

VPM's
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Programme: MMS (2013-15)
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Subject	Business Process Re-engineering & Benchmarking (BPRB 03)		
MMS-III Operations		Marks	60 Marks
Roll No.		Duration	3 Hours
Total No. of Questions	7	Date	05-11-2014
Total No. of printed pages	3		

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.

Q1) 20 Marks (Compulsory)

CASE - Nike: i2 Software Just Didn't Do It

Nike Inc. and supply-chain-software supplier i2 Technologies are pointing fingers at each other for a flawed i2 implementation that upset Nike's inventory and ultimately forced the footwear maker to slash earnings estimates. Nike officials said an i2 supply-and-demand-planning application didn't perform as expected, resulting in shortages of some footwear models and excess stock of others. Executives at i2 (stock: ITWO), however, maintain that the problem was caused not by the software itself, but by Nike's customized implementation.

Regardless of who's to blame, the resulting inventory shortages will reduce Nike's fiscal third-quarter sales by as much as \$100 million. Earnings estimates for the quarter, which ended this week, have been cut to 34 to 38 cents per share from 50 to 55 cents.

Nike has been working on its i2 software implementation since June as part of a \$400 million overhaul designed to streamline communications with buyers and suppliers and lower operating costs. The i2 software failed to meet expectations "both in performance and functionality," a Nike spokeswoman said.

"This is what we get for our \$400 million?" Nike chairman Philip Knight asked financial analysts when the company issued its earnings warning earlier this week.

Nike and i2 have "created some technical and operational workarounds" and the implementation is now stable, the spokeswoman said, but the financial impact of the problem will be felt for six to nine months, until Nike can unload the excess inventory.

But i2 last week was quick to place the onus on Nike. "We recommend that customers follow our guidelines for implementation—we have a specific methodology and templates for customers to use—but Nike chose not to use our implementation methodology," said Katrina Roche, i2's chief marketing officer. Roche said the Nike problem is "an isolated incident" and that the other 1,000 companies that use i2 software aren't at risk.

Several analysts said they think Nike might be using i2 as a scapegoat for its financial troubles, much as other companies have previously blamed Y2K remediation or ERP implementation headaches for their financial shortfalls.

But other analysts said Nike isn't overstating the impact of its software snafu. "Any time a company is deploying a system on such a wide scale, they're going to have problems more often than not," said Robert Toomey, a financial analyst at Dain Rauscher Corp.

Dain Rauscher lowered its estimate on Nike's 2001 earnings to \$2.09 per share from \$2.35 following disclosure of the software problem. Its 2002 estimates were lowered to \$2.51 from \$2.70.

Nike's stock dropped nearly 20 percent on Tuesday, and i2's share price fell 22 percent that same day.

Although Nike sometimes uses third-party integrators for large-scale application deployments, it chose i2 to integrate the demand-and-supply-planning tool. "We knew going in that it was going to be a tough implementation," said i2's Roche, "because the apparel industry tends to be very complex and because Nike had tried other [supply chain tool] vendors and they didn't work out."

According to Roche, the cutover to the i2 app wasn't complete when Nike began to input data for its forthcoming spring 2001 line. "The solution wasn't stable at the time they started using it," Roche said. Nike also found i2's recommended methodology and templates too rigid and chose not to use them, she said.

Furthermore, Nike didn't anticipate the recent weakening of the U.S. footwear market when it input that data, Roche said. "We were working nine months in advance, and the situation looked very different in July," she said. But Nike officials said the i2 software simply didn't work the way the vendor had promised. "It didn't deliver on performance or functionality," the spokeswoman said.

In any case, by the fall of 2000 Nike was over-manufacturing some shoes while struggling to meet retailer demands for others. Nike and i2 staffers tracked down the problems and developed ways around them, either by changing operational procedures or writing new software. "We wrote several new applications for Nike, and in fact, Nike's input was used in the new module we've written for the apparel industry," Roche said. That i2 module is due out later this year.

But by the time the changes were made, inventory problems had already cut into Nike's bottom line, said CFO Don Blair. "In some cases, we over-ordered materials, and in other cases, we did not place orders on a timely basis with the factor," Blair said. "So we experienced product shortages and delays that resulted in lost sales and additional air freight charges to bring products in."

Nike already has filled most of the back orders not met because of the software glitch, but excess inventory will have to be disposed of through discount distribution channels such as Nike's outlet stores. That liquidation could take six to nine months, Blair said.

Analysts said any company that does a highly customized implementation of i2 software could experience Nike's problems, particularly if the customer doesn't follow i2's implementation prescription.

But Roche maintained that the Nike situation is a fluke. "We've got over 1,000 customers up and running and some of them are in the apparel industry as well," Roche said. "This is the first time any of them have made this kind of announcement."

Question:

What was the cause and who needs to be blamed for the failure? Answer in great detail in your own words suggesting an alternative to avoid what happened.

Attempt Any FOUR from the Remaining SIX Questions

Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Define BPR as defined by the originator of the expression.
- b) What are the characteristics of BPR.
- c) Compare BPR to process simplification and continuous improvement.

Q3) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) What is benchmarking?
- b) Explain Benchmarking process.
- c) Classify benchmarking based on the nature of firms against which benchmarking could be done.

Q4) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Consolidating Process, Technology and People together, explain the approach to Organizational Change Management. Suggest suitable examples.
- b) Explain various processes adopted in BPR.
- c) Why is it necessary to quantify the benefits of re-engineering process? Explain with examples.

Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) What is a High performance Team?
- b) What is the problem solving process adopted by a team?
- c) How is Project team culture cultivated?

Q6) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Explain $OO + NT = EOO$.
- b) Establish a relationship between ERP and BPR
- c) Explain the critical role of BPR in ERP implementation

Q7) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Compare: Clean Slate versus Technology Enabled
- b) BPR and Knowledge Management
- c) Types and Elimination of waste in a process