



# Book Nothing But Net

## Business The Cisco Way

David Stauffer  
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## Recommendation

David Stauffer's impressive new book seeks to explain why Cisco is one of the world's most important companies. At the heart of the book - and perhaps the company - is the management style of Cisco CEO John Chambers, who once worked for IBM and Wang. The book illustrates how Chambers noted the problems at both of his former employers and resolved that they would never show up at Cisco. The author also covers Cisco's famed acquisition strategy, and explains how the company targets employees, rather than profits, in its acquisition sights. Although the author seems enamored with the company, it's tough to argue with his main points, especially when he cites other companies, such as Oracle and Microsoft, that have replicated Cisco strategies. *BooksInShort* recommends this definitive and entertaining book as an insightful look into a pivotal new-economy company, and the strategies that got it to where it is today.

## Take-Aways

- In some ways, Cisco is more impressive than Microsoft.
- The reason why Cisco is not being investigated (and Microsoft is) may come down to simple politeness.
- When Cisco falls behind, it simply buys the technology it needs.
- Cisco CEO John Chambers learned what not to do at Wang and IBM.
- Cisco is an obsessed, customer-driven company that bets on the future.
- Cisco's Web site pulls in \$32 million in daily sales, some 80% of the company's total revenue.
- Other companies are following Cisco's principles.
- Cisco believes in leading from a statesmanlike stance and in staying on message in every forum.
- Cisco endeavors to become one of the top-five competitors in any business area that it enters.
- When Cisco buys a company, it's looking mostly to acquire the company's talent.

# Summary

## The Right Company in the Right Business at the Right Time

If you want to learn from another company's spectacular success, look at Cisco Systems, the company that drives the Internet. For many reasons, Cisco appears to be the right company in the right business at the right time, and it has always capitalized on its opportunities.

"If you bought \$10,000 of Cisco stock at the IPO price, it was worth \$8.2 million at the turn of the millennium."

John Chambers is the head cheerleader for a Cisco team that appears unified and dedicated to the overarching goal of networking the world - forging communication links that can overcome seemingly intractable problems of ignorance and poverty. These principles give Cisco's work its greatest meaning and can do the same for you:

- Above all else, do what you love - Given today's intense competition and continuous change, passion for your work is essential to achieving and sustaining success.
- Know what you're about and keep it always in sight - The first step toward achieving anything is formulating a clear statement of what you want. A mission, a vision and goals are essential raw materials in any recipe for corporate success.
- Create and keep a winning culture - Your organization's culture is the bedrock required for building long-term success. It's not a set-and-forget proposition - your proactive attention keeps it alive and vibrant.

"John Chambers seems genuinely to act first in the interest of a cause, secondarily in the interest of revenue and profits. The cause, he never tires of saying, is to extend the Internet, the greatest educational and poverty fighting tool in human history - to every corner of the globe."

Cisco believes in leading from a statesmanlike stance. Also, Cisco believes in staying on message in every forum and reaching people with a consistent, straightforward benefits statement.

## Win the World With E-Commerce

Cisco's Web site pulls in \$32 million in sales daily, accounting for 80% of the company's total revenue. Cisco employees don't get involved in these Internet transactions until the customer's check arrives. Subcontractors first manufacture, test and ship the equipment direct to the customer. About 70% of customer-support inquiries are handled over the Internet with no employee involvement.

"Partnering is increasingly a necessity, not an option, for successfully competing in an ever-changing world, and Cisco does it as well as anyone. "

Cisco harnesses several e-commerce advantages, including custom-made manufacturing, using e-commerce to extend the personal touch and supply-chain savings (by automating, Cisco saved the estimated cost of hiring more than 1,000 engineers). The firm built its own "Internet ecosystem," with a network that provides flexibility and responsiveness.

## The Internal Net Revolution

To fully exploit the Internet's virtually unlimited advantages, don't just look outward. You can approach long-standing functions and systems within your organization in whole new ways when you apply a digital evaluation of how things get done.

- Turn information systems into a competitive advantage - Use the Internet's capabilities to deliver more accurate and detailed information to more managers more quickly.
- Hire better, faster and cheaper with the Web - Using Cisco's methods, Internet-based hiring can deliver better people, more quickly, with significant savings in recruiting costs.
- Hop aboard the e-train - Employee training is better suited for the Internet's inherent capabilities than any other business activity.

- Become an e-learning organization - Companies can no longer afford to have all information roads lead through their top ranks. Knowledge sharing has never been more important than it is in the emerging knowledge economy.

## **Employee Assets**

A company's commitment to putting its people first is more than a magnanimous gesture. That's because everything else in an organization's values - its products, profits and so forth - flows from its people. John Chambers is publicly recognized for a commitment to employees that may be unsurpassed among today's CEOs. His guiding principles include:

- Seek people who are more than satisfactory - With price and product-quality differentiations gradually disappearing, the key basis of competition is employee talent.
- Find people who fit your culture - Not only does the job have to fit, but the culture as well. You want employees whose personal aims are aligned with your corporate aims.
- Treat people like precious assets - Cisco says its employees are its most highly prized assets. The company backs up this assertion with action: pay, empowerment and a host of other expressions that its people are the ultimate source of success.
- Provide a setting for superb performers - Cisco understands that it takes more than traditional inducements to retain top performers. They need intangibles like intellectually challenging assignments and a high-energy working environment.
- Kiss non-performers goodbye - Despite record demand for good workers, you can continually upgrade your overall employee quality by dismissing the poorest performers.

## **Listen Constantly To Customers**

In an Internet-enabled world, where buyers have instant access to products and services offered by a world of providers, the customer is more powerful, and less loyal, than ever before. Cisco has rocketed to unprecedented success on the strength of its obsessive customer concern, which is no more evident than in John Chambers himself. His customer-service principles include:

- Asking the customer what he or she wants.
- Letting the customer shape your strategy - Make customers integral to determining strategy and operations.
- Tailoring offerings for discrete sales channels.
- Maintaining top-down direct, personal customer contact - That means spending time with customers.
- Convincing everyone in the organization of the importance of the customer.

## **A Succession of Businesses**

When it comes to data networking, Cisco is "top-of-mind" for a range of customers who have widely divergent needs. The company responds to all of them, which reinforces its positioning in a virtuous cycle that generates current and future profitability. The customer-oriented principles in action include:

- Being everything your customers need.
- Being no more than your customers need.
- Being horizontal to gain peak innovation.
- Leveraging your winners to produce more wins.

"Chambers is happily uncomfortable by Cisco's fabulous success. Having been with IBM and Wang when those companies rested on their laurels, he manages Cisco as if competitors will bury his firm tomorrow. Given today's competitive realities, someone could pull off such a feat. Given Cisco's ever-present concern for such an event, no one will."

Your company also has to make a commitment to change. To succeed in the long term, continually reassess and alter your mix of products and services to respond to customer needs. Any enduring company is actually a succession of businesses, conducted over time by an ongoing corporate entity.

## **Always Look to Lead**

Dig beneath the surface of market dominance and you find it's not built on magic, but smart management. Cisco goes to the top of the heap by adhering to these key guidelines.

- Give yourself a fighting chance - Cisco CEO John Chambers isn't going to take the company where it shouldn't go. Stick to core competencies; stay with what you know.
- Be, or buy, a first mover - Cisco doesn't pretend to be the networker that's always on the scene with the first or most. When you're not among the first with a new technology, you'll only catch up by acquiring one of the outfits that is.
- Don't forget old-fashioned salesmanship - Cisco is so integrally associated with new-world technologies that it's easy to forget about the CEO's sales background - and his understanding that sales will probably always call for a well-timed personal touch.
- Leverage your leadership positions - Market leadership bestows a strength that you can leverage other ways to achieve additional market dominance.

## **Buy Right, Grow Right**

The ever-lengthening record of failures among corporate mergers and acquisitions proves that there's a wrong way to merge or buy. Cisco's lengthening record of buyouts that benefit everyone involved indicates that there's a right way, too.

- Buy to keep moving at Internet speed - No lone company can keep up with today's pace of change. Acquisitions can bring change into your organization.
- Make people the primary purpose - Don't let an acquisition target's products and technologies be your foremost concern. What counts is the pool of talent you can add to your roster; only people have a value that can justify a rich purchase price.
- Don't sweat the present, buy the future - Some of Cisco's deals don't look good on paper - paying premium prices for companies that have yet to show a profit - but Cisco isn't paying for what was or is, but what will be.
- Know and respect the deal killers - John Chambers is wary of deals pursued to completion for the sake of completing the deal. When signs don't say go, stop.
- Make them an offer they can't refuse - Cisco is known and respected for valuing its acquisition targets fairly and not letting minor hitches get in the way of an agreement.
- Make sure you deliver after the deal - Cisco's integration of acquired companies is famously fair to new employees. They respond favorably to strong inducements to stay.

## **If You Don't Buy 'Em, Join 'Em**

Strategic alliances can extend your reach to new technologies, markets and customers. But they only work with the sort of commitment and hard work that Cisco brings to bear, observing these most important guidelines:

- Don't Go It Alone - The pressures of continual change, global competition and shifting customer demands can no longer be adequately addressed by any single organization; alliance is often an effective response.
- Have the courage to form interwoven dependencies - The way a beneficial partnership will evolve over time and can't be detailed in advance; it must be flexible enough to respond quickly to a changing environment.
- Create wins for others to win big yourself - Alliances are in trouble when any participant seeks to gain more than its partners from the arrangement.
- Use alliance leverage to move faster - Continuing growth is the key promise in an alliance. Your firm joins others to exploit complementary competencies and access to each other's markets and customers.

## **Fight Complacency**

To avoid becoming complacent, remember these tips: past success is past, experience can be a favorite teacher, embrace paranoia, hold on to your early hunger, take the calculated risk and change your mindset to expect speedier change.

## **About the Author**

**David Stauffer** is a business writer who heads the corporate writing firm Stauffer Bury, Inc. His dozens of articles on business and

management have appeared in *Harvard Management Update*, *Across the Board*, *The Wall Street Journal* and other business periodicals. He teaches business writing as an adjunct professor at Rocky Mountain College.

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