Adaptability as a Capability

Inside Cisco's Cultural Transformation to Collaboration

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The CEO’s Conundrum
Why Collaboration?
Productivity Redefined

Operational Excellence
• Economies of scale
• Global reach
• Global brand

Innovation
• Decentralized decision making
• Speed, creativity closest to customer
• Motivated workforce

Economic Benefits of a Large Enterprise
Agility of a Small Organization
Adaptability is a Cisco Capability

“One of Cisco’s competitive advantages is that we have a culture that accepts change.”
Vision / Strategy
Market Transitions, Customer Driven

INTELLIGENT NETWORKS

Internet of Everything
Connected Industries
Smart Grid
Any Device
Video
Virtual
Voice & Data
Dedicated
Mobile
Packet
Switched
Routed
Bridged
Shared
Circuit
Fixed
PC
Centralized
Silo’d

INTELLIGENT NETWORKS
Vision / Strategy
Market Transitions, Customer Driven

INTELLIGENT NETWORKS
Five Generations of Competitors in 25 Years

"We Must Constantly Reinvent Ourselves."

1990 – 1995
- WellFleet
- Proteon
- SynOptics
- 3Com
- Cabletron

1996 – 2000
- Bay Networks
- Ascend
- Newbridge
- Fore
- Xylan

2001 – 2007
- Alcatel
- Ericsson
- Siemens
- Foundry
- Extreme
- Nortel
- Riverstone
- Lucent
- Juniper
- Redback

2008 – Today
- Juniper
- HP
- Foundry
- NEC
- Arista
- F5
- Avaya
- Riverbed
- Juniper
- Huawei
- Dell
- ShoreTel
- Brocade
- Microsoft
- Redback
- Polycom
- Fortinet
- F5
- Riverbed
- Dell
- ShoreTel
- Brocade
- Microsoft
- Polycom
- Fortinet

2015
Fundamental Principle of Success

Technology

Capability

Process

Culture
Organizations Struggle with Change

24% of the Fortune 500 existed 25 years ago.

87% of companies Experience severe revenue stall.

11% recover.

Adaptability as a Capability
How Organizations Execute

Operating Model

Culture

Decisions

Behaviors

Execution

Results
Adaptability as a Capability
How Organizations Execute

Operating Model
Decisions

Culture
Behaviors

Execution
Results
Adaptability as a Capability
How Organizations Execute

“Culture Eats Strategy for Breakfast.”
Peter Drucker
Ambiguity:
Why Organizations Are Slow to Change

1. People don’t know which decisions they’re responsible for.
2. No decision is ever final.
3. Good information is hard to obtain.
4. The quality of people’s work is not accurately appraised.
Cisco’s Journey
The Four Levers of Culture Change

From...

Opaque | Decision Making | Transparent
Passive-Aggressive | Leadership | Authentic
Vertical Alignment | Resources | Portfolio Management
Siloed | Accountability | System

...To

Culture of Competition

Culture of Shared Goals

FY00  01  02  03  04  05  06  07  08  09  10  11  12  FY13
Five Ways to Lead from the Top

1. Tell People Who Gets to Make Decisions
2. Tell People How You Make Decisions
3. Eliminate Ambiguity through Taxonomy
4. Create a Common Vocabulary to Scale Decisions
5. Get Teams on the Same Page Fast – at Scale
Lead from the Top
1. Tell People Who Gets to Make Decisions

- 2 P&L Pivots—Regions & BEs
- Functional leaders empowered with 51% of the vote on how to allocate their resources
- Regions make decisions for GTM strategy and coverage with input
- BEs make decisions on technology roadmap and list pricing with input
- Cross-portfolio decisions made by Function’s Leader

"Consensus is the Enemy of Collaboration."
Lead from the Top

2. Tell People How You Make Decisions

Your Thought Process  Your Expressive Self

Conceptual
- I Like Ideas
- How you process information

Analytical
- I Like Facts

Deductive
- Start with the Answer
- How you organize information

Inductive
- Tell Me the Process

Extrovert
- Get the Team Together
- How you express yourself

Introvert
- I Have To Do Some Thinking

Linear Storyteller
- Follow These Steps
- How the audience keeps up with you

Non-Linear Storyteller
- Let’s Take a Journey
### Lead from the Top

#### 3. Eliminate Ambiguity through Taxonomy

| Growth          | • Bookings  
|                 | • Revenue  
|                 | • Market Share  
| Profitability/Efficiency | • Gross Margin  
|                 | • Simple Contribution Margin  
|                 | • OpEx  
| Time to Market/Innovation | • New Product Revenue Attainment  
|                 | • New Product Project Schedule  
|                 | • New Product Adoption Readiness  
| Customer Experience | • Overall Satisfaction with Cisco  
|                 | • SAT with Hardware Quality  
|                 | • SAT with Software Quality  
| Partner Experience | • Partner Wallet Share  
|                 | • Partner Profitability  
|                 | • Partner SAT with Cisco  
| Employee Experience | • Voluntary Attrition  
|                 | • Involuntary Attrition  
|                 | • Pipeline Volume  
|                 | • Pipeline Conversion Rate  
|                 | • E:R or E:B  
|                 | • Forecast Accuracy  
|                 | • Acquisition Performance  
|                 | • Ease of Doing Business with Cisco  
|                 | • Transformational Cust Wallet Growth  
|                 | • Customer Loyalty  
|                 | • Partner Ease of Doing Business  
|                 | • Partner Loyalty  
|                 | • Span of Control  
|                 | • Employee Engagement Index  

Lead from the Top

4. Create a Common Vocabulary to Scale Decisions

A Vivid, Idealized and Memorable Description of a Desired Outcome
5+ years

How Your Business Group, Region or Segment Sustains Differentiation
2–4 years

Strategic Priority X
(Resource allocation decisions)
2–4 Years

Execution Activities
12–18 Months

Metrics

Strategic Priority Y
(Resource allocation decisions)
2–4 Years

Execution Activities
12–18 Months

Metrics

Strategic Priority Z
(Resource allocation decisions)
2–4 Years

Execution Activities
12–18 Months

Metrics
Lead from the Top
4. Create a Common Vocabulary to Scale Decisions

Vision & Strategy
Drawn from 3-Year Plan

Execution & Metrics
drawn from Annual Plan
Lead from the Top

5. Get Teams on the Same Page Fast – at Scale

Alignment used to be constrained by space, time and the expense of doing it.

Virtual Engagements are 20% of the cost of a Live Engagement.
Common Vocabulary Makes Decisions Transparent and Eliminates Ambiguity about Priorities
People need to believe in decisions to take rapid action against them. Speed Comes from Authentic Engagement.

Leaders are encouraged to talk among themselves about decisions.

- **Christopher Tzortzis**  
  Love John’s comment on NDS- we need to be able to integrate, but ALSO ACCEPT new business models-getting the synergies of acquisitions, but not destroy their business models as we force fit into our Cisco world.

- **Michael Quinn**  
  IPV6 is like IPV4..it is a must have no matter the customers request..get it done and move on....do not fall behind in the basics of networking....it will cost us with the customers when Arista and other have the conversation with our customers......I can see it now....”look cisco does not even have the basics like IPV6” how can you expect them to deliver for MSDC..etc..

- **Mark Peek**  
  @mquinn - agreed but not everyone in the company sees it that way.

- **Mark Peek**  
  @ctzortzi - don’t get me started on how hard it has been to move IronPort subscriptions onto GPL. I’ve said it before that integration commit is as important as CFO commit with acquisitions.

- **Rajal Patel**  
  v6 is in itself a market transition; a great opportunity for AS and services to help customers migrate if we do it right, if not done right with leadership a significant threat to our core biz and thought leadership. We will be demoing a v6 enabled Webex meeting built on Cisco technologies.

- **Cecile Willems**  
  @James Blum - agree - we need to ensure that we are not only talking about "Marketing-Phrases" - we need to ensure the translation into an overall Architecture approach and address a clear Financial Value Proposition.
Question:
Raj Gossain: Great to see the growth in DC. But given our margin and profitability focus, how do we reconcile that with the comparatively lower margins relative to the overall Cisco GM profile? Is top line the primary goal for this foundational priority? Or pull through of core / collab / etc?

Answer:
Woody Sessoms: We have a product/solution portfolio that if balanced should ensure we meet the expectations of our shareholders. Cisco has a tremendous opportunity in high margin software plays that will be dramatically increasing in terms of revenue volumes over the next several years. Our core areas also remain extremely profitable and are high volume.

People need to believe in decisions to take rapid action against them. Speed Comes from Authentic Engagement.
People need to believe in decisions to take rapid action against them. Speed comes from authentic engagement.

Leaders determine the right issues to take action against a decision.
Cisco’s Journey
Four Levers of Cultural Change

From…  
Opaque  
Passive-Aggressive  
Vertical Alignment  
Siloed  
…To  
Decision Making  
Leadership  
Resources  
Accountability  
Transparent  
Authentic  
Portfolio Management  
System  

Culture of Competition  
Culture of Shared Goals  

FY00 01 02 03 04 05 06 07 08 09 10 11 FY12

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QUESTIONS?

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Thank you.