

Can you see the  
**mailstream?**

**JOHN CHAMBERS**  
**Innovation, Vision & Growth**



Exchanging Best Practices: Will get us to think out of the box, look forward, you've never seen a faster transition than you are about to see over the next decade, it will transform businesses around the world, and also governments. It will be built around innovation and technology and it will drive jobs and the standard of living. I'll start with the role of the business leader. 4 things a leader is responsible for: determine the vision and strategy of a company, develop and recruit leaders to implement that vision and strategy, and develop the culture and drive it through the business by communicating it. Once you determine the business strategy, the ability to articulate that strategy with a common vocabulary, so people understand what is expected, is critical. We break everything into a three to five year vision, 2-4 year differentiated strategy (not just what others have done), and the 12-18 month execution plan. Whether it's complex or simple, whether we are talking about a new product or moving into a new market such as emerging markets, we all use the same approach. If the network truly becomes the platform, all of a sudden you'll have a dramatically different business model. If you want to implement this, you'll want to ask yourself, how do we do this differently? The key is to focus on market transitions, and use innovation to drive it through. The approach is from an architectural point of view. The key take away here is to understand what market transitions are currently happening, define a vision, differentiated strategy and how you will execute against it in a 12-18 month timeframe. Jack Welch was the one who taught me to be focused not on competing, but on how to be #1 or #2 in the markets you enter. We have a target to become #1 or #2 in that market, and if we are not able to come up with a strategy to achieve that, we don't enter that market.

Our ability to get market transitions right is critical. We believe that the next wave of the Internet will be built on collaboration and networked Web 2.0 technologies. Other transitions include: everything as a service, emerging countries, partnerships are key to success, and speed, personalization, and content finds you.

Collaboration: The definition of collaboration is nothing more than a group of people working toward a common goal. In Web 2.0: "networked technologies enable collaboration" – I believe productivity will move to the 3-5% range. This has huge implications on developing countries in terms of what's possible. Without a new level of innovation, this isn't going to occur. The future is about building the next generation companies; and the interdependencies will be so tightly intertwined in terms of how groups work together. A move from a command and control model to one of teamwork and collaboration will allow for a speed and scale of implementation that hasn't been done before. It will change how you interface to customers and employees and your supply chain in a way that has never been done before. Video conferencing started first in businesses, but TelePresence changes everything. The primary benefit isn't to prevent travel and cost savings, but how you increase your customer interaction with a speed and scale like never before. I talk to twice as many customers and spend less time on the road and this enables a different business model. For example, instead of doing only 1 or 2 priorities a year, we will move to 24 plus priorities in FY09. Technology allows us to communicate in ways we couldn't do before, and our boards and councils structure will enable us to scale at tremendous speeds. It's not technology that's the hard part – but the culture of the people. We all tend to resist change, but change is important to achieve speed and scale in decision making, improving the quality of the decisions, and aligning or realigning resources, reducing redundancy, closing gaps, and generating new revenue.

Some examples of this in action include how we moved our engineering organization to a council model. And Cisco I-Prize, where we launched a Web 2.0 workspace to solicit 120 new ideas from 104 countries with 12 finalists where we will have a new business idea that we will implement. An architectural approach enables the network to become a platform where your product strategy will first be loosely, then tightly integrated. Web 2.0 technologies including Pownce, Widgets, Wikis, Twitter, WebEx, YouTube, TelePresence and they will all come together to make one collaborative Engine.

These Web 2.0 tools will transform how you interface to customers, partners, suppliers, employees. For example, our own internal tools at Cisco have had a viral-like adoption. For example, our own internal "YouTube" at Cisco: C-Vision – is up tenfold in 7 months. WebEx usage at Cisco is up 15 fold in 7 months. TelePresence at Cisco is up 3 fold in 7 months. Network loads are up 400%. In some ways this explosion of growth was like the first phase of the Internet. In many ways we are "back to the future" only this data isn't captured in years, but in months.

Second key takeaway: the time is now, it's going to happen. This is about process, technology, culture and an ability to teach others how to do it. Be realistic when you talk to leaders. Show the meat, the results as measured by Market Cap and Market Share. This is not about looking backwards; it's about the next wave.

Regarding corporate social responsibility, it's the right thing to do and also just plain good for business. We have partnerships in Lebanon, Jordan for Jordan's Education Initiative, 21s, where we worked with local and state governments and NGOs to help change the school system following the devastating damage from Hurricane Katrina, and finally China following the devastating earthquake. And then we look at how we apply best practices for each of these as we scale this for other parts of the world. This is the reason why Public-Private Partnerships are so important, and together we can go about helping to revamp education and health care.

*Q: What did you anticipate for today's companies?*

A: The changing role of the Internet. From the beginning, we had aspirational goals, but did we know it would be what it is? No. We believe that your customers will always tell you what to do if you ask.

*Q: What is an amazing thing that's happened since you joined Cisco?*

A: The way we communicate with our employees and with our families. We now have the ability to bring the concept of collaboration and visual networking into the home. We now have the ability to be able to see each other as if we are in the same room, and can collaborate in ways we haven't imagined, and with a speed of acceptance and adoption that has really changed. Two years from now I will primarily interface virtually.

*Q: How does it happen at different rates and speed?*

A: Instant replay from the past, but acceptance will be in countries in Middle East and China and India at a faster rate than the U.S., because in my own view, the Internet with all its capabilities has the ability to raise all boats. Government leaders suddenly understand this and it will happen with or without Cisco. You don't have to explain to the people in Mississippi or Louisiana why the schools are failing. The world is ready to change, and it'll be based on how easy this technology will be to use.

*Q: Over 17 years at Cisco, you've grown through important business cycles, how do you handle the challenges of leading through market transitions?*

A: As leaders we hate to talk about our setbacks, pain points or missteps. But as a leader, you'll learn more about yourself and the team you lead when you misstep. An example for us would be in 2001. We went to a negative growth of -45%; we were knocked on our tail. As a leader, the first thing you do is go to your peers, the people you trust and find out if you did it yourself or was it done to you. If your strategy is still strong, don't lose track of it. The second is to assess how long it will last, and then 3<sup>rd</sup> get ready for the upturn. Once we made a decision to move, we moved, gained market share and never looked back. It was painful, I would have done anything to avoid it, but it made us a much stronger company. Jack Welch said it takes a near death experience to make a great company. He called me in 2003 and said "you now have a great company," and I said it doesn't feel like it. But the transitions and setbacks are the most important things for your and your team's development.

*Q: What's the toughest decisions you had to make?*

A: Downsizing or "rightsizing" means you hurt a lot of people and your shareholders. As a leader, be realistic about the market and where you are. I was pretty sure we managed it frugally. Many of our peers did not understand this was about survival. It's important to paint a vision of where to go, and get your leaders, customers, employees on board and make sure they are treated fair, and then get the company ready for the next wave.

*Q: Best piece of advice you've ever received?*

A: When you get surprised, develop a system of peers or mentors you can talk to to get their advice and provide input. Be realistic and honest with yourself, make scale and speed a priority and get ready for the upturn. Best piece of advice is to treat others like you'd like to be treated yourself. If you are transparent, it's one of the most important things you can do and don't focus on the mistakes, but what you learned as a result.