UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN EXAMINATION - MAY 2008

COURSE TITLE   : INFORMATION SYSTEMS II

COURSE CODE   : COM 502 - FULLTIME

CLASS   : BACHELOR OF COMMERCE

TIME ALLOWED   : TWO (2) HOURS

INSTRUCTIONS:

1. THIS PAPER CONSISTS OF SECTION (A) AND (B)
2. SECTION (A) IS COMPULSORY
3. ANSWER ANY TWO (2) QUESTIONS FROM SECTION B
4. THE TOTAL NUMBER OF QUESTIONS IN THIS PAPER IS FOUR (4)

NOTE: MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN ENGLISH AND FOR ORDERLY PRESENTATION

THIS EXAMINATION PAPER SHOULD NOT BE OPENED UNTIL INVIGILATOR HAS GRANTED PERMISSION

SECTION A

NIKE

Nike takes a step forward in its race for sales and profits every time it sells a pair of sneakers. The Oregon-based company has a commanding lead over Adidas and other rivals because of its 32% share of the global athletic-shoe market. Still, CEO Phillip Knight and his executive team know they must sell a lot of shoes and sport apparel to expand beyond the current $12 billion in yearly sales and hike the gross profit margin above 43% (the highest margin in company history). They have to estimate how well each will sell, allow enough time to manufacture the right quantities, get the product to the right place at the right time at the right cost, and reach out to the right customers. The unpredictability of fashion trends makes their decision even more challenging.

So how does Nike do it? With technology, a healthy dose of human expertise, and patience. The company was using 27 different information systems to handle sales forecasting, factory orders, and deliveries to retailers worldwide when management began planning a single, integrated IS. One goal was to slash, from 9 months to 6 months, the time needed to get shoes and other items from the design stage to store shelves. Another goal was closer co-ordination with the Asian factories that manufacture Nike shoes as a way to minimize inventory. This would help the company avoid some of the financial risks of catering to fashion-conscious customers whose taste can change overnight. Finally, management wanted a single, centralized system for forecasting and ordering that managers and employees could learn to use efficiently and effectively.

Months of preparation went into the project, as the company managers worked with specialists to customize software to Nike's unique situation and then implemented the system before a new corporate-wide IT project took effect. At first, the forecasting/ ordering system struggled to handle the more than 10 million stock numbers needed to track all product variation; it also operated more slowly than expected when tied to an existing IT network. Then the system issued factory orders for too many of some models and too few of others, causing Nike to lose an estimated $10 million worth of sales.

The project managers created workarounds to make data available for planning purposes while they analyzed what had happened, revamped the system design, and got ready to implement it more gradually. "Once we got into this, we quickly realized that what we originally thought was going to be a two to three year effort would be more like a 5 -7 (years)", observed Roland Wolfram, Nike's Vice President of Global Operations and Technology. In fact, the new system was phased in, area by area, over the next two years, and users received intensive training in advance. As a double check, Nike managers carefully scrutinized system output "to make sure it makes sense", says Wolfram; they also ask retailers for input when forecasting demand for new items. Now, 6 years after the original project began, the system is working so well that Nike managers have set a new goal of reducing the lead time for orders even further.

The internet plays a major role in Nike's plan for communicating with customers to build brand loyalty and stimulate demand. For example, Nike keeps its trademark "swoosh" symbol in front of soccer fans by inviting them to log into the company's website and participate in multi-player games such as Football Ole. It has teamed up with MSN Europe to create an instant messenger version of the same game that can be played by people across the continent. In addition, Nike has developed a series of websites tailored to the interests of specific customer groups, such as www.nikegoddess.com for women, www.nikerunning.com for runners, www.nikebasketball.com for basketball fans. Watch for more technological innovation as Nike continues its never-ending race for higher sales and higher profits.

1. Why are information quality and timeliness particularly important to Nike's success? (15 marks)

2. What security issues do you think Nike's management should take into account when planning, designing, and implementing a system for sales forecasting and factory orders? Why? (15 marks)

3. What else should Nike do to use the Word Wide Web for communicating with customers? (10 marks)

SECTION B

1.

Uniswa Commerce Society (UCS) is interested in building an internetworking infrastructure to help them expand their operations and also keep in contact with its alumni. In a nutshell, explain to them the 3 key components they will need to build their infrastructure and some of the issues they need to consider for each component. (30 marks)

2.

Use the Strategic Grid for Information Resource Management to explain the reasons for outsourcing. (20 marks)

A firm's position in the market can also influence the decision to outsource. Explain. (10 marks)

3.

Porter's Value Chain Analysis and Industry and Competitive Forces Analysis are two key tools that corporations can use to analyze the impact of Information Technology in both the company and in an industry.

a. Identify two primary activities on the Value Chain and describe two technological applications for each activity that firms can use to be more efficient in those activities. (15 marks)

b. Identify two forces and explain the impact that IT can have on them. Give specific examples for each situation. (15 marks)