

CASE 9-2

Real-World Case

Nike ERP Implementation

BACKGROUND³⁹

Nike was founded in 1964 by Bill Bowerman and Phil Knight in Beaverton, Oregon. It began as Blue Ribbon Sports (BRS). In 1972, BRS introduced a new brand of athletic footwear called Nike, named for the Greek winged goddess of victory.

The company employs 26,000 staff around the world with revenues in fiscal year 2005 of \$13.7 billion. It has facilities in Oregon, Tennessee, North Carolina, and the Netherlands with more than 200 factory stores, a dozen Nike women stores, and more than 100 sales and administrative offices.

Its subsidiaries include Cole Haan Holdings, Inc., Bauer Nike Hockey, Hurley International LLC, Nike IHM, Inc., Converse Inc., and Exeter Brands Group LLC. As of

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³⁹ www.nike.com (accessed May 2005).

May 31, 2004, manufacturing plants included Nike brand, with 137 factories in the Americas (including the United States), 104 in EMEA, 252 in North Asia, and 238 in South Asia, providing more than 650,000 jobs to local communities.

OBJECTIVE

Nike grew from a sneaker manufacturer in the early 1970s to a global company selling a large number of products throughout the world. Nike's sneaker supply chain was historically highly centralized. The product designs, factory contracts, and delivery are managed through the headquarters in Beaverton, Oregon. By 1998, there were 27 different and highly customized order management systems that did not talk well to the home office in Beaverton, Oregon. At that time Nike decided to purchase and implement a single-instance ERP system along with supply chain and customer relationship management systems to control the nine-month manufacturing cycle better, with the goal being to cut it down to six months.

PLAN

The company developed a business plan to implement the systems over a six-year period, with multiple ERP rollouts over that time. The plan called for the implementation of the demand planning system first while working through the ERP system and supply chain implementation.

IMPLEMENTATION

The demand planning system was implemented first for reasons that made a lot of sense. The total number of users was small in comparison to the ERP system and was thought to be relatively easy to implement; however, this turned out not to be the case. When the system went live, there were a number of problems related to the software, response time, and data. In addition, training was not adequately addressed, causing the relatively small number of end users to use the system ineffectively. The single-instance ERP system and supply chain implementation plan differed from the demand planning system and called instead for a phased rollout over a number of years.

The ERP system implementation went much more smoothly. Nike started in 2000 with the implementation of the Canadian region, a relatively small one, and ended with the Asia-Pacific and Latin America regions in 2006, with the United States and Europe, Middle East, and Africa in 2002. This included implementing a single instance of the system, with the exception of Asia-Pacific, and training more than 6,300 users.

The total cost of the project as of 2006 was at \$500 million—about \$100 million more than the original project budget.

CONCLUSION: WHAT WAS LEARNED?

- The demand planning system interfacing to legacy data from a large number of systems that already did not talk well with each other was a root cause for misinformation and resulted in inadequate supply planning.
- The demand planning system was complex, and end users were not trained well enough to use the system effectively.
- System testing was not well planned and “real” enough to find issues with legacy system interfaces.
- The overall business plan for all the systems and reasons for taking on such a highly complex implementation were well understood throughout the company. Thus, Nike had exceptional “buy-in” for the project and was able to make adjustment in its demand planning system and continue with the implementation. The goal was to ensure business goals were achieved through the implementation, and not so much to get the systems up and running.
- Nike exhibited patience in the implementation and learned from mistakes made early in the process.
- Training was substantially increased for the ERP implementation. Customer service representatives received 140–180 hours of training from Nike, and users were locked out of the system until they completed the full training course.
- Business process reengineering was used effectively to clarify performance-based goals for the implementation.

CASE QUESTIONS

- How could OPM3 have helped to identify the problems with implementing the demand planning system?
- What were the three primary reasons Nike was successful with the ongoing ERP implementation?
- Why was a phased rollout the correct decision for Nike?

Sources: Koch, C. (December 7, 2004). Nike Rebounds. *CIO Australia's* magazine for executives.