

# Process Improvement

at Nordstrom IT

# Drivers

- Predictable delivery of technology investments and their associated benefit streams
- Significant increase in technology capital investment planned
- Effective leveraging of offshore capacity
- Reduce reliance on Consultants for project management roles

# Approach

- Independent assessment of Nordstrom IT practices by two large consulting firms
- Leveraged consulting from systems integrator team that took vendor to CMM Level 5
- Identified CMM key performance areas most likely to impact objective of predictable delivery
- Created cross organizational team to share team practices and define one process based on current best practices

# Focus Areas

- **Project Management**
- **Requirements Management**
- **Software Configuration Management**
- **Software Code Comments Standards**
- **Estimating**
- **Metrics/Measures**
- **Project Gates & Inspection**

# Accomplishments

- **Project Management**
  - Consistent PM Tool in Use
  - Consistent SDLC leveraged for all projects
  - Consistent metrics/reporting produced for monitoring all project progress
  - New architecture strategies (e.g. EAI, EDW, SOA) built into process and estimating models
- **Requirements Management**
  - Improved quality of requirements (fewer requirement defects now)
  - Standard process for managing changes (reporting, approval, documentation)
  - Consistent tool for capturing requirements in place
- **Software Configuration Management**
  - Consistent process for code management used for all major applications
  - All system components are under the configuration management controls
- **Software Code Comments Standards**
  - Consistent process for code change documentation followed for all major IT services/applications
  - Specific guidelines are in place for the various unique language differences

# Accomplishments

(continued)

- **Estimating**

- Shared understanding of the estimating lifecycle and accuracy at each stage (Cone of Uncertainty <sup>TM</sup>)
- Consistent process/tools are in place for initial and revised estimates for all book of work items
- Process established to monitor estimate accuracy and continually refine the tool as appropriate
- Training program is in place to support education of new project managers

- **Metrics/Measures**

- Standard set of metrics are defined and produced for all delivery efforts that provide insight into schedule, cost, effort, quality and change
- Metrics are defined and in place to allow ability to measure value of process improvement program

- **Project Gates & Inspection**

- All projects greater than \$5M include standard review points/gates
- Program inspection practices are in use throughout delivery organization
- Appropriate applied architecture procedures are performed at each gate

# Results

- Delivery commitment success rates increased from baseline of 40% success to three straight years of 95%
- IT role in Nordstrom has shifted from a “cost” center to a “strategic advantage”
- Market analysts recognized Nordstrom for consistently delivering on improvement plans...updated to a “Buy” rating
- Market value increased by approx. 50% or more in each of the past four years
- Sarbox certification on first and subsequent audits

# Results

(continued)

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By **ELLEN BYRON**  
Staff Reporter of **THE WALL STREET JOURNAL**  
*August 19, 2004; Page B2*

SEATTLE -- Now that Nordstrom's sparkle is back in its stores -- and its results -- it must prove the success won't be a short-lived shooting star.

After years of contending with lackluster earnings, merchandise misfires and even takeover rumors, the upscale Seattle retailer has regained its footing. **Nordstrom** Inc.'s stock has soared more than 70% in the past 52 weeks ....

**Observers are quick to credit Nordstrom's explosive rebound to technology.** The company in 2002 began to roll out a state-of-the-art merchandising system, letting it shift from tallying sales by hand to monitoring sales minute by minute at its stores around the country. Now that the changes are in place, and the advantages realized, Nordstrom has to show it can find ways to maintain its growth momentum.

# Results

(and some more)

**A technology overhaul helped Nordstrom get analyst and investor attention**

1 May 2006 [Chain Store Age](#)

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***Nordstrom is an IT success story.*** The retailer is in the midst of a multiyear ***technology overhaul that is widely credited with propelling the department store chain*** out of the slump it experienced between 1999 and 2001. The benefits of Nordstrom's IT-upgrade campaign are unmistakable. Between 2001 and 2005, the retailer saw an increase in sales per square foot from \$321 to an estimated \$370; an improvement in gross margin from 32.9% to 36.6%; and a reduction in sales, general and administrative expenses from 30.3% of sales to 27.2%. All these improvements contributed to an increase in Nordstrom's pre-tax earnings from 3.7% of sales in 2001 to an estimated 11.2% in 2005. Wall Street has taken notice. The retailer's stock price has nearly quadrupled to \$38.75 per share since January 2002. The retailer's technology upgrade is credited as one of the major reasons why.

# Lessons Learned

- Leadership Style needed changes over time
- Inclusion of key project managers is critical to acceptance phase
- Consensus building takes more time, but pays off in acceptance/adoption rates
- Allow some time for adoption before measuring acceptance levels and before moving on to the next set of behavior changes
- Acceptance is not optional must be the leader stand

Questions ??