#### Proceedings of the



Munich 16 - 18 October 2007

> Eds.: Udo Lindemann Mike Danilovic Frank Deubzer Maik Maurer Matthias Kreimeyer







#### Proceedings of the

# 9TH INTERNATIONAL DSM CONFERENCE

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#### **TABLE OF CONTENTS**

Foreword: Capitalize on Complexity	ix
Foreword: BMW in the Face of Complexity	xi
Opening Presentations	
From Product/Service Complexity Management to Innovation  Andrew Kusiak	3
Managing Complexity in Automotive Engineering  Rupert Deger	13
DSM – Where It's Been – Where It Needs to Go Donald V. Steward	25
Enterprise: Modelling and Analysis	
Social Network Techniques Applied to Design Structure Matrix Analysis. The Case of a New Engine Development at Ferrari SpA Michele Liberati, Federico Munari, Paolo Racchetti, Tazio Splendiani	35
Analyzing Core Competence and Core Products for Developing Agile and Adaptable Corporation <i>Mike Danilovic, Peter Leisner</i>	49
Applying DSM to Enterprise Architectures Frank Waldman, Neeraj Sangal	61
Analyzing Communication Dependencies in Product Development Using the Design Structure Matrix Clemens Hepperle, Anja M. Maier, Matthias Kreimeyer, Udo Lindemann, P. John Clarkson	73
Structural Awareness in Complex Product Design – The Multiple-Domain Matrix Maik Maurer, Udo Lindemann	87
Processes: Planning, Modelling and Analysis	
Benefits Derived from Use of DSM as Part of the ADePT Approach to Managing Engineering Projects  Andrew Newton, John Steele, Simon Austin, Paul Waskett	101
DMM Partitioning Analysis for Design Study Procedure Optimization Katsufumi Araki	113

A Simulation Model to Predict Impacts of Alterations in Development Processes Michael Lukas, Thomas Gärtner, Norbert Rohleder, Christopher M. Schlick	127
The Projection Relationship between Object Process Models (OPM) and Design System Matrices (DSM)	137
Edward Crawley, Justin Colson	
A Survey on Process Complexity Management  Carsten König	151
Function Driven Process Design for the Development of Mechatronic Systems Stefanie C. Braun, Holger Diehl, Markus Petermann, David Hellenbrand, Udo Lindemann	161
Product Architectures: Design and Planning	
Product, Process and Network Domain Interface Modelling Niko Salonen	177
Mass Customizations Approach Using Design Structure Matrix A.H.M. Shamsuzzoha, Petri Helo, Tauno Kekäle	189
Module and Interface Identification and Definition – A Comprehensive Approach Using DSM Robert Helmer, Ali Yassine, Christoph Meier	201
The System Overlap Matrix – A Method and Tool for the Systematic Identification of Commonality Opportunities in Complex Technical Systems  Wilfried K. Hofstetter, Paul D. Wooster, Olivier L. de Weck, Edward F. Crawley	215
Pre-Selection of Hybrid Electric Vehicle Architectures during the Initial Design Phase Carlos Gorbea, Ernst Fricke, Udo Lindemann	225
Using DSM for the Modularization of Self-Optimizing Systems  Jürgen Gausemeier, Sascha Kahl, Daniel Steffen	235
Product Structures Designed for Variants  Martin Eigner, Mathias Zagel	249
Complexity Management Using Multiple-Domain Mapping – Development of High Pressure Pumps for Common Rail Systems  Matthias Greiner, Johann Warga, Thomas Braun	261
Managing Complexity in Automotive Safety Development Ulrich Herfeld, Franz Fürst, Thomas Braun	271
Product Architectures: Modelling and Analysis	
The Multiple-Domain-Approach and Cost Attributes Wieland Biedermann, Maik Maurer, Udo Lindemann	287
A Systematic Method for Modelling and Analysing Conceptual Design Information Gregory M. Mocko, Georges M. Fadel, Joshua D. Summers, Jonathan R.A. Maier, Thulasiram Ezhilan	297
On the Role of DSM in Designing Systems and Products for Changeability Olivier L. de Weck	311

Assessment and Improvement of Software Systems by Applying DSM Han van Roosmalen	325
Component Classification: A Change Perspective  Edwin C.Y. Koh, Rene Keller, Claudia M. Eckert, P. John Clarkson	337
Dynamic, DSM-Based Analysis of Software Product Architectures  Manuel E. Sosa, Tyson R. Browning, Jürgen Mihm	349
New Variant Management Using Multiple-Domain Mapping Thomas Braun, Frank Deubzer	363
Using DSM to Test the Software Architecture Neil Langmead	373
Applying DSM in the Energy Sector: Practical Problems and Insights from Industry Tomas Flanagan	383
System-Level Based IDM/DSM/DMM Dataset for Multi-Project Co-ordination <i>Tatiana Khudaykova, Mike Danilovic</i>	393
Author Index	403
Subject Index	405

#### FOREWORD CAPITALIZE ON COMPLEXITY

The core of all business is to generate capital and survive. The challenge for managers is to sustain corporate performance in the long run. Pioneering leaders who sought to create enduring institutions have become the stuff of business legend. Scholars have tried to explain what makes strong performance endure. Managers still find it hard to shift their attention from today's stock price, next set of interim results and corporate prosperity. So what is characterizing an enduring and healthy corporation? In a recent McKinsey Quarterly paper, based on 800 research publications, and 60.000 responses to a survey at hundreds of companies over the past five years, were presented. A healthy corporation is characterized by its ability to:

- Be resilient and manage uncertainties and adaptation to changing environment, technological changes, market variation, and risks
- Execution of good decisions wherein good decisions relay on good execution and good execution relays on employees who have knowledge and are aware and understand what is decided, how they are expected to fulfill their roles and that they take full responsibilities
- Organizational alignment, synchronization of actions and cohesiveness of purpose among all people, managers and employees towards a common goal, particularly in scattered, physical and organizational disaggregated corporations
- Strategic management strategic and organizational renewal, the ability to generate new business ideas and adapt to change, both culturally and strategically
- Complementarities that rest on effective communication and collaboration: Effective information
  flow is crucial to ensure that assets, processes, relationships, and management practices act in
  concert; information flow across hierarchical levels, departments and units, tapping into social
  networks beyond the formal organizational structure

Companies all over the word are facing new challenges. Globalization has opened up new markets, competition has increased, and technological changes can be seen as either an opportunity or a threat. New technology is enabling new functions and features to be introduced in products and combinations of mechanical systems, electronics and software solutions forces corporations to develop new capabilities to work in glocal and integrated settings, far more in the future then in the past. Glocal companies operate on the global as well as on the local arena with local and global supplier footprints and customers with shifting demands. In a number of situations new suppliers are becoming technological leaders. New business opportunities are here for those companies that understand how to cope with changes and develop new products and organizational solutions. Those that are not will see themselves out of business.

To be capable of capitalizing on complexity corporations and management must find new approaches to manage increasing uncertainties deriving from accelerating complexity, and they must manage people in basic organizational settings and in many different simultaneously running projects with glocal suppliers. This means above all an integrated multi-project context, i.e. how to handle technology in terms of modularization of product architecture and how to handle process design in order to enable high level of coordination and synchronization across organizational entities and people.

The core issue in managing complexity is to uncover interdependencies and understand the flow of information within and between elements of complex systems. Information is the glue in a complex system. Managing information is the key issue for healthy corporations in the future. Only those companies that recognize and fully understand consequences of increased complexity can be in a

position to capitalize on complexity and continue to be healthy. There is big money out there for those companies that are capable of understanding how to efficiently organize people in glocal organizational settings, product architecture and design processes in efficient way that take into account information flow.

For many years researchers and practitioners have worked on new approaches and solutions. Initially, the Design or Dependence Structure Matrix (DSM) was introduced to handle interdependencies and information flow between elements in single domains. Later, the Domain Mapping Matrix (DMM) was introduced to enable analysis of interdependencies between elements across domains. As complementary tools, DSM and DMM can support managers and practitioners with valuable tools to understand how components in product architecture, people in organizations, and their actions are linked with each other. A systematic use of DSM and DMM can support managers in their decision making, and employees in corporations to become healthy by focusing on the flow of information. This focus on the flow of information enables people to handle uncertainties and risks as they become exposed, to take responsibilities as they understand who needs information from whom, about what, when and why, and communication is improved and actions are synchronized among managers and employees. Managing information flows is the key issue for managing healthy and profitable corporations in the future. Nowadays, we are facing an increasing number of software packages and solutions that can support managers and employees in using DSM and DMM approaches. Now we can support practitioners with methods, approaches, software solutions, experience and knowledge. What we need from practitioners is reflections, empirical experiences, more empirical data and new joint research projects to continue this endeavor in research and knowledge development for mutual benefits. The increased complexity in the future leads to new and unknown uncertainties to be managed. This situation requires new knowledge to be developed. Together we can do it!

It is our privilege to have been in this research field for many years and we have followed the knowledge development and understanding of how complex systems work and how we can handle the uncertainties deriving from complexity. This conference started as a meeting place for researchers in the DSM and DMM community. Now we have created an arena, a melting pot, where researchers, practitioners, consultants and software providers can meet and exchange experiences and knowledge for mutual benefits and for the future of corporations. In a sense, we have the same goal, to support development of healthy corporations that are capable of managing uncertainties, in order to capitalize on complexity. We hope that this conference can put light on new areas of mutual interest and those practitioners from industry and scholars can find new areas for collaboration for mutual benefits.

Udo Lindemann

Mike Danilovic

Villa Raulovic

## FOREWORD BMW IN THE FACE OF COMPLEXITY

With complexity being one of the most important topics nowadays, the BMW Group is happy to be host to this year's 9<sup>th</sup> International DSM Conference and to bring together research and practice under the roof of the "Four Cylinder".

The issue of complexity has evolved notably over the past years – from evading it to managing it. Yet, the focus of capitalizing on complexity has more and more made the scene, promoting and using complexity as an inherent advantage over the competitors and driver towards customer satisfaction. This holds true for the BMW Group, facing reduced cycle times in development, a growing variety of products offered on the market and sharpening requirements concerning comfort, safety and environment.

With regard to these demands, it is all the more important to manage the complexity that is caused thereby while securing the flexibility of the solutions and ensuring a continuously high innovativeness of the company.

Much of this is provided by highly networked products that are more and more confronted with the issue of integration already in the early phases of development. Approaches used by the BMW Group are, for example, function orientation, i.e. structuring the product architecture and the underlying processes from the perspective of the products functionalities; furthermore, systems' thinking takes place from the very beginning onwards to ensure total car integration at the end of the development process; ultimately, modules and comprehensive architectures enable the common look and feel of a BMW while allowing the re-use of components.

Aggravated by such constraints derived from commonalities or economies of scale, efficient management of these "ingredients to complexity" becomes more and more important. In fact, simple handling is not sufficient but there is a growing need to be highly efficient in order to be precompetitive. This means that the network consisting of products, the company's processes and overall organization and the market needs to be understood in all of its mutual relationships and configured accordingly.

The evolution of the Design Structure Matrix has shown its potential in being able to support engineers, managers and researchers when accepting these challenges. It is, therefore, my pleasure to be host to this year's DSM conference.

Hans Rathgeber

Talluhi