

**UNIVERSITY OF SWAZILAND**

**FACULTY OF COMMERCE**

**DEPARTMENT OF BUSINESS ADMINISTRATION**

**SUPPLEMENTARY EXAMINATION 2011**

**TITLE OF PAPER:** STRATEGIC INFORMATION SYSTEMS

**DEGREE AND YEAR:** BCOM V (F/T) & BCOM VII (IDE)

**COURSE NUMBER:** BA 502/ IDE BA 502

**TIME ALLOWED:** TWO (2) HOURS

**INSTRUCTIONS:** 1. THIS PAPER CONSISTS OF SECTIONS (A) AND (B)

2. THE CASE STUDY SECTION (A) IS COMPULSORY

3. ANSWER ANY TWO QUESTIONS FROM SECTION B.

**Note** MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN ENGLISH AND FOR ORDERLY PRESENTATION OF WORK

**THIS EXAMINATION PAPER SHOULD NOT BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR.**

**TOTAL MARKS: 100**

**SECTION A:**

This section is compulsory

**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 \$32 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 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 delivered 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 design stage to store shelves. Another goal was closer co-ordination with the Asian factories that manufacture Nike shoes as a way to minimise inventory. This would help the company avoid some of the financial risks of catering to fashion-conscious customers whose tastes can change overnight. Finally, management wanted a single, centralised system for 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 customise 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 analysed what had happened, revamped the system design, and got ready to implement it more gradually. "Once we got into this, we quickly realised that what we 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 scrutinised 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 is playing a major role in Nike's plan for communicating with customers to build brand loyalty and stimulate demand. For example, Nike keeps its trade mark "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](http://www.nikegoddess.com) for women, [www.nikerunning.com](http://www.nikerunning.com) for runners, [www.nikebasketball.com](http://www.nikebasketball.com) for basketball fans. Watch more technological innovation as Nike continues its never ending race for higher sales and higher profits.

**Questions:**

1. Why are information quality and timeliness important to Nike's success? (20)
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? (20)
3. Comment on the appropriateness of the IT strategy being followed by Nike in terms of its ability to create or improve competitive advantage. (10)

**SECTION B**

Answer any *two* questions from this section.

1. Why is an understanding of the value chain important in information technology management? (25)
2. Discuss the critical issues that organisations should consider in designing IT governance systems. (25)
3. Discuss the major factors that usually account for the failure of outsourcing alliances. (25)