computer software
(Hitachi VLSI Engineering, Hitachi Micro-Computer Engineering)
- (4) Information-processing and telecommunications systems
(Hitachi Electronic Service, Hitachi Communications)
- (5) Video and audio equipment, and personal-computer systems and software
(Hitachi Video)

- (6) Semiconductors and electronic devices
(Hitachi Electronic Devices)
- (7) Precision instruments software
(Hitachi Instruments Engineering)
- (8) Automotive electronics
(Hitachi Automotive Engineering)
- (9) Robotics, control equipment, and business personal computers
(Hitachi Kyoba Engineering)
- (10) Personal Computers
(Hitachi Micro-Software Systems)

In addition, other Hitachi factories produced specialized software products. Most prominent was the Omika Works, a factory producing control computers and terminals in Hitachi's power generation and transmission group that had another thousand programmers writing real-time industrial control software. Omika also used the versions of CAPS and ICAS, although these had to be modified for the different architecture of the control computers. There were also several hundred programmers at the Totsuka Works writing switching systems software, and at the Kanagawa Works, writing design automation software for computer hardware. Both Totsuka and Kanagawa used the CAPS and CASD tools.¹¹⁶

A brief discussion of Hitachi Software Engineering illustrates how the Hitachi group has managed to combine flexibility in serving customer needs with a disciplined engineering and manufacturing approach to software development. Some sections of this subsidiary of some 2500 employees worked as part of the permanent workforce in Hitachi's in-house software factories, while other groups did customized systems development for a wide variety of Japanese customers.

The company was organized around design departments specialized in specific industries or applications, like financial systems or hospital systems. Unlike the Omori Works, there were no separate implementation departments; the design departments did their own detailed design and coding, although sections specializing in implementation as opposed to systems engineering did exist in each department. Program libraries and reusable parts databases were also developed for specific industries or applications, corresponding to the departmental organization structure.

There was a functional division of labor with the customers, including the Hitachi software factories; this depended on how much expertise the customer had, relative to Hitachi Software Engineering. In some cases, where the customer has a lot of expertise, Hitachi Software Engineering would receive only functional specifications and then do the detailed design and program construction. This was done on occasion with the Omori Works, which had considerable expertise in system engineering; Hitachi Software Engineering would then serve as the "factory" to construct and test the actual program.

In the view of Matsumoto Yoshiharu, manager of Hitachi Software Engineering's R&D department, and Matsuzaki Yoshizo, an applications software manager, it was not necessarily the division of labor which distinguished a "factory approach" from a non-factory approach. Their philosophy, and that of managers such as Shibata Kanji and Yokoyama Yoichi in Hitachi Software Works, was that the degree of control over processes, quality, and costs determined whether a product was made in a factory-like organization or not. In particular, Hitachi managers emphasized their design review procedures along with extensive (and expensive) bug analyses. The

basic strategy used to eliminate bugs consisted of three elements: (1) careful design reviews beginning with functional specification and detailed design phases to catch bugs early in development; (2) elimination of boring tasks such as coding, through automatic code generation from PAD diagrams or from reusable software modules; and (3) use of the FORCAST program to predict bug levels and then to test until the predicted numbers of defects are found.¹¹⁷

When Hitachi Software Engineering served as a manpower source for Hitachi Software Works or Omori Software Works, its employees followed the factory practices and used the tools at these facilities. In other cases, they still usually applied tools and methods transferred from Hitachi such as CASD, CAPS, and HIPACE, but with several in-house systems. Hitachi Software Engineering was also remarkably efficient in project control. The company reported in 1981 that it was able to complete 98% of projects on time and 99% at an actual cost between 90% and 110% of the original estimates. This compared to 300%-overruns during the early 1970s. (The average project size was 50,000 lines of code; the largest were about 500,000 lines.)¹¹⁸ Control was exercised through separate databases for manpower, bugs, and project management; these were not yet linked in 1987, though this was in the planning stage. As in Hitachi Software Works, some of the data input procedures were automated, and others manual.¹¹⁹

As did the Hitachi factories, Hitachi Software Engineering emphasized extensive programmer training (1-year training periods, including 2 months of off-the-job training when they entered the company), as well as strict implementation of top-down, structured design and careful controls on budgets and project management, including standard times for programmers

(design and coding). Historically, managers at the subsidiary focused first on setting up a project and production auditing system (1969-1975); applying structured programming techniques and software tools (1976-1978); productivity improvement and quality assurance through the standardization of methodologies and tools (1979-1981); and productivity and quality improvement through the generation of reusable modules ("standard patterns"), their cataloging in program libraries specialized for different applications, and utilization in the writing of new programs.¹²⁰

In addition to program libraries, Hitachi Software Engineering also relied on a separate library for "common parts" that served as reusable modules. These included patterns for mainframe operating systems and related programs, as well as for functions such as message reception, message format and contents checking, data-base management system processing, message editing and switching, screen mapping, line-overflow, error displays, program-function key code analysis, screen editing, and table "look-up." Some managers assigned programmers exercises on a monthly basis to make them familiar with subroutines stored in the program libraries.¹²¹ A Production Engineering Center was responsible for screening new modules recommended by project managers for registration in the parts library. The company also gave out rewards to programmers who registered particularly useful modules, based on an analysis of the specifications (not actual reuse rates). In general, all programmers were encouraged to look into the reuse library at the design stage (between functional specifications and detailed design), to determine if there may be parts they could reuse. Through these policies, as well as the use of tools such as EAGLE, Hitachi Software Engineering was able to increase reuse rates from a level of 10 to

20% in the early 1980s to about 40% in 1987, depending on the department.¹²²

Since the activities of Hitachi Software Engineering spread across numerous areas and customers, it did not have a centralized company data base for production control. Standards were also frequently determined by customers, since the company was dedicated to producing customized programs.¹²³ Nonetheless, an integral and clearly stated component of management strategy was rigid discipline throughout the firm. In fact, the two managers who spearheaded the development of production technology at this subsidiary, after moving over from Hitachi Software Works, openly admitted to the use of extensive training techniques to make programmers comply with company standards for program design: "To meet our production criteria, project procedures have been standardized and imposed on employees. If any modules deviate from the coding standard, they are returned to the production line."¹²⁴

CONCLUSION

Hitachi did not impose standardized practices or emphasize reusability as much as some other firms because of the broadness of its product lines and the diversity of its customers, even within single facilities. Yet it is significant as the first company to introduce successfully a factory strategy and structure to manage the process of large-scale software development. Much can be learned about the patience required to rationalize management of a new and complex product and process technology from Hitachi's experience.

Interviews with managers and a study of technical and historical documentation indicate that Hitachi's movement toward the factory model resulted from three interrelated strategies:

- 1) A company policy of establishing independent factories (which included both product engineering and mass-production functions) for each major product area.
- 2) Belief on the part of managers responsible for corporate- and division-level strategy, as well as for software development, that a centralized and disciplined factory environment, integrating product engineering and mass-production activities, offered for any product the potential of improving worker productivity and quality, as well as project and cost control.
- 3) Top management decision and commitment (including divisional executives and, especially, the company president) to treat software as a product whose development could and should be controlled in a factory, as any other product the company manufactured -- making it necessary to apply company-wide, standardized accounting and management controls to all software engineering activities.

The history of Hitachi Software Works also indicates that the foundations of the factory were primarily policy-oriented. Somewhere in between technology and policy was the introduction of a structured programming technique during the mid-1970s. Structured programming is really a methodological tool; since it was necessary to train and require programmers to use this as standard procedure, the use of this new technology or tool involved critical policy decisions and implementation. This

was especially important because structured programming as defined by Hitachi became the foundation of the factory's standard-times, cost-accounting, and general production-control systems, as well as specific support tools. The rather sophisticated (computer-aided) technological infrastructure evolved after the basic policy infrastructure, but rapidly, from a few tools at first to an extensive set of interrelated systems that are increasingly being further integrated.

A contrast between implementation of the factory model at Hitachi and the experiment at System Development Corporation in the mid-1970s also offers some suggestions regarding why one company might succeed better than another at this approach. SDC attempted to introduce simultaneously a factory system containing both a technological infrastructure and a policy infrastructure (set of standard procedures covering system-analysis, design, implementation, testing, and project-management). While the technology (central production database, program library, automated documentation and testing tools, etc.) was there, programmers seemed to dislike the standardized environment and reusing other programmers' code. Perhaps more important was that project managers disliked giving up control to the factory and work for the facility dwindled; this led eventually to the dismantling of the factory infrastructure through the dispersal of systems engineers to different sites to develop programs, with little capability to divide labor or reuse modules as once envisioned in the factory concept.¹²⁵

Hitachi, on the other hand, incrementally developed and imposed a policy infrastructure over a period of several years, thereby training programmers and managers to operate within a highly standardized, factory-like environment. Hitachi modified these procedures gradually and then from

the mi-1970s began investing heavily in tools and large-scale computer-aided systems -- the factory-type technological infrastructure. This shift in focus to technology-based tools and automation thus came after successfully innovating in process management by applying a standardized approach to both system and applications software development.

One might also identify a parallel here with Toyota, a company often cited for its excellence in production management. The largest Japanese automaker has consistently demonstrated the world's highest levels of physical productivity in automobile manufacturing by deemphasizing the use of sophisticated automation or computer-based systems, preferring instead to focus on process control and innovation, as well as flexible tools, to extend the performance of human workers. Only after these policy innovations have Toyota managers agreed to introduce more automation, but only if the technology is sufficiently flexible (such as programmable robots) to fit into its manufacturing system and supplement the efforts of human workers.¹²⁶

The comparison with Toyota, as well as the SDC case, reinforces the notion that technological advances alone do not necessarily bring as many benefits in productivity as simply better process management. The Hitachi case in software suggests that, with the proper mixture of policy and technology, including a strategy to assure the compliance of managers and engineers or other programmers, the factory approach should offer several advantages in efficiency. As suggested in the first paper from this research project, these might include the following:

Institutionalization or dissemination of "good" technologies and

programming or management practices.

The production engineering departments in Hitachi's software factories, as well as the factory training programs, were responsible for introducing techniques and tools that, in textbooks on software programming and engineering management, are widely considered to be fundamentally good practices. These include structured design methods; bug-forecasting data collection and models; documentation standardization and control systems; formal project-management and design-review systems; program libraries; wide use of computer-aided design, coding, and testing tools; and promotion of standardization of practices and reusability of code where possible.

Providing a sufficient scale of people and operations to justify research and development for improving process technology and techniques.

In addition to engineering departments in the software factories, Hitachi also used the System Development Laboratory to perform R&D activities related to programming support tools and methods. The centralization of software production at the Software Works and Omori provided an in-house core of 3000 programmers and supporting staff; Hitachi Software Engineering and Nippon Business Consultant added another 5000.

Improving process efficiency through teamwork and better inter-group communication.

This can be seen in two examples. One, is that the percentage of late projects in the Software Works dropped dramatically within a few years of the founding of the factory, from over 72% in 1970 to 13% in 1973 and to a remarkably low 7% in 1974 and 1979, with an average of 12% during 1974-1985. The figure for 1986 was about 5%. These numbers placed Hitachi Software Works along with other firms leading in this category. Variations in these figures reflect the level of activity within the factory, with more late projects when Hitachi was completing new large new projects -- for example, a new mainframe operating system. But, in general, reporting procedures, as well as CAPS (Computer-Aided Production Control System for Software), made it possible to integrate manpower-control, process-control, and quality-control functions and support tools. Another example of the factory benefits is Hitachi's overturning of Brook's law about more programmers added to a late project causing projects to be later. The factory environment allowed Hitachi managers to add people (albeit the best people available and not just anyone) to help finish projects on time.

HITACHI SOFTWARE WORKS: PERFORMANCE DATA

<u>Year</u>	<u>Workers</u>	<u>Sales/Worker</u>	<u>Projects Late</u>	<u>Reported Bugs</u>
1969	348	100(Index)	-- %	N.A.
1970	675	202	72.4	N.A.
1971	926	178	56.6	N.A.
1972	1107	190	36.3	N.A.
1973	1169	204	13.0	N.A.
1974	1079	331	6.9	N.A.
1975	1093	313	9.8	N.A.
1976	1141	360	16.8	N.A.
1977	1288	386	16.1	N.A.
1978	1395	468	9.8	100(Index)
1979	1398	505	7.4	79
1980	1398	594	10.7	48
1981	1419	678	14.0	30
1982	1437	792	12.9	19
1983	1666	943	18.8	13
1984	1833	1257	16.3	13
1985	2018	N.A.	18.0	14

Source: Based on data provided by Shibata Kanji, Manager, Engineering Dept., Hitachi Software Works, 23 July 1986.

Notes: Sales per worker reflects the value of software products sold by Hitachi Software Works to other Hitachi profit centers as well as to outside customers. Outside sales represented approximately 90% of revenues; in-house customers were charged prices below market rates. Reported Bugs refers to major bugs reported by outside customers per machine per month.

Organizational focus on raising engineering productivity and product quality (defect control).

As indicated in the table, sales productivity of Hitachi employees in the Software Works doubled within one year of the factory's opening and has increased significantly overtime, although direct productivity figures for the facility are proprietary. Company-wide and factory programs, such as the Management Improvement movement and system gleaning practice, formally promoted the analysis and implementation of measures to improve labor performance and product quality. The central production data base for the factory started in the mid-1960s also made it possible to track programmer productivity as well as defect measures, and thereby have precise data to use in determining specific methods or in developing new tools to be used throughout the factory. Perhaps most important, the administrative and technological infrastructures of the factory -- manpower, process, quality, and product control in the area of production management; standardization, design, and inspection in the area of product engineering -- facilitate performance analysis and improvement. Individuals do not have to expend time and energy, for example, in deciding which languages or methods to use, or whether to develop a particular support tool. Systems such as EAGLE also save extensive manpower by automating much of testing and by recycling program components.

In quality, Hitachi employs a measure of user-reported major bugs and has reduced bugs from an index of 100 in 1978 to 14 in 1985. One unofficial estimate is that this figure represented approximately 0.01 defects per program package per machine installation per year, and placed Hitachi in the

low category, along with other leaders in this measure that participated in the survey.¹²⁷ According to Shibata, the decrease in bugs reflected several factors: a new System Simulation Tester (SST) completed in 1977-1979; CASD (Computer-Aided Software Development System), another group-programming tool to facilitate product standardization, design support, and inspection functions; reused code, reaching approximately 90% in new releases of products such as operating systems; and increasing sales of essentially bug-free programs.¹²⁸

Reducing waste and redundancies due to dysfunctional behavior of individuals and the lack of an organizational strategy.

High-level factory managers such as Sakata, as well as middle managers from the engineering department such as Shibata, have set a clear direction for personnel and technological development in the Software Works. Their initial focus has been on gathering information on software technology and then standardizing methods and tools, and setting factory-level performance goals. Later efforts have focused on automation and reusability. The factory infrastructure and strategy they have created has reduced the possibility of individuals duplicating the efforts of others in tool or method development, as well as writing code, and lessened the likelihood of workers engaging in practices that are contrary to the organizational goals such as to develop reusable modules, or use factory-wide tools and standardized methods that facilitate reusability, maintenance, testability, and the like.

Maintenance of organizational and technical "flexibility."

Both the technological and policy infrastructures of the Hitachi software factories have been evolving since 1969. Most of the tools developed for Hitachi Software Works (and then introduced in other Hitachi facilities or subsidiaries), such as CAPS, CASD, HIPACE, and EAGLE, have been adaptable enough to incorporate important technical advances, such as additional linkages between systems, the addition of other support tools for documentation, testing, and the like, or increased capabilities of adapting to non-standardized customer needs. Structured design has also endured for well over a decade. High levels of reusability indicate as well that Hitachi programmers find modules in the program library are not obsolete. While the factory approach might seem to make it difficult for a particular facility to respond to a unique customer need or a specific type of technology, Hitachi has been addressing these concerns through continued development of customer-oriented design systems such as EAGLE, as well as the establishment of numerous subsidiaries and new factory departments such as for artificial intelligence.

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21. Sakata interview.
22. Minamisawa Noburo, Nihon konpyuta hattatsu-shi (Nihon Keizai Shimbun-sha, 1978), chronology.
23. Shimada Shozo, "Hitachi no gijutsu (2): kaihatsu-ki (HITAC 5020)--sofutouea," in HITAC Yuza Henshu linkai, ed., 20 nen no ayumi (Hitachi Ltd., 1983), pp. 27-29. Also, Murata Kenro, "Hitachi no gijutsu: kaihatsu-ki (HITAC 5020, 8800) -- hadouea," in HITAC Yuza linkai, p. 22.
24. Usui Kenji, "HITAC kaihatsu shi (2), p. 37.
25. Takahashi interview, 1/9/85; Usui Kenji, "HITAC kaihatsu shi (2)," Computopia, July 1975, p. 37; Sofutouea Kojo, p. 53.
26. Hitachi Seisakusho, Kanagawa kojo 15-nen no ayumi (1978), p. 40. Since EDOS continued to build upon the RCA operating system, the mainframes Hitachi has sold in Japan after 1970 are close to IBM but not compatible, although machines Hitachi produces for export and overseas sales through National Semiconductor are modified to be fully IBM compatible.
27. Sofutouea Kojo, pp. 54-56.
28. Sofutouea kojo, pp. 56, 130.
29. Hitachi memo to Cusumano, 21 August 1985.
30. Takahashi Shigeru interviews, 1/9/85, 1/21/85, 9/10/85; Yokoyama interview, 9/1/87.

31. Hitachi Seisakusho, Hitachi Seisakusho shi, Vol. 3, 1971, pp. 55-56, 223-224; Usui Kenji, "HITAC kaihatsu shi (2)," pp. 36-38; Kanagawa koje 15 nen no ayumi (1978), pp. 45-47.
32. Minamisawa, pp. 154, 163.
33. Usui, "HITAC kaihatsu shi (2)," p. 36; Sakata interview.
34. Usui, "HITAC kaihatsu shi (2)," p. 30. Footnote other sources.
35. Usui (2), p. 31; Sofutouea koje, pp. 50-51; Takahashi interview, 1/9/85.
36. Sakata interview, 9/10/85.
37. Usui (2), pp. 36-37; Sofutouea koje; pp. 17, 129.
38. Sofutouea koje, p. 23.
39. Sofutouea koje, pp. 21-22; Kanagawa, pp. 18-22, 69. The English translation Hitachi uses is "Software Works," although the Japanese word for "works" (kojo) is usually translated as "factory" and has this connotation in Japanese. An analysis of the Odawara Works can be found in Hitachi Seisakusho Odawara Kojo, Odawara Kojo 10 nen shi (Kanagawa-ken, Hitachi Odawara Kojo, 1977).
40. Sofutouea koje, pp. 4-5, 8; Yokoyama interview, 9/1/87.
41. Shibata interview, 9/1/87.
42. Sakata interview.
43. Sakata interview, 9/10/85.
44. Sakata interview, 9/10/85.
45. Shibata interview, 9/19/85.
46. Shibata interview, 9/19/85. See also Sofutouea koje, p. 5.
47. Sofutouea koje, p. 113.
48. Shibata interview, 9/19/85.
49. Shibata interview, 9/19/85; and Sofutouea koje, p. 119.
50. Shibata interview, 9/1/87.
51. Sofutouea koje; Shibata interview, 9/1/87; Hitachi Seisakusho, "Hitachi Omori Sofutouea Kojo annai" (Introduction to Omori Software Works) (ca. 1987).
52. Sofutouea Kojo, p. 192.
53. Hitachi Software Works, Memo, July 1986.

54. This is a general sketch of the factory's organization based on "Omori Sofutouea Kojo annai," pp. 6-7, 11, and Sofutouea kojo, p. 200.
55. Shibata interview, 7/23/86; and Sofutouea kojo, pp. 192-202, which contains organization charts from 1969 to 1979.
56. Sofutouea kojo, pp. 127-128.
57. Sofutouea kojo, p. 128.
58. Sofutouea kojo, pp. 164-165; Shibata interview, 9/19/85 and 7/23/86.
59. Sofutouea kojo, pp. 160-161; 118-119; Shibata interview, 7/23/86.
60. Sofutouea kojo, pp.4-11, 166.
61. Sofutouea kojo, p. 156.
62. Sofutouea kojo, pp. 113-114; Hitachi Memo, "Table 1: History of Production Control at Hitachi's Software Works"; Sakata interview; Shibata interview, 9/19/85 and 7/23/86.
63. Sofutouea kojo, p. 114.
64. Sakata interview; Shibata interview, 9/19/85 and 7/23/87.
65. Interviews with Shibata and Yokoyama
66. Shibata interview, 9/19/85.
67. Sofutouea kojo, pp. 114-115.
68. Shibata interview, 9/19/85.
69. Sakata interview.
70. Frederick P. Brooks, Jr., The Mythical Man-Month: Essays pm Software Engineering (Reading, MA, Addison-Wesley, 1975), pp. 16, 31.
71. Shibata interview, 9/19/85.
72. Sakata interview. Also see Sakata Kazuyuki, "Sofutouea no seisan kanri ni okeru yosoku giho no teishiki-ka -- sei-teki na yosoku oyobi koshoritu sui moderu" (Formulation for Predictive Methods in Software Production Control -- Static Prediction and Failure Rate Transition Model), pp. 277-283, and "Sofutouea no seisan kanri ni okeru yosoku giho no teishiki-ka -- doteki na yosoku: sakidori hyoka giho" (Formulation for Predictive Methods in Software Production Control -- Dynamic Prediction: Quality Probe), pp. 284-291, in Denshi tsushin gakkai ronbun shi (Transaction of the institute of electrical and communications engineers, May 1974, Vol. 57-D, No. 5).
73. Shibata interview, 9/19/85.

74. Sofutouea kojo, p. 115.

75. This discussion is based on Hashimoto Yaichiro (Hitachi Software Works) et al., "Sofutouea hinshitsu hyoka shisutemu 'SQE'" (Software Quality Estimation System 'SQE'), Hitachi hyoron, Vol. 68, No. 5 (May 1986), pp. 55-58.

76. See Michael A. Cusumano, The Japanese Automobile Industry: Technology and Management at Nissan and Toyota (Cambridge, MA., Harvard University Press, 1985), Chapter 6. There are also several other articles and books on Japanese quality control practices, such as by Robert Cole and Richard Schonberger, that support this observation as well.

77. Sofutouea kojo, p. 115; Shibata interview, 9/19/85.

78. Shibata interview, 9/19/85.

79. Sakata interview.

80. Sofutouea kojo, pp. 117-118. For applications software sold outside the company, the design departments took until 1975 to set their own standards for both customer estimates and the program-development process.

81. Kataoka Masanori, Domen Nobuyoshi, and Nogi Kenroku, "Sofutouea kozo sekkei giho" (Software Structure Specification Method), Hitachi hyoron, Vol. 62, No. 12 (December 1980), pp. 7-10.

82. Definitions of reused code: Project Reuse Rate = Number of Reused Steps divided by reused steps plus new steps plus revised steps times 100. Cumulative Reuse Rate = Cumulative Number of Reused Steps from Version 1 divided by Number of Steps in Current Version times 100. Shibata interview, 7/23/86.

83. Sofutouea kojo, p. 117; Yokoyama interview.

84. Sofutouea kojo, pp. 7-8, 124.

85. Shibata interview

86. Sofutouea kojo, p. 124.

87. Shibata interview, 9/1/87.

88. Hitachi memorandum, "Table 1.2 Background and Conditions Affecting CAPS Development."

89. Regarding ICAS, see M. Kobayashi et al., "ICAS: An integrated Computer Aided Software Engineering System," IEEE Digest of Papers--Spring '83 COMPCON (IEEE, 1983), pp. 238-244; and Kobayashi Masakazu and Aoyama Yoshihiko, "Sofutouea seisan gijutsu no saikin no koko" (Current Topics in Software Engineering), Hitachi hyoron, Vol. 68, No. 5 (May 1986), pp. 1-6.

90. Interviews with Shibata and Yokoyama, 7/23/86 and 9/19/85.
91. Kataoka Masanori, Hagi Yoichi, and Nogi Kenroku, "Sofutouea kaihatsu shien shisutemu (CASD shisutemu)" (Computer Aided Software Development System, CASD), Hitachi hyoron, Vol. 62, No. 12 (December 1980), p. 33. Kataoka and Hagi were from the Software Works; Nogi was from Hitachi's System Development Laboratory.
92. Interviews with Shibata and Yokoyama, 7/23/86.
93. Kataoka Masanori, Hagi Yoichi, and Nogi Kenroku, "Sofutouea kaihatsu shien shisutemu (CASD shisutemu)" (Computer Aided Software Development System, CASD), Hitachi hyoron, Vol. 62, No. 12 (December 1980), p. 33.
94. Kataoka et al., pp. 33-34.
95. Kataoka, p. 34.
96. Kataoka et al., pp. 35-36.
97. Shibata Kanji and Yokoyama Yoichi, "Sogo sofutouea seisan kanri shisutemu 'CAPS'" (Computer Aided Production Control System for Software), Hitachi hyoron, Vol. 62, No. 12 (December 1980), p. 37.
98. Hitachi memorandum, "Table 1.2 Background and Conditions Affecting CAPS Development."
99. Shibata Kanji and Yokoyama Yoichi, "Sogo sofutouea seisan kanri shisutemu 'CAPS'" (Integrated computer-aided production control system for software 'CAPS'), Hitachi hyoron, Vol. 62, No. 12 (December 1980), p. 37; Hitachi memorandum, "Table 1.2 Background and Conditions Affecting CAPS Development"; Shibata interview, 7/23/86. Omori makes greater use of prototyping, which produces overall specifications of a program before the actual modules and code are fully written. In systems software, Shibata has felt that prototyping is not practical, since it requires too much time and effort.
100. Shibata and Yokoyama, pp. 39-40.
101. Shibata and Yokoyama, p. 40-42. A version of CAPS was available for microcomputers and used at Hitachi's Omika factory, which designed systems software for control computers, as well as at subsidiaries such as Hitachi Software Engineering and Nippon Business Consultants. The system was not sold commercially. (Shibata interview, 7/23/86.)
102. Shibata and Yokoyama, p. 42.
103. Interviews with Shibata and Yokoyama, 7/23/86.
104. Interview with Matsuzaki Yoshizo, Applications Software Manager, Hitachi Software Engineering, 9/3/87.

105. Kobayashi et al.
106. Interviews with Shibata and Yokoyama, 7/23/86 and 9/19/85. Regarding HIPACE, see "Apurikeshon shisutemu no koritsu-teki sekkei giho 'HIPACE'" (Software Engineering Methodology for Development of Application Systems 'HIPACE'), Hitachi hyoron, Vol. 62, No. 12 (December 1980), pp. 15-20; for EAGLE, see Hagi Yoichi et al., "Shisutemu kaihatsu shien sofutouea 'EAGLE'" (Integrated Software Development and Maintenance System 'EAGLE'), Hitachi hyoron, Vol. 68, No. 5 (May 1986), pp. 34.
107. Matsuzaki interview, 9/3/87.
108. Tsuda Michio, Senior Engineer at Omori Software Works, written response to "Large-Scale Applications Software" survey, 2/20/87; and Takahashi Tomoo, Department Manager at Hitachi Software Engineering, written response to "Large-Scale Applications Software" survey, 3/6/87.
109. Miyazoe Hidehiko (Hitachi Software Works) et al., "Apurikeshon shisutemu no koritsu-teki sekkei giho 'HIPACE'" (Software Engineering Methodology for Development of Application Systems 'HIPACE'), Hitachi hyoron, Vol. 62, No. 12 (December 1980), pp. 15-20. Also see Nakao Kazuo (Hitachi System Development Laboratory) et al., "Shisutemu keikaku no tame no shisutemu yokyu bunseki shuho 'PPDS' no kaihatsu" (System demand analysis procedures for system planning 'PPDS'), Hitachi hyoron, Vol. 62, No. 12 (December 1980), pp. 21-24.
110. Hagi Yoichi (Hitachi Software Works) et al., "Shisutemu kaihatsu shien sofutouea 'EAGLE'" (Integrated Software Development and Maintenance System 'EAGLE'), Hitachi hyoron, Vol. 66, No. 3 (March 1984), pp. 19-24.
111. Hagi Yoichi et al., "Shisutemu kaihatsu shien sofutouea 'EAGLE'-- EAGLE kakucho-han 'EAGLE 2'" (Integrated Software Development and Maintenance System 'EAGLE' - the Enhanced Version of EAGLE, 'EAGLE 2'), Hitachi hyoron, Vol. 68, No. 5 (May 1986), pp. 29-34.
112. "Omori Sofutouea Kojo annai," pp. 14-15.
113. Source for this table is Hagi et al. (1986), p. 34.
114. "Omori Sofutouea Kojo annai," pp. 10-11.
115. See Hitachi Seisakusho, "'86 shisutemu/sofutouea no Hitachi gurupu" (The '86 Hitachi group for systems and software)
116. Shibata interview, 9/1/87.
117. Interviews with Matsumoto Yoshiharu, R&D Department Manager; Matsuzaki Yoshizo, Applications Software Department Manager; and Takahashi Tomoo, Applications Software Department Deputy Manager, Hitachi Software Engineering, 9/3/87.
118. Denji Tajima and Tomoo Matsubara (Hitachi Software Engineering), "The Computer Software Industry in Japan," Computer, May 1981, p. 95.

119. Matsumoto interview, 9/3/87.
120. Denji Tajima and Tomoo Matsubara, "Inside the Japanese Software Industry," Computer, March 1984, pp. 36-39.
121. Denji Tajima and Tomoo Matsubara, "Inside the Japanese Software Industry," Computer, March 1984, pp. 36-39.
122. Interviews with Matsumoto Yoshiharu, R&D Department Manager; Matsuzaki Yoshizo, Applications Software Department Manager; and Takahashi Tomoo, Applications Software Department Deputy Manager, Hitachi Software Engineering, 9/3/87.
123. Matsuzaki interview, 9/3/87.
124. Tajima and Matsubara (1984), p. 40.
125. See Michael A. Cusumano and David E. Finnell, "A U.S. 'Software Factory' Experiment: System Development Corporation." M.I.T. Sloan School of Management, Working Paper #1887-87, 1987.
126. For a discussion of Toyota see Michael A. Cusumano, The Japanese Automobile Industry: Technology and Management at Nissan and Toyota (Cambridge, MA: Harvard University Press, 1985). This comparison is also examined in more detail in "Toward the Strategic Management of Engineering: The 'Software Factory' Reconsidered."
127. McNamara estimate.
128. Shibata interview, 7/23/86.

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