

CISCO Systems: A Digital Form in the Making

Cisco Systems loves to advertise that it is the company on which the internet runs. Headquartered in San Jose, California, it dominates the sale of network routers and switching equipment used for Internet Infrastructure. Under the leadership of CEO John Chambers, it has become one of the most valuable companies on earth. One key to its success is that Cisco is an organization that uses the Internet in every way it can. To turn its advertising slogan around, it would be equally accurate to say that Cisco runs on the Internet.

Cisco is very close to becoming a digital firm, using Internet Technology to drive every aspect of its business. Customers, suppliers, distributors, and other business partners have access to portions of Cisco's private internal Website as well as its public Website. More than 90 percent of Cisco's sales come via the Internet. Three-quarters of Cisco's products are manufactured by contract suppliers, and Cisco does not order based on sales projections. Instead, production is based on actual customer orders. Customers use the Cisco website to configure and price their systems and then to place an order. The order is routed directly to one of Cisco's manufacturers, such as Flextronics International in Singapore, which produces the product and ship it directly to the customer. The same website is linked directly to Federal Express and UPS so customers can track their shipments. Using this method to build products on order, Cisco has cut delivery time by 70 percent while reducing its own inventory. For those customers who want handholding when ordering, Cisco sales personnel gladly provide it.

Customer service also occurs on the Net. Cisco receives about 800,000 customer queries monthly, and 85 percent of those are handled satisfactorily on the Net, eliminating thousands of customer service representative positions and saving the company \$600 Million in the year 2000 alone. Cisco does make available personnel service when the customer wants it, however. Charles Schwab Corp., for example, cannot afford network downtime under any circumstances. This giant on-line brokerage firm pays Cisco to keep engineers available by telephone 24 hours per day. Meanwhile, customer satisfaction has risen by 25 percent since 1995.

Management is on top of all financial numbers, because their computers update sales and related figures three times daily and those numbers are instantly available over the Web on a need-to-know basis. Executives can even see net income, margins, orders, and expenses. Because they use the Internet to obtain and store all these numbers, the company can even close their books within 24 hours after the end of a quarter. Such speed is almost unheard of for a function that is usually so slow that the Security and Exchange Commission gives companies 90 days after a quarter to report.

Similarly, human resource functions are managed through Internet technology. For example, Cisco receives about 25,000 employment applications monthly, and almost all come in through Cisco's public Website. If the applications were submitted by paper, Cisco probably could not handle them all. Cisco employees can fill out all human resource forms, such as expense report or changes to healthcare benefits, on the Web and update them whenever necessary. The

company has also moved almost 80 percent of its training to the Web and is very pleased with the results. Cisco is even using the Internet to operate what may be the largest daycare center in northern California, where 450 youngsters can be cared for while their parents work. Parent can monitor their children on the Web while at work via cameras installed in the daycare center.

Sources:

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