Case Study: Cisco Systems, Inc.: Implementing ERP, by Mark Cotteller

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Outline

- Brief History
- Question/Answers
- Final thoughts
About cisco system, Inc.:

The company prime product is the Router (which is a combination of hardware and software that acts as a traffic cop on the complex TCP/IP Network that make up the internet (also incorporates “Intranets’’)).

Mission Statement: “Shape the future of the internet by creating unprecedented value and opportunity for our customers, employees, investors and ecosystem”

- was founded by two Stanford computer Scientists Incorporated on December 10, 1984
- It became publicly traded in 1990
- Have 72,984 employees
- Surpassed 39 billions in revenue in 2008
- 32 factories worldwide, 30 of them are outsourced
- spends nearly $5.3 billion a year in R & D

Source: http://www.fundinguniverse.com/company-histories/cisco-systems-inc-history/

1: Explain ERP and give at least three companies that offer ERP services.

Enterprise Resource Planning is a process by which a company (Often a manufacturer) manages and integrates the important parts of its business. An ERP management information system integrates areas such as planning, inventory, sales, marketing, finance, human resources etc.

Core concepts:

- ERP software ties all departments in a company together into one common system
- ERP allows Information Technology to integrate with your company’s core business processes to achieve specific business objectives
Question 1 Cont.

Of this date the other big Companies that operate and offer ERP services are:

- **Infor**: [http://www.infor.com/](http://www.infor.com/)
- **Epicor**: [http://www.epicor.com/default.aspx](http://www.epicor.com/default.aspx)

2: Explain the approach to Cisco ERP decision making approach.

Problem that lead to the process was that stated by **Pete Solvik**:

In January 1993 Cisco wanted to grow to $5 billion-plus. The application didn’t provide the degree of redundancy, reliability, and maintainability needed. **They weren’t able to make changes to the application to meet their business needs anymore.** It had become too much spaghetti, too customized.

The software vendor did offer [an upgraded version], but when looked at they thought “by the time we’re done our systems will be more reliable and have higher redundancy but it will still be a package for $300 million companies and we’re a $1-billion-dollar company.” Initially, Cisco avoided an ERP solution.

**Defining moment was:** The dilemma defined by **Randy Pond** a director in manufacturing

“We knew we were in trouble if we did not do something. Anything we did would just run over the legacy systems we had in place. **It turned into an effort to constantly Band-Aid our existing systems.** None of us were individually going to go out and buy a package... The disruption to the business for me to go to the board and say “Okay, manufacturing wants to spend $5 or $6 million dollars to buy a package and by the way it will take a year or more to get in...” was too much to justify. None of us was going to throw out the legacies and do something big.”
Question 2 Cont.

Final Problem:
- System Failure in January, 1994
- Company shut down for 2 days
- February, 1994 assembled team in charge of finding a suitable replacement application
- Finally decided on the big bang implementation Strategy.

Reaction:
The approach decided here was:
- It was going to be done quickly.
- It was not going to be a phased implementation, but be done all at once.
- Schedule should be doable, and must be on top priority.

Question 2 Cont.

Integration Process
- Software Vendor Selection:
  - 20-person team did extensive research on ERP providers
  - 5 vendors in 2 days
  - 10 days to draft the RFP(Request protocol proposal) for vendors
  - Visited vendor reference clients
  - Scheduled 3-day onsite software demos
  - Entire process took only 75 days!
  - Oracle was chosen as they wanted it badly and it was a win-win situation for both Cisco and Oracle

Integration (Team Effort)
- Internal Resources - Cisco Employees
- Consultant - KPMG
- ERP Software Vendor - Oracle
- ERP Implementation Target: “Rapid Iterative Prototyping Approach

Project Approval
- Target timeline was 9 months
- Projected cost was $15 million
- Largest capital project ever approved by Cisco
3: Explain the Cisco ERP implementation approach [P.895-900]

Implementation Team:
- Steering Committee at the top to ensure project visibility, sponsorship and motivation
  - Which was split into 5 key areas (Order Entry, Manufacturing Finance, Sales/Reporting and Technology)
- All areas consisted of internal Cisco employees, KPMG consultants and Oracle Consultants

Question 3 Cont:
The strategy employed was:
A development technique referred to as “Rapid iterative prototyping”. This approach produces the implementation stages called: Conference room pilots (CRPs).

“The purpose was to build on previous work, to develop a deeper understanding of software and how it functioned within the business environment”

The process was broken into the following phases:
- CRP0: This was the initiation stage that involved: Training and Technical Configuration
- CRP1: Ensuring System works for each Specific area
- CRP2: Modification (red, yellow, or green), continued training and initial testing
  - Some modification gotten from this were:
    - Package out-custom barcoding, queues, inventory, and shipping modifications
    - Product Configurator-enables Cisco to enter “rules” for product ordering
    - OE Form-discounts, cost data, multinational orders, etc.
    - Net Change Bookings-daily log of all order activity
- CRP3: Full system testing “Preparation to go live”
Question 3 Cont.

ERP Results:
- Project was completed on-time
- Project was completed on budget
- Cisco ERP team bonus totaling $200,000
- Overall successful systems replacement
- Minimal company interference

End goal:
http://www.saponlineformulas.com/what-is-erp-systems-enterprise-resource-planning/

Question 3 Cont.

<table>
<thead>
<tr>
<th>ERP IMPLEMENTATION KEY DATES</th>
<th>Dates</th>
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<tbody>
<tr>
<td>Implementation</td>
<td></td>
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<tr>
<td>Project Kickoff</td>
<td>June 2, 1994</td>
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<tr>
<td>Prototype Setup Complete</td>
<td>July 22, 1994</td>
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<tr>
<td>Implementation Team Training</td>
<td>July 31, 1994</td>
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<tr>
<td>Process, Key Data, Modification Designs Complete</td>
<td>August 31, 1994</td>
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<td>Functional Process Approval</td>
<td>September 30, 1994</td>
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<tr>
<td>Hardware Benchmark and Capacity Plan Validated</td>
<td>October 15, 1994</td>
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<td>Critical Interfaces, Modifications and Reports Complete</td>
<td>December 1, 1994</td>
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<tr>
<td>Procedures and End-User Documentation Complete</td>
<td>December 16, 1994</td>
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<tr>
<td>CRP Pilot Complete-Go/No Go</td>
<td>December 22, 1994</td>
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<tr>
<td>End-User Training Begins</td>
<td>January 3, 1995</td>
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<tr>
<td>Data Conversion Complete</td>
<td>January 27, 1995</td>
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<tr>
<td>Go Live!</td>
<td>January 30, 1995</td>
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Question 4

At the end of the case, Pete Solvik has a number of questions. Please help to answer these question as a means to document ERP project evaluation and lesson learned.

What factors had made the difference between success and failure of the Cisco ERP project?

- The company was a startup company
- Huge growth rates as far as the revenues were concerned, so no shortage of the funds
- Enthusiastic employees - were to work for the new project as they found it interesting from the otherwise monotonous tasks.
- Full support from the top management which was one of the major reasons for the success of the ERP project. The management was 100% in favor of the project implementation.
- Choice of Oracle as an implementation partner also helped in the success of the project because this project was being driven by manufacturing and Oracle was better than other vendors as far as the manufacturing capabilities were concerned.
- The choice of KPMG as the integration partner also helped a lot in turning the project into a big success. It was committed and dependable and was keenly interested in this project and it saw an opportunity to really build a business around putting in these applications.
Question 4 Cont.

Where had the ERP team been “smart”?

- The decision to implement the ERP project was the major decision taken by the managers at Cisco.
- The managers were particular of the team members that will work on the project.
- The managers also made a particular choice in deciding the partners for them. They weighed their options very well before finally deciding the name of KPMG as their integration partners.
- The Program manager from the side of KPMG that headed the project was previously the director of IT Company that had put in various parts of the ERP system. Thus the experience that he had added to the success of the project.
- In the implementation stage, proper planning was done and the implementation was done in phases that were known as Conference Room Pilots (CRP). This enabled a better control and timely completion of the project. The Steering committees was placed at the top of the entire project management structure. This was for a defined purpose. They were not required to take care of the management of the project. Their main role was to provide sponsorship for the project, ensure visibility and to motivate the team.

Question 4 Cont.

Where had the ERP team just plain lucky?

- The plain lucky for Cisco is that Cisco didn’t suffer from accident which may made Cisco suffer from huge loss such as loss or leak data during cut-over. Second, it is very closely united among Cisco’s staffs and the leaders so that Cisco can complete this project without internal cost.
- They are lucky enough to get hard and smart working team including steering committee so all project activities can be performed well and get the best result.
Question 4 Cont.

Do you think that the Cisco team could do such a project again if they had to? Why? Why not?

- I think Cisco can do such a project again as they have
  - Experience of implementation methodology
  - Know the business process
  - Also had a technical knowledge
  - Smart and hard-working team

- The Cisco model can also be used as a model of how to implement an ERP system for the enterprise.

Final Thoughts

Almost all Companies and Industries use ERP, because:

- It allows interlinks of systems within an enterprise, Reduces complexity, Better CRM, Low cost of operations, Scalability

Strategies for ERP implementation

- Background Research
- Use consultant to:
  - Review Business Process
  - Narrow down vendors
  - Evaluate proposals
- Standard Application
- Strict Contract
- Employee Support – Starting at the Top
Thank You &