Lessons on erp modules case study examples

Business, Company

Nike is a sports items and accessories manufacturer that was founded in 1957. It most distinguishable product is athletic shoes for different sports including golf, tennis, baseball, volleyball amongst others. Since its formation, the company has consistently proven to be the number world sports items and accessories manufacturer and currently, it sells its products in more than 140 nations in the world. Although the company's main headquarters are located in Beaverton, United States, it has outsourced most of its manufacturing activities to various locations in the world. In 1998, the company in an effort to overhaul its entire business activities engaged in an ambitious supply chain management implementation process that included the installation of an integrated enterprise resource system (ERP) from as well as a CRM (customer relationship management) software from the Siebel systems. The process was not as successful and effective as Nike had hoped and for the preceding year; the company went through a period of failure, particularly characterized by profit declines as Nike and the company charged with the implementation of the software , i2, blamed each other for the failure witnessed. There are several lessons that can be learned from this case study.

The first lesson that can be learned about ERP Modules from the case of Nike is that the implementation of ERP modules requires patience and should not in any way be rushed. For benefits to be demonstrated from ERP software, sufficient maturation time is paramount. In its dealings with i2, Nike was mainly driven by hard external deadlines, and this resulted in the rushing of things. As noted by many experts, rushing the implementation process of supply chain software will result in the failure of the entire project. In fact, planning of stiff deadlines would inadvertently result in the reduction of results quality beyond a particular time. Nike did not even conduct a pilot test for this particular venture. The company was under the false impression that the application by i2 was significantly smaller and would therefore be relatively easy to implement. This however proved not to be the case as the venture proved to be unsuccessful.

Another vital lesson learned by Nike about ERP software is that the successful setting up and subsequent running of the software is not a goal in itself. The primary goal is remaking the business. Nike placed its main focus as well as resources in the implementation of the software instead of looking at the bigger picture. Perhaps the company thought that once it had successfully implemented the ERP framework things would inadvertently take of themselves. This lack of a clear business goal would have led to the whole project going south. It was only after Nike stated a clear business goal that the subsequent implementation of SAP's ERP system post 2000 that its overall objectives started taking shape. The company to trim its sneaker manufacturing cycle by a margin of three months. This business goal clarity enables the company to structure its ERP software implementation process in accordance with its goal and by 2004, it had proven to be a success. The lesson is that it is always good to keep eyes on the final price. Many companies, attempt to consolidate previously installed versions of ERP software simply to satisfy division managers or beat deadlines. This should never be the case.

Another critical lesson that can be learned from this Nike’s case in regards to the implementation of ERP software with the combination of others such as a

CRM software is that it is always vital to have the perspective of a third independent party. One cannot simply trust the company charged with the implementation process and believe it's every word. A third independent party has the ability to exhibit some of the flaws that could hinder the successful implementation of ERP modules. Nike attempt to put up a new software chain management system was quite ambitious given that at that time, deployments of SCM's had yet to be proven across all the relevant circles. An ERP package system is very sensitive, and a somber insight is required if it is to be successfully implemented. A third and independent party could have easily provided such insight.

Lessons on forecasting and aggregate planning

The first lesson learned in regards to forecasting and aggregate planning relates to the use of the demand planning software. Although forecasting is a good tool that can be sued by businesses to increase efficiency and potentially reduce wastage or redundancy, a proper business model must be present to make the demand forecasting viable or useful. Previously, Nike utilized the Future's program whereby it committed orders from its products retailers in advance. Consequently, it did not require any demand planning. Nike had no sufficient visibility in its supply chain and, therefore, trying to put forth a demand planning process through its implementation of a new supply chain management software was only going to be futile. Even experts at i2, the company charged with the software implementation freely admitted this fact.

The other lesson learned is that forecasting should always involve skilled executives to perform in depth analysis of forecasts and establish how they compare with the inputs from the marketing and the sales departments. Most companies make the mistake of using tools such as regression analysis that are only an estimate of what in actual sense takes place. For instance, such a statistical tool would only forecast the potential buys of a consumer based on what Nike sold to retailers. This is a very dangerous assumption because what happened today does not necessarily mean that it will happen tomorrow. The future does not always resemble the past. This perspective was clearly exhibited when the company stopped using the i2 demand planner in 2001 and started using the SAP's ERP, which was based on invoices and orders and not on forecasts.

Another crucial lesson learned in regards to this aspect is that proper planning is required even before the actual implementation starts. One of the aspects of planning that is mandatory is training. Nike clearly learned a lesson from the i2 debacle because when it came to implementing its SAP's ERP in 2000-2001, it sufficiently trained its representatives from the customer service section. In fact, the company did not allow the representatives to access the system until they had acquired 180 hours of mandatory training. Training of these representatives was particularly advantageous as they knew were insiders of this business and would ensure that the newly gained systems knowledge in regards to the implementation process stayed with the business and would be utilized again in the future.