

NIBCO Case Study Discussion

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ERP Methodology and Project Management

Air Force Mentor-Protégé Program

NIBCO Epilogue

- NIBCO experienced a major dip in productivity in the first months after Go Live, as its project leaders had warned. As Beutler was quoted as saying in a *ComputerWorld* article, “The business jogged; it didn’t run” (Stedman 1998a). However, the ERP implementation was within the 12-month window given, slightly under budget, and essentially a success. It released its project team members even sooner than originally planned.

NIBCO Epilogue

- As of October 1999 (nearly 2 years after go live) not only had the company avoided Y2K remediation costs, but
 - it was closing its books in 2-3 days (instead of the 2-3 weeks typical under the old systems)
 - had lowered its inventory levels by 25%, and
 - had increased its fulfillment rate from 80% to 95%
 - (http://www.cio.com/archive/enterprise/101599_new.html)
- According to NIBCO management
 - inventory had been lowered by 35% and
 - service had improved to 98% by mid-2000

NIBCO Epilogue

- Since its Big Bang implementation, the company has continued to be proactive in its ERP initiatives: an upgrade from R/3 version 3.0F to 4.5B (4-month project completed in April 1999), an archiving project (9-10-month project), and the HR module implementation. The SAP infrastructure has also enabled the company to make significant progress with e-business initiatives, including an R/3 e-commerce project to implement vendor-managed inventory.

NIBCO Epilogue

- In addition, the knowledge transfer that was so important during the project itself has resulted in a strong core of expertise within the IS organization that continues to pay dividends. An April 2000 business intelligence report for NIBCO management benchmarked the firm as an IT leader within its industry.

Lessons from the NIBCO Case

- Unusual in some respects:
 - Leadership
 - Big Bang
 - speed of implementation
 - degree of business ownership of the project
 - strength of change management

Lessons from the NIBCO Case

- Typical in many others
 - value of top management support (Martin)
 - software selection
 - team formation
 - use of consultants (to bring in knowledge)
 - motivation

Lessons from the NIBCO Case

- Typical in many others
 - learning how this strange new piece of software worked
 - need for strong change management
 - data conversion difficulties
 - difficulties after “go live”
 - claimed benefits

Comments from NIBCO CEO

“The CEO of this worldwide plumbing supplier says the pain of a major IT implementation is worth it.”

Glasser, Perry, NIBCO's Rex Martin, CEO NIBCO,
CIO Enterprise Magazine, Oct. 15, 1999

http://www.cio.com/archive/enterprise/101599_new.html

Comments from NIBCO CEO

How important is IT to NIBCO's strategy?

We revise our long-range strategy every year or so. In late 1995 we realized that our systems were fragmented. Our IT systems for manufacturing were different from our IT systems for sales. Sometimes the systems talked to each other; sometimes they did not. We knew we wanted to go to an ERP system, so in mid-1996 we commissioned a team that looked at various vendors—Baan, PeopleSoft, Oracle and some others. After six months, we settled on SAP. People hadn't heard the horror stories about SAP yet, but we've had no troubles. SAP has been well-suited to our needs. We rolled it out on Jan. 1, 1998, but getting there nearly killed us. We had at least 150 people assigned full-time to the project, and we brought it in on time and on budget. Our cost was \$18 million, including training time, consultant time and our time. Our service to customers diminished during that time, but the pain was worth it. We're upgrading every 18 months or so, but that's easier.

Comments from NIBCO CEO

And the benefits?

We took care of our Y2K problem, but that's only incidental. Our inventory from the beginning of 1998 to now has dropped 25 percent, and our fulfilment rate has risen from 80 percent to 95 percent. It used to take two or three weeks to get our monthly financials; now we are disappointed if we don't have them in two or three days. The system has been wonderful for us

Comments from NIBCO CEO

What are NIBCO's future IT plans?

We're putting radio frequency bar-coding on our products to better track our inventory, and we're pushing to expand our Web site. By year's end we'll be able to conduct transactions. This is unusual in our business. We've done EDI with our retailers, such as The Home Depot, because they said, "You do EDI or you will not do business with us," but 85 percent of our sales are to plumbing wholesalers that are not technologically advanced. With technology costs getting lower, we think wholesalers will catch up. When they do, they'll be able to check for stock on our Web site.

Comments from NIBCO CEO

What's your advice to less IT-savvy CEOs?

Invest a lot of money in hiring a good CIO. We did that in 1995 when we hired Gary Wilson [as director of IT], who came to us with a lot of experience. Staffing IT is extremely competitive—you can retain top-notch people if you have cutting-edge projects.