

## Business Transformation through Architectures

# Transforming Innovation and New Business Models

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### Corporate Strategy

“Innovation fails because organizations unwittingly strip the disruptive potential from new ideas before they even see the light of day.” – Clayton Christensen, *The Innovator’s Solution*

Cultivating continual innovation and creating new business models have become essential success parameters of any business. Vertical and horizontal integrations are imperative to the success of a corporation, resulting in models that provide tremendous business opportunities. This approach also brings great execution challenges. In addition to creating innovation through internal research and development, two significant areas where enterprises constantly strive to create innovative capabilities are mergers and acquisitions and partner strategies.

Acquisitions are an integral part of Cisco’s innovation strategy to expand into new markets and technology areas. Cisco’s acquisition strategy is largely successful not only because of efficient deal making, but also post acquisition integration that involves several cross-functional Cisco teams. IT acquisition integration is an important part of this strategy. Simple IT activities such as email and collaboration applications could result in issues with morale for newly acquired employees and might also impact their productivity during the first few weeks of the integration that are very crucial to the long-term success of the acquired business. Acquisition-related business operations have to run as usual until all systems and processes are integrated.

- Innovation beyond traditional boundaries (geographical, organizational, etc.)
- Superior partner enablement
- Faster, enhanced access to customers
- Acquisition integration
- Innovating globally

Throughout the past decade, in addition to organic product innovation and acquisitions, Cisco has also been focusing on the Emerging Technologies Group that incubates new ideas to grow them into mature businesses. Great examples of driving innovation through collaboration within Cisco is the Idea Zone, or I-Zone, and subsequent I-Prize programs, which were developed to inspire innovation and provide a framework for evaluating new and emerging technologies and requirements for business use of personal devices. These programs have delivered innovation through grassroots efforts soliciting inputs first from employees internally and then extending the ideas to become reality in the outside world.

Companies have traditionally focused innovation outside their headquarters on low-cost operations and specific back-office tasks. With reverse innovation, this way is changing fast as corporations realize that delivering superior customer value can be gained by innovating in low-cost markets and then adopting the products in whole or in part to the developed world. Cisco is at the forefront of this innovation transformation. The recently shipping Cisco ASR 900 Series Router was created from idea to product offering within Cisco’s engineering organization in

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India. The product, which was originally created with emerging markets as the target segment, has now expanded into more mature markets as well.

More than ever, strong partnerships across the customer value chain have become important for corporations. This practice includes working with partners in the supply chain for product development and manufacturing as well as channels for sales activities. It has also become important for companies to stay in close touch to their biggest customers at all levels. All of these focus areas have increased the need for a strong business-to-business (B2B) solution. Cisco embraces its immersive video solutions to address these B2B requirements.

Remote, virtual experts can help any business to enable new models without the need for additional capital investments. The solutions can be applied to any industry, from healthcare to retail to energy. Cisco as an enterprise started looking at solutions that will enable new business models that provide experts in any part of the world who can interface with global customers or communicate with partners to solve critical business issues. This solution has resulted in accelerated sales, higher satisfaction among experts and customers, greater productivity and work-life balance, and lower costs for the business.

### **Business Operations and IT Executive Considerations**

Today, IT plays a crucial role in enabling innovation and new business models for companies big and small. The role of the network in enabling this strategy in a connected world is more important than ever before. CIOs and IT executives have to constantly think of new ways to provide innovative services to the company, while keeping total cost of ownership (TCO) under control and ensuring that operational excellence is not impacted by newly introduced, innovative capabilities. The thought of allowing non-standard, non-approved IT services can send chills across an IT executive's spine! Yet there is a good balance to be found to support the business needs.

Cisco IT has always worked toward maintaining this balance through internal experiences as well as peer-to-peer conversations with our customers. Being a high-tech enterprise, innovation is encouraged within the company. There have been instances of innovative solutions that were started outside of IT and later embraced as IT standards. The Cisco Virtual Office solution for home offices, which was incubated within an engineering group, and the aforementioned I-Zone program are examples of innovations driven outside of IT that subsequently became part of IT standard offerings with proper entitlement programs, portfolio management, and chargeback systems in place. In our customer conversations, we hear that this innovation trend is taking place in non-technical businesses as well.

- Balance innovation versus standardization (minimize “gray IT”)
- IT acquisition integration strategies
- Shared infrastructure platforms for R&D teams
- B2B collaboration services for partner enablement

Use of social media and collaboration tools for innovation has been one of the cornerstones of Cisco's transformation to a collaborative enterprise in recent years. The Digital and Social Champions program rewards and recognizes social media practitioners and subject matter experts (SMEs) who have showcased exemplary use of social media in their daily work at Cisco. The intent of the program is to spotlight employees who are using their subject-matter expertise to engage in meaningful conversations using social channels and also to encourage other SMEs within the company to increase adoption of social media. In addition to categories such as Customer Satisfaction and Effectiveness, Innovation is included among the considerations

for use of social media tools. This category rewards individuals and teams that have used social media to drive innovation for the company in terms of new products and services, business opportunities, and operational effectiveness.

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Through the Specialist Optimization Access and Results (SOAR) program, Cisco was able to successfully implement a business model with virtual sales specialists supporting the traditional sales force. This program has resulted in increased productivity, improved customer satisfaction, and shorter deal time.

### Technical Architectures and Solutions

New business models enabled through an architectural approach can have long-lasting benefits that do not require frequent replacement of the IT technologies, and can secure and provide a seamless user experience. For instance, enabling innovation working with partners and suppliers requires a strong extranet architecture in place that integrates video, collaboration, and other productivity tools through a solid network foundation. And this has to be done in the most secure way, which could prove to be the biggest challenge for enterprises that must balance openness and corporate security when doing business with partners. Cisco has built a secure extranet environment that is highly scalable and supports video and productivity applications. The borderless network trends have continued to impact how enterprises support a partner environment. Highly immersive video technologies can lend an important advantage to executive and key employee conversations that are conducted between partner environments.

Mergers and acquisitions require a combination of solutions that work in tandem to seamlessly integrate the new business. Use of video before, during, and after deal-making can result in travel savings and expedite the entire process, not to mention the productivity benefits to employees, especially executives involved in the process. As of May 2012, Cisco had done more than 150 acquisitions. The use of video and collaboration technologies has produced substantial cost savings, while improving employee satisfaction. Another IT architecture consideration post acquisition is integrating the newly acquired employees. Through the use of virtual desktop technologies based on the Cisco Virtualization Experience Infrastructure (Cisco VXI™) solutions, Cisco can now expedite the process of integrating new employees from acquisitions. Virtual desktop solutions have also been implemented in partner environments.

- Extranet / partner network architecture
- Acquisition integration: data center consolidation, network integration, application migration
- Service catalog and provisioning
- B2B collaboration solutions and network architecture

Mergers and acquisitions also bring challenges related to specialized information and data center environments. Enterprises struggle with the process of integrating the physical and intellectual capital of a new acquisition into the parent environment. Through the adoption of its private cloud program, Cisco has created a common platform aligned with IT as a Service (ITaaS) practices to enable seamless integration of acquisitions.

Enabling new business models requires expedited processing of new service requests. With legacy architectures, it could take days or even weeks to enable a service. This lag time is mostly due to the disjointed architectures that have been in place within data centers. Cisco IT moved toward a unified computing architecture that brings together network, storage, and compute at the Infrastructure as a Service (IaaS) level, while packaging standard applications during service provisioning for robust Platform as a Service (PaaS) capabilities.

The use of Cisco Intelligent Automation for Cloud enables end-to-end automated provisioning. These innovations have resulted in substantially shorter provisioning time, from several days to less than 15 minutes. This improvement helps the corporation set up new services and enable new business operations notably faster.

As Cisco grows, its customer care environment has seen tremendous transitions in the past two decades. The recent upgrade of the Cisco customer care environment on the Cisco Unified Computing System™ platform, one

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of the largest deployments of this architecture in the world, has resulted in greater scale, agility, and reduced operations expenses.

### Products and Services

Innovation and new business models can be successfully enabled through connecting specific products and solutions. A robust network foundation is essential for building higher level infrastructure services. This foundation includes intelligent network capabilities at the different network locations including branch offices, campus, external connectivities, and home and partner environments. A converged network infrastructure can result in major savings when collaboration and video are enabled along with the right productivity solutions. For instance, through the use of unified communications and collaboration technologies, immersive video, and video phones, Cisco was able to increase the productivity of virtual sales experts by 30 percent.

- Service provisioning and Cisco Intelligent Automation for Cloud
- Data center consolidation / private cloud, Cisco UCS®, Nexus®
- Collaboration applications for sales enablement
- Integrated service routers, Wide Area Application Services (WAAS), and security for partner network enablement

Through the use of immersive video, enterprises have been able to create new business models and solutions while reducing costs. Cisco has cut travel costs by more than US\$1 billion and has garnered productivity savings of half a million dollars. Other benefits include getting the best expert in front of the customer, faster resolution of customer support and escalation, and expedited integration of acquisitions, to name a few. For example, the deal cycle time has been shortened significantly through the use of Cisco TelePresence® and collaboration technologies.

A key technical requirement to scale business models is faster service provisioning. Through the use of a private cloud and Intelligent automation solutions, corporations can reduce the time taken to provision a new service. Embracing virtual desktop

technologies can also result in considerable advantages. For instance, at Cisco the use of Cisco VXi has brought faster onboarding of partner employees and reduced costs due to not having to provide a Cisco laptop, while maintaining the same security standards. This model will also solve the business requirement to expedite the integration of acquired employees.

The core of business enablement is driven by the network. WAN optimization and acceleration services can help enterprises deliver superior performance to partner environments and branch offices. With Cisco Cloud Connected solutions, corporations can achieve quick success in transforming new business models through the cloud. By using cloud connectors and services such as Scansafe, Application Visibility and Control, and AppNav, Cisco IT is able to continue its successful journey toward the cloud.

*To help solve business problems, an architectural approach that looks at the end-to-end enterprise value can bring business and financial results that far exceed a company's investments. A structured process has to be in place to align business requirements with the right technical architectures, with a strong connection to business and IT processes. Integrating business strategies with technical architectures, and implementing associated IT best practices, can go a long way toward transforming innovation and new business models. This integration can also lead to other significant business transformations. We will continue to share information on the topic of business transformation through architectures with lessons learned from Cisco's own experience.*

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## For More Information

To read Cisco IT case studies on a variety of business solutions, visit Cisco on Cisco: Inside Cisco IT  
[www.cisco.com/go/cisquito](http://www.cisco.com/go/cisquito)

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