

## Jim Sherriff on the China Market

The chairman and CEO of Cisco China explains Cisco's globalization strategy and how China differs from other world markets.

**Jim Sherriff, Chairman and CEO of Cisco China**  
Interviewed on 10 June 2009 by Peter Shaplen for News@Cisco

**Peter Shaplen:** In this interview Cisco China's Jim Sherriff explains the company's globalization strategy and how China is distinct from the rest of the world; what the Chinese are looking for from multinationals; and we'll hear a question posed by a Chinese taxi driver about investing.

*Plus this – Sherriff's own equation for success.*

**Jim Sherriff:** When you look at China, you have to be bold, you have to be patient, or just go home.

**Peter Shaplen:** Jim Sherriff is the Chairman and CEO of Cisco China. I'm Peter Shaplen, and I welcome you to this podcast series.

**Jim Sherriff:** If you look at China, I think there's a natural tendency for multinationals to come in with kind of a colonial mentality. To be successful in a place like China, you have to be willing to invest. You have to cultivate innovation. You have to cultivate the local economy and the social development and really make that commitment, and if you don't, you're always going to be on the fringe.

**Peter Shaplen:** How is Cisco China distinct from other Cisco global entities?

**Jim Sherriff:** We have a different structure in China than we have anywhere else in the world. In the other countries we have predominantly a sales and marketing focus and maybe a small R&D center, but it's predominantly a sales and marketing-driven organization structure. In India, we have our globalization headquarters, picking a spot where we can build strong R&D capabilities and services in-sourcing, where we can actually create services capabilities. In China, what we're trying to create is an integrated company structure. It's the only country that will be a major manufacturing center, major R&D center, and a huge sales and marketing opportunity for us. So it's the only place we have a really integrated company structure that looks like a mini-Cisco.

**Peter Shaplen:** Why did you do it that way?

**Jim Sherriff:** For a market the size of China, you need to be building products and have a manufacturing process aligned to support bringing those products to market, that allows you to be cost-competitive.

The second part of it is in terms of your relationship with the leadership of China. You have to be showing a commitment all the time that you have a long-term commitment, and if you don't have a manufacturing and R&D presence and you're not actually coordinating those investments with what you're doing from a sales and marketing standpoint, you lose relevance.

**Peter Shaplen:** Cisco's been in China for 15 years. How is the Cisco China strategy evolving?

**Jim Sherriff:** At the core of Cisco's strategy in China is a concept we call "cultivated innovation." It's investing in helping to drive local innovation and doing so in partnership with government, with universities, with entrepreneurs -- really tying into a broader set of ecosystem players in order to be able to drive innovation that helps drive local economic growth, but also creates the next-generation products for Cisco that will be relevant in China but also things that we can actually leverage locally. But the key to that is doing it in partnership and not trying to do it on our own.

**Peter Shaplen:** Is cultivated innovation the antithesis to colonialism?

**Jim Sherriff:** In my mind, it absolutely is. It's about being willing to share, as opposed to having to own everything outright and being willing to create wealth and opportunities for other companies in China, as opposed to just having Cisco be the only company in our space that can be successful and being willing to have that mentality is critical to our strategy.

**Peter Shaplen:** How is dealing with the Chinese at this point changing both the way you approach them and the way that they need to be approached?

**Jim Sherriff:** I think the thing that's amazing to me is how open the leadership in China is and how they're really still going out to learn from other cultures and learn from other economies. One of the things related to that that really caught me by surprise is how well orchestrated succession planning in a Chinese government is the top leaders get moved around to different assignments to actually prepare them for significant leadership positions, and it's orchestrated over a series of decades.

And so when people get into key ministry-level positions or get into the politburo, they have been trained to be in those positions and have a wealth of experience.

**Peter Shaplen:** It sounds like it's very much relationship-centric.

**Jim Sherriff:** I think most people that have studied China understand it is a very relationship-intensive society. I think the two things that stand out about it.

One is that it's relationship-intensive in that people will be extraordinarily biased towards doing business with people they know and trust.

The second thing, it's the collectivism versus individualism. As decisions are made that may be right for 70 percent of the people but really wrong for 30 percent, and there's a bias towards collectivism decisions versus individual decisions. Those are the two things that kind of stand out that are probably different -- the most dramatically different from what you see in the U.S. and other Western cultures.

**Peter Shaplen:** As you look at the landscape of companies doing business in China, who else is getting it right?

**Jim Sherriff:** First of all, Samsung. There's no company in the world that's so fully committed to China and really has made it their second headquarters. It's a huge manufacturing center. It's a huge R&D center and it's one of their biggest markets.

Intel . . . great commitment to corporate social responsibility, big manufacturing focus, big R&D focus, great government relations. I think they're doing it right at a number of different levels.

**Peter Shaplen:** Jim, what's been your favorite experience or story that would help us understand the China of today?

**Jim Sherriff:** I had a driver, and he asked, "My daughter's just been accepted at a major university in the UK, and it's going to cost me about 20,000 US dollars a year to send her to school. I make about \$5,000 a year, so it's going to take me a long time to pay off this loan. Do you think I should do it?" Now, I can't imagine any parent in the US contemplating going that much into debt to send their kids to university. The commitment that you see to education and towards preparing this next generation for a better life tomorrow is just amazing, and I think we just have to be very much aware of that as we look at the long-term commitment that China's making towards developing their future leaders of the world.

**Peter Shaplen:** Jim, you mentioned that in China, one must be bold and patient. Can you give us an example of where you were bold or patient or even an example where you were both?

**Jim Sherriff:** If you look at the start of our real commitment to China -- what we call China 3.0 -- it was a \$16 billion commitment by John Chambers -- pretty bold commitment, and we've basically said is over the next five years, if you look at our supply chain commitments, our R&D commitments, our CSR commitments, we're going to make a \$16 billion commitment into China. So I think that categorizes us as bold.

In terms of patience, if you look at the MOU that we created to capture and operationalize that commitment, these are things that'll take multiple years. It's five years of leadership development. It's five years of R&D commitments. It's five years of investing with the cultivated innovation model. So it's a very patient view in terms of the execution but bold in terms of the grave commitment and patient in terms of the timeframe and the expectations of the operational details.

**Peter Shaplen:** Listening to you, I'm struck by the fact that the absence of the seven deadly words, "We've always done it this way."

**Jim Sherriff:** You have to look at what other people have done and build on their past success but realize that China changes at such a pace that what worked five years ago may not work five years from now, so you have to be constantly evolving your strategy to align with the changing priorities and capabilities that exist in China.

**Peter Shaplen:** Jim Sherriff, it's been a pleasure speaking with you. Thank you.

**Jim Sherriff:** Thank you. I've enjoyed the discussion.

**Peter Shaplen:** Jim Sherriff is the Chairman and CEO of Cisco China. And thank you for joining us. An archive of this podcast, as well as other interviews with Jim Sherriff and a background on Cisco China can be found at [Newsroom.Cisco.com](http://Newsroom.Cisco.com).

Jim Sherriff spoke with us by TelePresence. For Cisco, I'm Peter Shaplen.