



Making sure that all departments are part of the strategy development process has contributed to Nike's continued growth.

PHOTO BY NIKE INC.

TECHNOLOGY NEEDS A SEAT AT YOUR STRATEGY TABLE

The IT Department must be part of the discussion if you want to maximize your potential for growth. **BY JEFF BOUNDS**

From the beginning, Nike has been aggressive. The company was founded by a former University of Oregon runner and his track coach, a man who was so focused on winning that he built shoes for his athletes. And in 2010, the company — already a global sportswear giant — announced an aggressive plan to achieve \$27 billion in revenue by the end of 2015.

How are they doing? It closed the 2013 fiscal year with \$25.3 billion in revenue, up 8 percent over 2012.

And how did they do it? By making sure every department has a seat at the strategy table, including IT.

ELIMINATING AN “OUTSIDE LOOKING IN” APPROACH TO IT

Depending on the industry, companies will spend between 3 percent and 8 percent of revenues on IT. For Nike that number

is approximately 2.7 percent. But too often, says Roland Paanaker, IT is the one area of business left on the outside looking in when it comes to strategy development. A bad idea, says Paanaker, Nike's chief information officer and the vice president of Nike Technology.

“If you don't include technology, it might become a roadblock,” he says. Aggressive plans could slow or stall because they may not be feasible technologically, or the technology can't be configured fast enough.

BENEFITS REALIZATION

Nike's aggressive focus on growth is part of everything the company does, even for Paanaker and the rest of the IT department — an operation with thousands of people.

“What we've done in technology is a lot of emphasis on

benefits realization, as we call it,” he says. “You have to be able to look at technology and say, ‘What did I get out of it? What’s the hard benefit?’”

By holding itself responsible for producing a return on the investment that Nike pours into it, Paanakker’s IT operation has seen a steady rise in its stature in the organization — and that ensured its seat at the strategy development table.

“We continue to have more adoption, embracing, and elevation of IT,” he says. “Through 30 or 40 years, it’s produced a high return on investment. That makes it more palatable to continue to do that investment.”

Also making it palatable, Paanakker says, is a disciplined IT governance that’s aligned with corporate strategy and direction as well as an active executive technology steering committee.

CALIBRATE INVESTMENTS IN ESSENTIAL VERSUS NEW TECHNOLOGY

Part of Nike’s IT investment is in new technology, something that Paanakker has increased five-fold since being named CIO in June 2005. At the time of his promotion to information chief, roughly 70 to 80 percent of Nike’s IT budget went toward tech that helps run the business’ basic operations, he estimates. The remaining spending was on new, cutting-edge technology.

Today, Nike’s IT budget is almost 180 degrees different. Forty percent goes toward operational needs and 60 percent is spent on innovative new technology, such as consumer-facing applications such as the Nike+ running app or the new FUELband app for iPhone and Android.

MAKE OTHERS INVEST IN IT

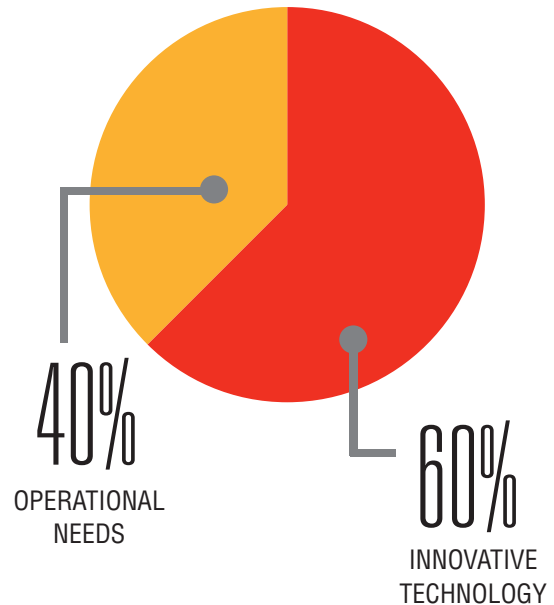
It’s those companywide efficiencies Paanakker and his team help facilitate that contribute to Nike’s continued growth and ensure that IT is an integral part of strategic conversations.

Paanakker has three tips for how enterprises can keep IT front and center when devising and implementing strategy:

Make technology part of the vision. “In the right companies, there is a strong vision of what the corporation needs, that being more than a bunch of targets for where they will be in three to five years,” he says. “If you stay in the line of sight into how technology is enabling the corporate vision, it gives you the right guardrails.”

Embrace the right partners. The technology landscape is changing so rapidly, corporate IT departments must evolve as well. That means being open to using third-party providers, Paanakker says, then finding the right

NIKE’S INFORMATION TECHNOLOGY BUDGET BREAKDOWN



partners. For Nike that means teaming with companies like Xerox and HP for data center operations and development service providers like Infosys, Cognizant, and WIPRO. Paanakker also believes that it’s necessary to tap into entrepreneurs who have produced important technology through start-ups.

Focus on execution: Strategizing is great, but the rubber meets the road when IT departments must execute on the planning. Paanakker says the big question is: “Will the organization be able to absorb change?”

FINDING THE RIGHT PEOPLE

While keeping technology front and center is important, so is finding the right people. You have to have leaders who embrace the challenges of benefits realization and understand the importance of investing in new technologies. They see IT as something more than a service department that helps the company run, but as a vital part of a growth strategy. Paanakker is obviously one of those people.

“Roland is the consummate mixture of bold visionary and enthusiastic leader, pointing out new mountains to climb and getting people moving to accomplish what some, at first, deem highly unlikely or even impossible,” says Scott W. Beckett, a partner at Insigniam. “At his heart, his belief in and love of people provides a context for leadership that lifts people to levels of energy, enthusiasm, execution, and results that few executives could ever dream of realizing.”