

adidas Group, Germany

Leisure Industry

Nominated by adidas Group, Germany

Executive Summary / Abstract

adidas is a leading global provider of sports footwear, apparel, and accessories. This global multi-billion brand undertook a formal selection of a BPMS technology to enhance workflows across several areas of its worldwide operations out of which Bizagi ended up as the technology of choice for replacing ad hoc, manual processes implemented previously with e-mails, spreadsheets and SharePoint.

Over a two year period, 7 processes have been automated, 5 are in development, 6 are planned and further 5 are at the discussion stage. These processes deliver automation across various departments at adidas including supply chain, marketing, finance, retail and eCommerce, demonstrating BPM's flexibility and suitability to address multi-functional needs of global organizations.

The sheer scale of some **Global Operations** related projects was impressive. One of them connected 500 adidas sales organizations with over 400 factories, to streamline the management of over 5,000 purchase order changes per month, resulting in a headcount reduction of 60%. Another one significantly reduced the trade-vendor onboarding process from four months to forty days.

The formation of the **Workflow Solutions Team** in 2011 continue delivering cost-efficiencies and quality improvements in terms of best practice sharing, stronger IT/business collaboration and re-use. BPMS has become the underlying model-driven development platform deployed by the team. The BPM projects are already demonstrating significant benefits back to the business as listed below and will continue doing so on a much larger scale.

- the service has been running for 2 years
- 23 workflow projects completed, under development, or in the pipeline
- 7 workflow solutions live
- Accomplished in 1/3 of the traditional development time
- 2 – 4 months to deliver a first release
- Solutions' costs vary from 20,000 to 300,000 euros.

1. OVERVIEW

adidas began its search for a BPM solution in 2010 after recognizing the need to automate the manual workflows supporting daily business operations in numerous parts of the business. The selection process that included a proof of concept is covered in more detail in the Technology section. Bizagi's BPMS was selected as the platform able to meet all the key requirements that included: BPMN, SharePoint integration, agile development and ease of use at a competitive price.

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The first project **Trade Vendor Management** (on-boarding of adidas partner factories in Asia) commenced in October 2012 and was completed within 4.5 months with direct support from the Bizagi team.

The most complex project to-date, **PO Change Management** involved streamlining the process for updating purchase orders across adidas global supply chain. This typically involved an SAP ERP system on the sales side and a separate SAP system on the supplier side. Closely related, **Supply Chain Service Desk** project improved the speed of problem resolution and customer support in this area.

adidas **Retail Store Approval** project, an application that the company began developing as a custom SharePoint solution 2.5 years ago provided BPMS and SharePoint integration. Subsequently, this was moved to Nintex, and now to Bizagi integrated with SharePoint and SAP. The senior IT manager in charge of the delivery team commented "We went through all the different technologies and now the Bizagi version is very good".

The Marketing department deployed the **Sports Marketing Contract Approval**, a process which implements Contract Approvals for clubs and well-known athletes as well as **Attribute Validation Process** (marketing Ops) to improve the product master data distribution process.

To-date adidas has completed seven projects in the supply chain, marketing, customer service and finance. Five projects are under development, including the replacement of a legacy SAP-based accounts payable solution where the BPM-based solution successfully competed against the latest version of the SAP-OpenText AP alternative.

2. BUSINESS CONTEXT

For more than 80 years adidas has been delivering a broad range of sports footwear, apparel and accessories. Its products are offered in nearly every country in the world. adidas has over 46,000 employees and their sales totaled nearly \$20 billion in 2012.

Prior to 2011, adidas had no BPM-based process automation so most workflow related processes were ad hoc and manually implemented with e-mails, spreadsheets and SharePoint. It comes as no surprise that in this size of business, manual processes can get very complex and completed over long periods of time i.e. supplier on-boarding took over 4 months, PO changes required a team of around 50 people to coordinate the transaction flow along all involved parties, while supply chain support desk had to manage over 100,000 email communication threads.

There was a recognized need to improve the workflow solutions delivery capabilities, business agility and responsiveness when dealing with external and internal stakeholders and customer service in those contexts. The Workflow/BPM initiative was introduced to address these burning issues.

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3. THE KEY INNOVATIONS

Seven BPM projects have now been implemented and the key innovations introduced in the IT-Business community are the unprecedented speed and flexibility of the development; the dual-portal architecture (see Figure 1 below) which allows for easy and straight forward integration of Bizagi and SharePoint and leverages the best of both technologies; the eliciting of requirements along the explicit modeling of business processes together by business and IT facilitated by the ease of use of the modeling environment, all contributed largely to achieving these fast results.

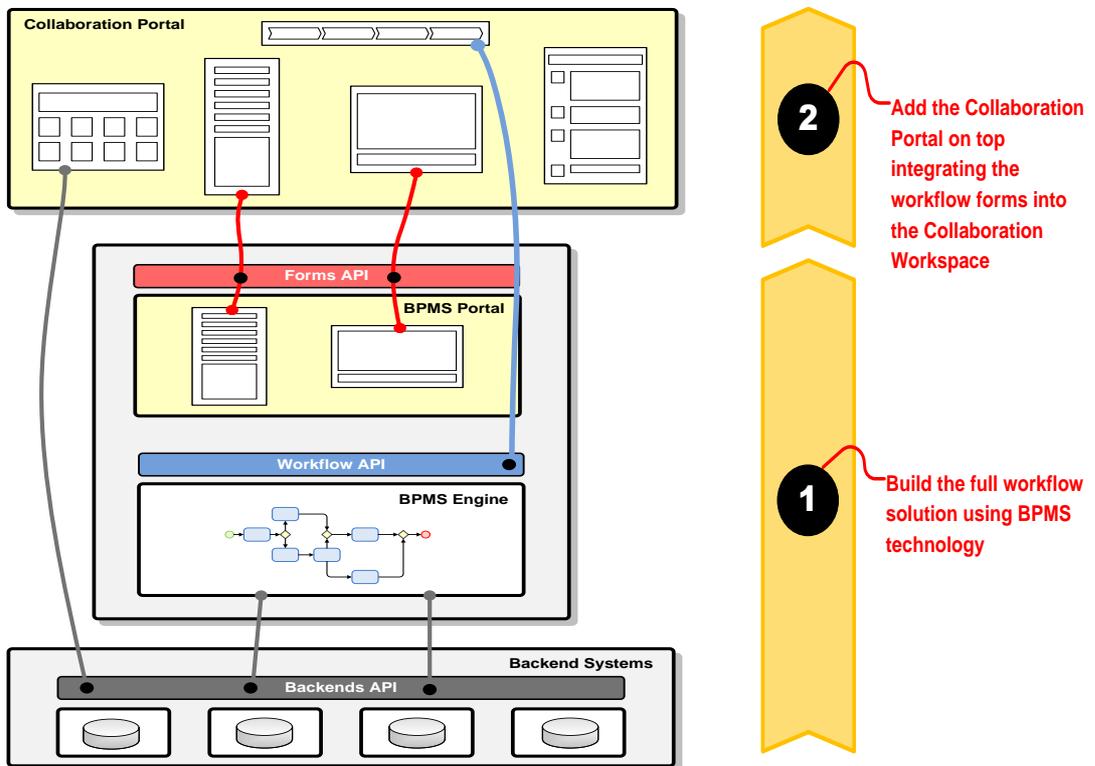


Figure 1: adidas BPM Dual-Portal Solution Architecture

Another important innovation was that these seven projects were deployed across four functional areas: supply chain, retail, marketing and eCommerce. A further three departments will be automated once the five new projects are completed.

This is a great endorsement of BPM technologies being cross-functional and able to address varying business needs reusing both technology and process functionality across the organization.

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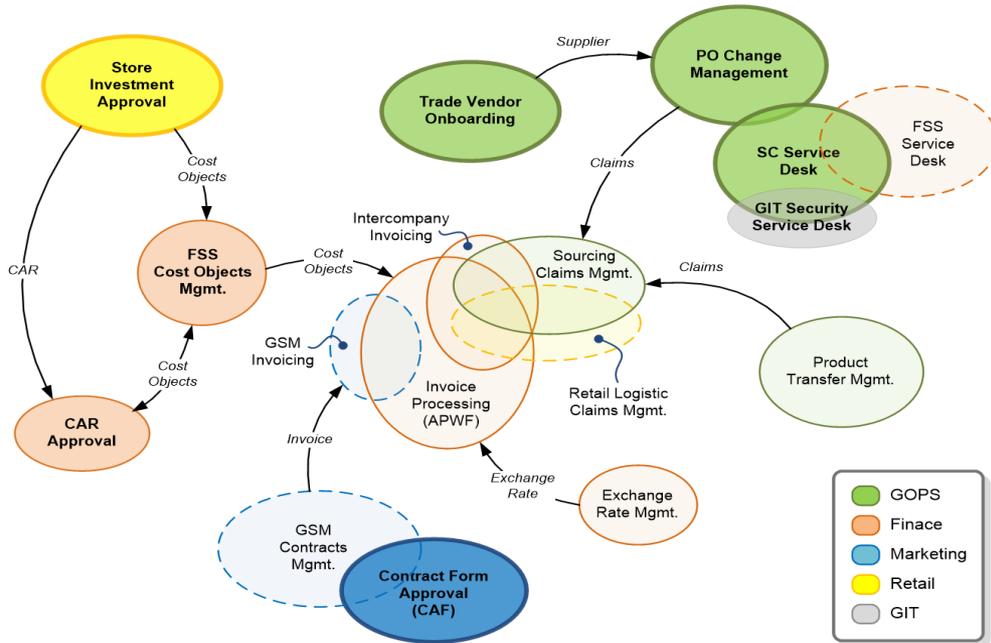


Figure 2: The Power of BPM in Addressing Various Business Needs

3.1 Business

The initial strategy after the BPM system was selected was to ‘start small and advance quickly’. Rightly so, adidas team decided to embark on a range of small and bigger projects and focus on the ‘bottom up’ adoption. Smaller projects were to deliver results quickly to “fast track” the internal acceptance, the bigger projects focused on major inefficiencies areas and allowed to test the system’s scalability.

The internal customer testimonials speak for themselves, where the improved interaction with the internal and external stakeholders are concerned:

Head of Supply Chain Customer Service Desk

“We would not have been able to transform this department without the capability of direct structured communication between markets and factories through our Bizagi based solution. This type of integration between so many supply chain partners has never been done before”

Manager of Finance Consumer Direct

“I am very satisfied with Bizagi as back-end solution. The tool is fast and gives us opportunity to integrate with other systems within our company creating a very good network for business plus reducing workload for countries”

Board Member and Head of GOPS

“(this workflow solution) ... really brought simplicity to the process and improved things; a good example of something that has moved forward fast”

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3.2 Case Handling

PO Change Management has been the most complex project implemented at adidas to-date. When a change in a purchase order is required, someone has to manually make the change in SAP. This change had to be made at the end of a very complex and hidden manual process involving a lot of resources and a large Excel spreadsheet.

“Between the point where a PO change is requested, and someone is ready to update the PO in the SAP system, there are a ton of process activities,” The senior IT manager commented. “First, there is a discussion on whether the change is feasible to do; there are a lot of rules involved. If there are costs associated with that change, what are the implications to the delivery?” There are so many interactions between so many countries and so many factories and dealing with so many different products, subsidiaries, and sales organizations that wasn’t covered by the SAP solution. So agreements and tracking of changes were done in Excel and e-mail with a supply chain integration team of around 50 people in Amsterdam doing all of this coordination.

The process was implemented in Bizagi bypassing central coordination by connecting the country sales organizations directly with the factories to handle changes. The project was such a success that part of the team that had been coordinating purchase order changes was redeployed to other tasks. “The supply integration team was reduced from 50 to just 16,” said the senior IT manager. Two-thirds could do something else, while the remaining ones were able to focus on exceptions.

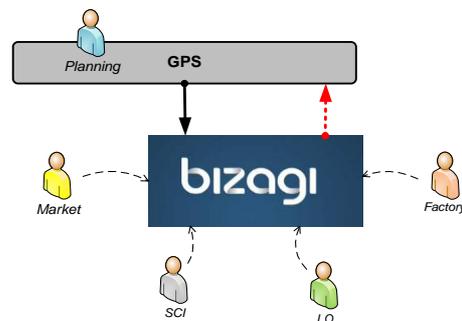
Five processes have been automated with over 250 steps including 22 variations and are actively used by over 2,000 users with over 70,000 cases processed per year. This is a global initiative that includes 500 subsidiaries, over 400 factories and several adidas brands.

The Challenge:

- Manual and inefficient coordination of all parties during all stages
- Huge intermediary team tracking and ensuring policy compliance via Excel lists and email communication

The Solution:

- SAP integration (GPS – Global Purchasing System)
- Non-adidas user (factories) as direct users of the solution
- Automated PO Change in SAP in the next release



The Results:

- ☞ Direct interaction between involved parties (Markets and Factories)

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- ☞ Reduced PO Change team (down from 50 to just 16 members); staff left for the purpose of monitoring and exception handling

Supply Chain Service Desk

This project was complementary to the PO Change Management, to deal with all of the other non-structured changes and support requests around purchase orders. It has reduced the service time and quality which had a big impact on the internal customer satisfaction as the feedback above indicates.

The scope of the project covered automating the end-to-end process related to the supply chain support and included services like claims, labeling, packaging, PO adjustments and quality issues among others.

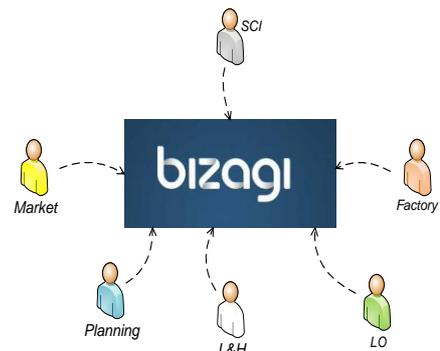
There are over 1,000 users of the support desk and 30,000 cases a year. This is also a global project including 500 adidas subsidiaries, over 400 factories and several adidas brands.

The Challenge:

- Improve Service Quality: Supply Chain questions, support requests, and incidents poorly managed via endless email chains
- Improve Reporting: No visibility of type or numbers of incidents or requests to help improve the process efficiency

The Solution:

- Dynamic allocation of tickets to multiple parties
- SCI team acts as the Service Desk dispatcher
- Non-adidas users (factories) are the direct users of this solution



The Results:

- ☞ Improved speed of resolution and identification of root-cause patterns
- ☞ Elimination of hundreds of thousand email communication threads

Trade Vendor Management

The onboarding of factories, management of new vendors, and changes to the vendor profiles was a purely manual process managed in Hong Kong. Enabling a new factory to do business with adidas took four months prior implementing the BPMS and nobody knew about the on-boarding status and open issues. A lot of approval steps were involved from many different areas.

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Now the overall end to end process flow time has been reduced by **50%** providing complete transparency about where things are at any point in time.

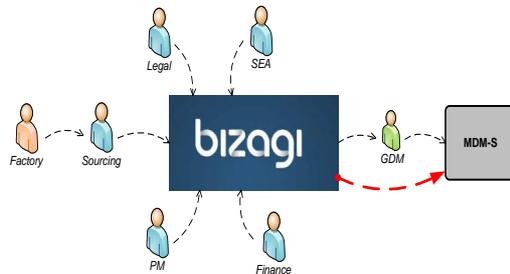
There are over 150 users that include legal, sourcing, PM, finance and GDM. Seven processes have been automated with 107 steps and 26 variations creating 750 cases a year.

The Challenge:

- Manual, lengthy & untraceable process
- Many departments of different organizations involved in the approval chain
- Over 4 months to complete the on boarding of a new factory
- Non-optimal sourcing of suppliers

The Solution:

- Stand-alone Bizagi
- Internal users only
- Automated MDM-Supplier interface in future release



The Results:

- ☞ Factory onboarding time brought down from 4 months to 40 days
- ☞ Fully transparent case status and flow tracking

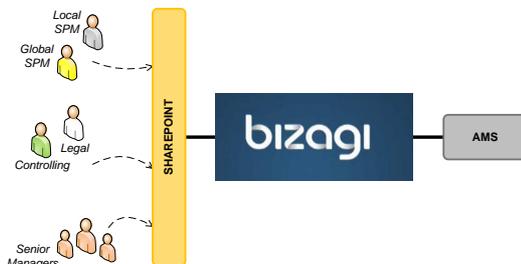
Sports Marketing Contract Approval

In marketing, adidas implemented Contract Approvals for clubs and well-known athletes. If sport's personalities want to establish or if adidas wants to sign a contract with them, there are approval steps involving top managers, even up to the company CEO in some cases. The functionality offered by the process included Contract Approval Forms (CAFs), Contract Creation and Maintenance.

The process is deployed globally; there are over 200 users of the process incorporating 20 steps.

The Challenge:

- Manual/unstructured handling and approval of CAFs
- Delays/lack of traceability and transparency
- Several departments and senior managers in the approval chain



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The Solution:

- SharePoint as front-end and document storage.
- Integration to current Contract Repository (to be folded-in in coming releases)

The Results:

- ☞ Initial CAFs fully processed in a couple of days (several orders of magnitude improvement compared to former manual process).

Store Investment Approval

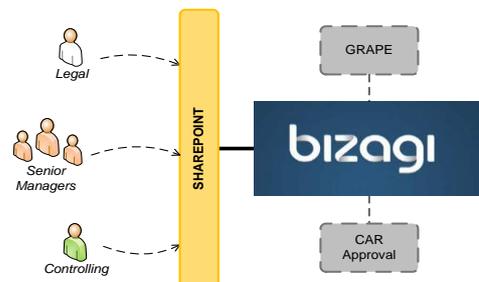
Another area where adidas provided BPMS, SAP and SharePoint integration is in the approval of opening of retail shops. The approval process for opening a new company store can involve millions of dollars and many people participate in the authorization cycle plus plenty of documentation needs to be cross-checked and validated. The process is deployed globally; there are over 200 users and 400 cases per year.

The Challenge:

- Manual and unstructured handling and approval of new stores setup or relocation/renewal of existing ones
- Delays and lack of traceability and transparency
- Several different departments and senior managers involved

The Solution:

- SharePoint as front-end and document storage
- Moved from Nintex to Bizagi
- CAR (Investment Approval) and GRAPE (SAP reporting solution) integration planned



The Results:

- ☞ Noticeable higher levels of visibility and speed

3.3 Organization & Social

The above internal customer quotes demonstrate satisfaction with improvements achieved in key projects enabled by the BPMS in relevant departments.

All internal users of the newly automated processes delivered through live projects feel more in control of their jobs, irrespective of how complex the processes are, as they now have all visibility needed. Whilst before most employees spent a lot of time finding out where things were and fixing manual process issues, today they can

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focus on more rewarding tasks such as identifying where the process can be improved further based on the wealth of information available. This significantly improved employee morale and job satisfaction.

4. HURDLES OVERCOME

4.1 Management

One of the challenges the IT management faced was dealing with the term BPM itself, prior to introducing the system. Within the company, BPM had negative perceptions and was associated with complexity, risk and cost. The term “workflow” was easier to accept. Internally, the company acknowledged that workflow was an urgent requirement.

Another challenge was to break the silo-oriented demand and project management culture by introducing a central team providing workflow solutions as a cross-functional service.

4.2 Business

The “process thinking” is not always something fully embraced by the business when it comes to automation. It had been recognized by business partners the need to improve processes in the above mentioned areas but it had been always a challenge to engage people in a process modeling exercise as part of the requirements gathering phase. The introduction of BPM “gently forced” the process modeling and facilitated this way a much better alignment between business and IT about the targeted functional scope.

4.3 Organization Adoption

Another BPM barrier was convincing IT colleagues that BPM was not going to overlap functionality (existing or not) belonging to the ERP domain. IT department feared that BPM could potentially replace the existing ERP solutions or believed that their existing ERP (SAP) could deliver similar functionality.

Education was needed to explain how BPM could fill in the gaps around the core systems. BPM solution was positioned as one that takes care of the “leftover” processes that weren’t addressed elsewhere.

This was accomplished through internal meetings and some formal workshops, but the true enlightenment came from seeing tangible results achieved from the first live projects and the feedback received from teams that benefited from the process model driven approach to problem solving.

The BPM adoption strategy based on demonstrating the value of the BPMS on small projects and gradually delivering new ones is paying off. The effort to sell BPM internally is lowering. Using Bizagi, the value of BPM demonstrated through tangible results has sold itself in the company’s Global Operations and Finance areas.

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5. BENEFITS

5.1 Cost Savings / Time Reductions

adidas was pleased with the results of the trade supplier onboarding (**Trade Vendor Management**) project, as the onboarding process was shortened from 4 months to 40 days, which resulted in time and resource reductions.

Much bigger **PO Change Management** and **Supply Chain Service Desk** projects were of great importance to the business as the automation brought the much needed agility when dealing with all stakeholders especially external factories. It helped to reduce the dedicated Supply Chain Integration team by 60%. The sheer scale of the project was impressive – it connected some 500 adidas sales organizations with over 400 factories, to greatly streamline the management of over 5,000 purchase order changes per month.

The **Sport Marketing Contact Approval** process can take just 2 days from the initial initiation.

The over-arching cost saving benefit was the reductions in the development and delivery times; the BPM projects at adidas cost on average 1/3 of the traditional in-house software development, which brings a direct impact onto the bottom-line.

5.2 Increased Revenues

The objective of deploying the first BPM projects wasn't to improve revenues but reduce costs, improve efficiencies, customer service and collaboration between business and IT; any indirect revenue generated from these projects has not been measured.

5.3 Quality Improvements

All seven solutions delivered standardized a set of processes while automating specific departmental functions which brought increased efficiency but also improved the quality of decision making and customer satisfaction (both internal and external). The audit trail and traceability ensure compliance with local regulation and auditory requirements.

The supplier on-boarding project was implemented in 4.5 months and reduced the length of on-boarding process by 50%, which helps to improve the quality of relationships with new suppliers.

The Global Operation projects eliminated the need for hundreds of thousand emails in a year used formerly to coordinate and execute the process flow; the coordination team was reduced by 2/3 and is now able to focus just on exceptions as the interaction is directly established between the involved parties; the process has now such a level of visibility that further improvements are already identified and planned for execution.

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6. Best Practices, Learning Points and Pitfalls

6.1 Best Practices and Learning Points

- ✓ *Select the tool that exactly meets your specific needs rather than provide too much unnecessary complex functionality*
- ✓ *When trying to introduce the BPM solution to an organization, you should be prepared to deal with confusion and uncertainty from others who may misunderstand the purpose of BPM. Be prepared to handle objections. Education is vital in creating the mindshare.*
- ✓ *If your CIO is convinced about the value of BPM, half of the battle is won already. For the rest you may find that even IT misunderstands the BPM concepts, and that people dealing with core systems may be reluctant to try it. In these situations, explain that you want to use the technology to fill in the gaps and to address the leftover processes. Sooner or later you'll end up working with the main ones.*
- ✓ *Start with small projects alleviating the often invisible operational burden of many people so others can see the results and understand the power of BPM fast.*
- ✓ *Encourage stakeholders to begin modeling from within the tool early, rather than using Word documents or Visio diagrams. The requirement discussions should happen around a process model. This gives you the possibility to do a more agile type of implementation. Start with projects that take no longer than four months for the first release—a kind of agile methodology.*
- ✓ *Addressing several small-medium size projects in parallel that can be delivered in short time cycles brings higher and faster success visibility.*

6.2 Pitfalls

- ✗ *Avoid too much complexity at the early stages and too long implementation cycle (more than 6 months) as this may discourage others who are still not yet bought into the value of BPM*
- ✗ *Don't do projects in isolation; share and re-use, if possible by establishing a central team to provide BPM cross-functional service within the organization.*

7. Competitive Advantages

In 2011, adidas established a central **Workflow Solutions Team** whose objective is to create cost-efficient and business-valued workflow provisioning service by leveraging economies of scale and joint synergies. BPMS has become the underlying model-driven development platform that enables this to happen. It is complemented with SharePoint as a front-end when collaboration functionality or extended portal capabilities are required.

The results speak for themselves:

- the service has been running for 2 years
- 23 workflow projects completed, under development, or in the pipeline
- 7 workflow solutions live

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- Accomplished in 1/3 of the traditional development and delivery time
- 2 – 4 months to deliver the first release
- Solutions' costs vary from 20,000 to 300,000 euros.

The formation of this central team that promotes BPM, reuse and best practice is already demonstrating significant benefits back to the business as listed above and will continue doing so on a larger scale.

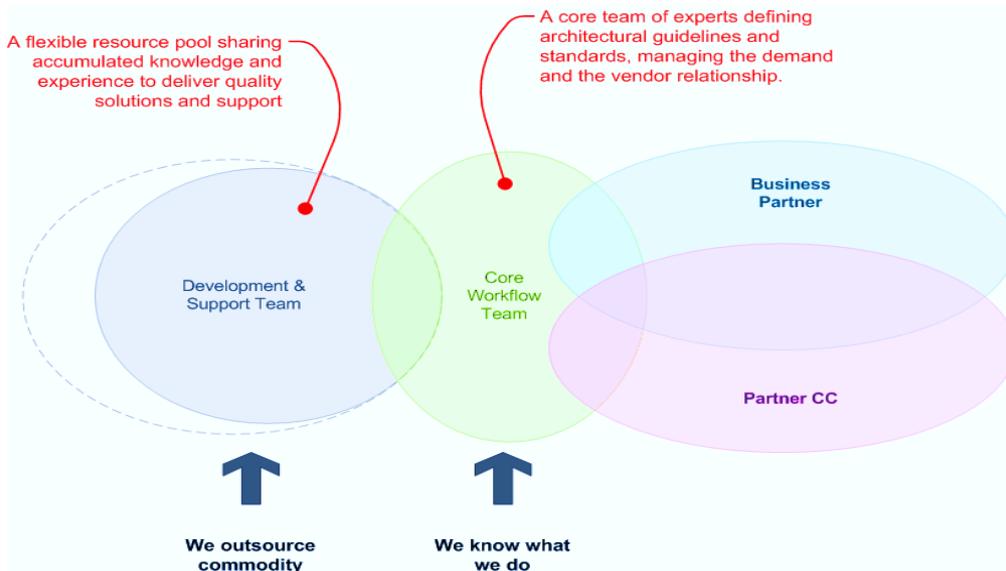


Figure 3: Core role of adidas Workflow Team

In a competitive market like sport goods manufacturing, adidas needs all the efficiency optimization, faster processes and customer service improvements, the business can achieve to adapt quickly to the changing market dynamics and to position the company at the fore-front of their competitors. The ball is already rolling and this sound strategic foundation may help to achieve the snowball effect.

8. TECHNOLOGY

adidas required a BPM solution that was easy to use from a developer standpoint because it knew it would have many BPM projects, mainly cross-functional, international, and complex. An intuitive and powerful development environment was needed to meet these needs fast.

adidas also needed a BPM solution that would be easy for its internal customers to use. Rather than sketching out workflows and business processes in Visio or some other intermediate tool, they wanted a tool that was intuitive so that business customers could work from within the product while collaborating and defining requirements. There was also a need to integrate with its SharePoint resources. Cost

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was an additional important factor in the selection process because of the large number of anticipated users and problem areas.

The formal selection process began with the team evaluating AgilePoint, Global 360, K2, and Skelta Software (now part of Invensys). The first group was chosen because of their use of .NET technology, which the team felt would be easier to integrate with SharePoint and other systems. At that stage, Global 360 emerged as the favorite.

The enterprise architecture group encouraged IT management to consider BPM solutions outside the .NET umbrella, including IBM and TIBCO. Singularity (now part of Kofax) and Metastorm (now part of OpenText) were added to the long list.

At this point Bizagi still wasn't in the picture but that quickly changed after a call with Bizagi in May 2011. adidas was impressed with their incorporation of data modeling capabilities within the tool, and included Bizagi in their product selection process.

Wanting to see how quickly BPM solutions could be built, the team created a proof of concept test, provided a set of specifications, and asked vendors to complete the task within five days. Bizagi was the winner of the proof of concept, completing the project in just one day while their solution met all the requirements.

The three finalists were Bizagi, Global 360, and TIBCO. Global 360 was eliminated partly because modeling was happening in two stages rather than in a unified environment. It also lacked the concept of central data modeling. Another disqualifier was its projected cost.

TIBCO was eliminated because their integration heritage was perceived as overkill for what adidas needed; TIBCO's Eclipse-based modeling environment was also not easy enough for business use. Another important factor were the costs - estimated to be 5 times more to implement TIBCO compared to Bizagi, partly because TIBCO provided a more complete package that included services that adidas didn't really need.

adidas team had already begun their first project using Bizagi's free modeling tool to support the requirements gathering and modeling. Again it was Bizagi's BPMN modeling capabilities that won the day.

The free access to the Bizagi process modeler convinced the company of the tools' strong BPMN modeling capabilities, yet very easy to use. One Bizagi feature that was of great interest to the team was the entity virtualization, an integration feature that allows processes to easily retrieve and update data from external SQL environments and expose the data as part of the process.

The team was especially impressed with how simple the Bizagi process was -- so impressed that they re-ordered some of their selection criteria. Initially they saw SharePoint integration as the key driver and the BPMN notation support was just a nice-to-have. When they saw the way Bizagi developed the proof of concept, and learned how powerful BPMN could be, criteria were re-ordered so that BPMN support was number one, and SharePoint integration was number two.

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Going forward the underlying BPMS Technology Reference Architecture was shaped with the objective to use each tool in their strength areas:

- SAP Business Workflow used just to combine technical steps within SAP systems.
- Netweaver BPM as a potential technology to orchestrate SAP-only processes (*due to cost and complexity not tried yet and not likely to happen*).
- Bizagi as the core process orchestration technology across heterogeneous systems.
- Nintex to potentially become the workflow tool for SharePoint Power End Users

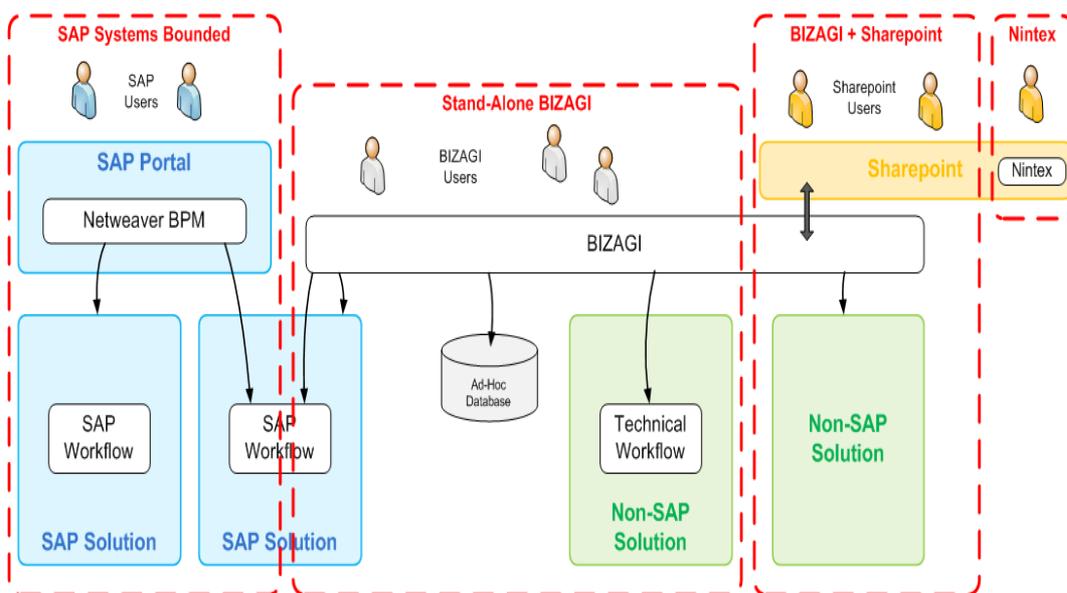


Figure 4: adidas BPMS Technology Reference Architecture

9. The Technology and Service Providers

Since the successful completion of the Supplier Onboarding project, Bizagi partner, Infosys (www.infosys.com), took over development of subsequent projects. The Infosys' Bizagi practice team for adidas includes four Infosys consultants working directly with the senior IT manager in Germany, and about 30 Bizagi-proficient Infosys developers based in India.

adidas also works with Infosys to provide Cross-Application Support service with the objective to ensure a single support function across all BPM applications. This leverages the economy of scale and provides the depth of the expertise required across all different geographies and time zones.

adidas single support team for multiple different solutions delivers:

- Extended time-zone coverage
- Better skills back-up and replacement capabilities
- Efficient capacity use

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- Better enforcement of support processes leading to standardized support

Bizagi BPM (<http://www.bizagi.com>) is a modern business collaboration tool for faster process automation. Bizagi's built-in functionalities, ease of use and flexibility makes it the ideal BPM solution to obtain faster results.

Bizagi is available in multiple editions to support the varying needs of organizations. The corporate editions are appropriate for mission critical and core business processes, satisfying the most demanding complexity and scalability needs in larger organizations. Corporate editions (Enterprise .NET and Enterprise JEE) are similar in functionality, the only difference is the deployment platform.