



Globalisation: A Path to Opportunity and Business Transformation

Using the Network as a Platform for Achieving Growth and Innovation

Executive Summary

Entrepreneurs and innovators will always take advantage of opportunities to refine, adapt, or create new business models, and a networked world throws open the door to opportunity on a scale that was previously unimaginable. For companies that undertake a globalisation strategy, large opportunities exist for growth, innovation, and business transformation. Cisco believes that globalisation creates opportunities for identifying and developing innovative products and services that can transform industries and countries.

Overview

Widespread Internet adoption has changed the definition of globalisation. With broadband network capabilities becoming more widely available, the next Google could easily emerge from Turkey, Argentina, or Singapore. Businesses today must consider the impact of globalisation on their strategies, whether they plan to capture opportunity beyond their borders or defend their existing markets from competition arriving on their shores.

Multinational vs. Global

Until recently, a global company concentrated essential functions in a headquarters location and established branch offices in other countries where it conducted business. Today, that type of multinational approach is being succeeded by one in which the company's key global locations include all of the functions needed to support business in that area, along with local management and significant autonomy.

Why Globalisation Matters

“Globalise or be globalised.” Businesses that seek growth, innovation, and talent must begin to look beyond their own borders—and be prepared to defend those assets that they already have.

Maintaining Growth

The Gross Domestic Product (GDP) of emerging countries in the East is growing significantly faster than the GDP of developed countries. Many businesses, including Cisco, view the East as a significant source of growth. For example, India’s emerging middle class represents 300 million people, which is more than the entire population of the United States.

Accelerating Innovation

Innovation and adoption are accelerated in the East because everything is relatively new. For example, technology-enabled smart buildings can be deployed more rapidly without having to migrate entrenched IT infrastructure or retrofit buildings.

Fighting for Talent

Populations in the West are aging, the workforce is shrinking, and the supply of engineers, scientists, mathematicians, and technical talent has not kept pace with demand. Businesses that require the best, brightest technical employees must seek talent where it can be found. India and China are educating millions of talented young people, and the five major IT companies in India, including TCS, Infosys, Wipro, Satyam, and HC, plan to hire 100,000 people in FY08.¹

Opportunities

Large potential markets represent a tremendous opportunity. However, there are other opportunities that globalisation offers:

- Business transformation: Globalisation motivates innovation in processes, approaches, and products, which can be used to transform the business.
- Faster growth: Globalisation can accelerate growth by placing more resources closer to customers.
- Profitable partnerships: Globalisation offers opportunities to partners with strong organizations and multiplies the business’s impact.
- Optimized talent: With a global range of resources to draw on, businesses can improve their abilities to bring the best talent to any given customer offering.
- Superior customer service: Businesses can access resources from regions where people are culturally service-oriented, using high-quality video or interactive solutions to deliver superior customer service.

The Role of the CIO

To enable a globalised company, CIOs face the challenge of building and integrating a global IT infrastructure that supports the company’s business model across widely varying cultures and business functions. For example, emerging countries may not have the technology infrastructure in place required to support demanding applications that are commonly used in Western nations. IT governance strategies also need to accommodate best practices and variations of those practices around the world. Finally, CIOs often face new scalability challenges to implementing solutions for employees across a broad range of locations.

¹ Source: <http://in.ibtimes.com/articles/20070508/it-industry-set-to-cross-100-billion-by-2011-infosys-tcs-wipro-satyam-hcl-on-a-hiring-spree.htm>

Cisco's Position

Globalisation represents a fundamental shift in how individuals, businesses, geographic regions, and countries perceive their abilities to create jobs, stimulate investment, enhance citizens' well-being, and participate in the global economy. Cisco has begun its own globalisation shift with its Globalisation Center East in Bangalore India. The Globalisation Centre East enables Cisco to work amidst growth, innovation, and talent in India, as well as effectively address opportunities outside of India that would otherwise be difficult to address.

For example, India's highly skilled talent and strong partner solutions combined with Cisco® TelePresence collaboration and virtual workforce solutions enable us to participate in projects that are transforming the Middle East. In Saudi Arabia, Cisco is partnering with the private sector and the Saudi Arabian General Investment Authority to develop the country's New Economic Cities. In the emirate of Qatar, the government is developing Energy City Qatar (ECQ), a master-planned, state-of-the-art business and residential hub that will be built with fully integrated communications and building management systems powered by Cisco.

Globalisation Affects Business Strategy

It is easy to underestimate the complexity of entering a local market. Even with a pre-existing presence in a country, establishing a global center in an area has implications for the entire business.

Demographic Implications

"Middle class" means different things in different markets. For example, India's emerging middle-class households earn the equivalent of US\$13,000 per year. Companies with products or services targeted at middle-class North American customers will likely require a different product at a different price point for the Indian middle-class market. Even within regions, such as in Asia, the infrastructure and standard-of-living differences between Singapore or Hong Kong and Bangladesh or Bangalore are extreme. Companies that perform due diligence and deliver the right solutions have tremendous upside potential, and less extra cost, time, and frustration.

Cost-of-Business Implications

A business may need to go to market much differently in a new location. Marketing and producing "differently" might result in better returns.

Competitive Implications

A business may encounter competitors who operate with a much lower cost base. Lower-priced competition will force a business to innovate in order to remain competitive.

Standardization Implications

Standardization helps businesses manage costs, but when extended globally, standards can actually hinder the business. For example, Human Resources organizations typically standardize career paths, allowing promotions from one defined level to the next at substantial salary increases. However, in India, employment compensation levels are significantly lower than in the West, and an employee will leave a company for another job with a minimally higher salary. Without an ability to promote people incrementally, with appropriate incremental pay increases, employees can be lost to other companies.

Infrastructure Implications

The company's IT infrastructure must enable it to work and collaborate globally. For example, Cisco TelePresence plays a significant role in enabling the Globalisation Centre East to succeed. However, Cisco teleworker programs, which enable many Western employees to work from home, did not scale so easily. Internet provisioning in India is not as reliable as in the West, and the power goes off multiple times per day. When power went off, so did routers and router configurations. The IT organization had to purchase uninterruptible power supplies for teleworking employees—which led to a complete reconfiguration of the router for the Indian market.

Scalability Implications

In the West, migrating 1000 branch locations represents a huge project. In India, Cisco is helping a customer launch 10,000 stores in one year—9000 of which are brand new. In Saudi Arabia and Dubai, Cisco is helping customers build brand-new, intelligent cities from the ground up. With no existing infrastructure to migrate, customers want new deployments faster than ever imagined in the West. The sheer scale of these opportunities places extreme pressure on product design, testing, and deployment processes. Technology companies have historically announced new products and delivered them in phases. Yet today, Cisco is developing projects in production environments on a scale never seen before.

Projects that stretch previous limits are validating processes that were designed to scale, while forcing re-examination of other processes. When successfully completed, Cisco will have gained experience and process refinements that will benefit mature market deployments with products and services that have been tested and proven in the world's largest theaters.

Supply Chain Implications

Delivering projects on a massive scale also challenges a company's supply chain. For example, Cisco has built strong partnerships to scale its own resources. Projects in the Middle East rely on Cisco partnerships with leading Indian integrators, enabling them to grow their businesses while helping Cisco better meet customer demands.

The Role of the Network as a Platform

Cisco relies on its network as a platform for integrating new business strategies, processes, and services. A ubiquitous network is the only common element that connects all people, all locations, all applications, and all devices to enable collaboration with context and real-time visibility in any business environment, including design, production, supply chain, sales, marketing, and customer care. When using the network as a platform for globalisation, the business can:

- Respond more rapidly with in-context collaboration
- Maintain strong relationships with supply chain partners
- Enable active participation of team members and executive peers anywhere in the world
- Accelerate decision making, establishment of partnerships, and complex project execution
- Facilitate innovation
- Enhance customer relationships and experiences

Examples of Business Impact

Organizations operating globally find that adaptability is a required asset. Using the network as a platform and building strong collaboration capabilities enable businesses to respond rapidly when necessary. The following example illustrates this concept.

John Deere²

John Deere developed a new tractor specifically for the Indian market, using a global “design anywhere, build anywhere” approach. The company’s global research and development and manufacturing teams worked virtually to bring the design to production in a Chinese manufacturing plant. However, the plant became inaccessible, jeopardizing delivering of the new tractor. John Deere’s network-enabled supply chain allowed the company to quickly collaborate with a German plant, reconfigure it, and initiate production to meet delivery deadlines.

Cisco Relevance

Globalisation is teaching many valuable lessons. Cisco has gained valuable experience in four primary areas.

Manufacturing

Cisco relies on a complex supply chain to design, produce, and deliver its products. By using the network as a platform for globalisation, Cisco and its supply-chain partners gain better visibility into market demands. New competitors and increasingly fragmented localization requirements are driving Cisco manufacturing, operations, and support organizations to continuously adapt to new challenges.

Growth

The majority of Cisco’s growth will come from the East, and the company is focused on supporting its teams in India and other emerging countries as they address their markets. A significant source of growth is services. Cisco services are playing an increasingly important role in sharing the expertise gained from years of Western technology deployments and their evolution to help customers achieve today’s goals while positioning themselves for meeting tomorrow’s needs.

Innovation

Competitive challenges will continue to drive product, service, supply chain, deployment, and testing innovation. For example, a leading Indian automaker is delivering an automobile priced at \$2500. Designed for India’s narrow streets and the purchasing power of the Indian middle class, the Tata Nano will force automakers around the world to drive innovation in design, supply chain, and manufacturing in order to remain competitive. Cisco is working to innovate its products for local markets and export innovation back to mature markets for future competitive advantage.

² Source: Cisco ISBG, 2007

Talent

Cisco seeks world-class talent in all of its market to sustain the company's growth. Attracting and retaining talent globally introduces a new level of human resources complexity as Cisco operates under the rules, social norms, and traditions of multiple emerging markets. Lessons that Cisco has learned include:

- Representing all areas of the world on project teams to create new opportunities for valued employees and broader perspective
- Building an organization locally that can innovate, grow, and do high-level work to maximize the company's ability to source the best local talent
- Appreciating the complexity of choosing the right individuals for global assignments
- Making it simple and making it local—Cisco has common platforms and ways for developing people, but each location requires its own customization, which must be considered

Summary

Globalisation represents a tremendous opportunity for growth, innovation, and acquiring needed talent. The journey is challenging, yet using the network as the platform for globalisation can help businesses more easily achieve their goals.

For more information about Cisco's globalisation journey and views from others, visit www.cisco.com/go/globalisation.



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