Case study: Cisco Systems, Inc. Implementing ERP

-Anna Flores

Background...

- Cisco systems, Inc. was founded by two Stanford computer scientists in 1984 and became publicly traded in 1990
- Company’s primary product the “router”

Early beginnings...

- Don Valentine of Sequoia Capital and vice chairman of the board of Cisco was the first to invest in Cisco...to protect his $2.5 million initial investment he reserved the right to bring in professional management when he deemed it appropriate

History...

- 1988 Valentine hires John Morgridge as CEO of Cisco...
- Morgridge immediately began to build a professional management team so that the business could structurally grow without sacrificing control
- “We wanted to grow $5 billion plus…”

Path

- 1993 Pete Solvik joined Cisco (CIO) Cisco was a $500 million dollar company
- ERP-Enterprise Resource Planning
- Solvik objected the ERP solution, and felt that the IT expenditures be made by functional areas while the IT organization reported directly to him...

The push

- “Jan 1994 Cisco systems Legacy environment failed so dramatically...an unauthorized method for accessing the core application database- a workaround that was itself motivated by the inability of the system to perform-malfunctioned corrupting Cisco’s central database. As a result, the company was largely shut down for two days”
The Problem…

• Cisco needed to replace the Legacy systems that ran the company. The product Legacy systems outages became routine thus the need for updating/or replacement of the system.
• Order entry, finance, and manufacturing were once separate decisions that needed faster action. Thus Cisco became interested in a single integrated replacement of all the applications instead of taking a longer time doing separate projects.

The solution…

• Selecting an ERP product that meets the business needs of Cisco.
• Bringing in KPMG as the integration partner
• The team: strategy: was to build as much knowledge as possible by leveraging the experience of others (20 people turned to the software market looking for the best software packages)

ORACLE

• Manufacturing capability
• Made a number of promises regarding long-term development of functionality in the package
• Flexibility offered by ORACLE being close by the implementation of the system into Cisco.
• The project would be the first major implementation of a new release of the ORACLE ERP product → really good for ORACLE in terms of bragging rights

Problems

• Overall business performance plummeted as users attempted to deal with a new system
• On average the system went down nearly once a day at first
• However, fixing the hardware performance problems fell completely on the hardware vendor, not Cisco.
• Another problem had to do with the ability of the software because it could not originally handle the transaction volume required.

More solutions…

• Over the next three months…Cisco added capacity to the system
• Total systems replacement $15 million in nine months

Questions…

• What factors could have made a difference in the failure or success of the system implementation?
Sources.