

Article This Issue:
LESSONS FROM CISCO:
Supply Chain and E-Commerce.

STANDARD PROCEDURES:
Efficiency Through Systems

MetaManagement Communicator

MetaMatrix Consulting Group, LLC.
Consulting & Speaking Services

Information created to inform, educate and prepare management to lead

LESSONS FROM CISCO: Supply Chain and E-Commerce

Over a year ago, John Chambers was applauded for a firm surpassing Microsoft's valuation at \$550 Billion. Quite a staggering number since most of Cisco's growth has been generated through purchasing other firms. In fact Cisco purchased almost 2 firms per month since 1996. In December the mountain started to rumble and the stock began to slide from \$86 to \$13 bringing the firm to a \$106 billion dollar valuation. Still not too shabby.

Many are questioning the value of Cisco's business methodology in supply chain management and e commerce. It's as if the wolves are circling the fallen prey to see who can rip it to shreds first. Probably the same futurists and analysts who predicted that the dot com era would continue to 2010. The big issue or dilemma is that Cisco's inventory swelled from 1.2 billion to 2.5 billion and with a complete integrated e-system; this should not happen.

First, each business entity is different. Supply Chain Management works not only in principle but in the real world with two main reasons. One, the process is the integration of multiple departments and vendors so that all parts of the firm are working together. The same or worse would have happened if marketing, manufacturing, sales, purchasing, and other departments were fighting over chiefdoms and making unrelated decisions. Secondly, Cisco is a sales firm with manufacturers sitting on the tail end of the manufacturing process. In December, when the changes in the market took place, Cisco had orders in the field. Manufacturers had commitments to deliver and they in turn had purchased raw materials, labor and machine time to fulfill orders. Just because the faucet was turned off at Cisco, they could not renege on orders. If the firm did its own manufacturing the situation may be different.

As for e-commerce, who can argue with numbers of cost savings for being on line. The banking industry has shown that transaction costs drop to pennies per transaction vs. around \$1.50 per transaction with bank tellers. Cisco had 300 people in its call centers and over 44,000 people on its payroll. Most transactions are commenced over the web and have literally no human contact. To handle the almost \$19 billion in sales revenue this is a staggering number. Compare the ratios in your firm to these numbers. The adding machine on my desk, after being pushed to the 6th decimal point still indicated that there would no one taking orders in the firm, besides \$19 billion almost did not fit within the window. (Excel percentage was 0.00000157894736842105%)

Everyone is experimenting with new ways to conduct business. ERP (Enterprise Resource Planning) has fallen off in popularity while CRM has surpassed SA (Sales Automation). Any type of system that integrates departments and decreases human involvement in routine procedures should at least be reviewed and if necessary implemented as the results of firms that have made the investment carry forward in trying times. Don't pounce on Cisco too hard, they still have no debt and cash in the back.

STANDARD PROCEDURES: Efficiency Through Systems

Give Mario Andretti the fastest car ever built: supercharged engine, technologically advanced spoiler, precision braking equipment and a custom built seat made especially for his body position, but forget the tires. Put an average person in an average race car with tires, and there's no doubt that the challenger will win the race hands down.

Ray Kroc understood this process when creating McDonalds as he created systems to allow average people to become above average performers by giving them two things: the tools with which to excel, and the systems within which to work.

When thinking about stellar operational efficiency, realize that most processes within a firm happen over and over again. A customer calls and asks for a specific piece of information, and employees go through the process of gathering over and over again, rather than pulling a prepackaged file and sending it on its way. Management even conducts the same training seminars or meetings to the same workers year in and year out, rather than creating systems and standard procedures that could ensure consistent productivity year round. The key to moving forward is to create a methodology of keeping track and keeping pace with the changes so that the entire organization may benefit from the talents that its individuals possess. While the system can be used over and over again to achieve the same results, efforts can now be turned to fine tuning and growth, not daily tasks.

One place to start is the formulation of a procedural manual. The manual provides a reference point for employees, enabling those employees to provide consistent, accurate, productive service to their companies and their customers. Companies that have been through an ISO, Malcomb Baldrige or Six Sigma application process understand that everything must be documented. The procedural manual

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says, "This is how we do it." Workers are happier (morale if you need a technical term) as they work independently and are able to complete their work, rather than await instruction at every juncture. Work tasks and results are more often documented if the procedural manual instructs its readers to do so, allowing management the opportunity to study activities and make executive decisions based on information rather than hunches.

Don't make this complicated. Saving 10 minutes per day will gain you 41.66 hours per year in productivity not including how the tool helped someone else gain an additional 10 minutes. In our last facility, we used to teach every new hire how to turn off the lights for a 12,000 square foot manufacturing plant as circuit breakers are used. Quite often people would forget and would make the mistake of switching one of the 40+ other breakers that were connected to office functions. A chart outlining each breaker and a 4 step routine for turning off each breaker for each major area solved the problem forever. Teach once and walk away.

Not sure where to start? Create simple procedures for using the fax machine, turning off the lights to the facility, making a checklist for turning on the compressors or grills, or even where the supplies are kept for the kitchen garbage bags or the mop bucket. Good companies have structure and systems to empower others. Empowerment only works when people can do the job expected and standard procedures help to define the results.

SPECIAL ANNOUNCEMENT

Often we are emailed or asked in person, "When can I hear you speak (again)?" Since most programs are closed to the public, there are few occasions when we can accommodate the requests. This program, however, is an open event, meaning anyone can attend. Please pass the information along to others that may benefit from learning about how to develop management and leadership from the perspective of both the individual and the organization. The program will tie together many pieces of information that we offer in our newsletters and consulting services.

Date: May 17, 2001
Location: Ramada Inn
North Syracuse, NY

Time: 7:30 Breakfast and Registration 8-9:00 Presentation
Breakfast and Program Ticket \$25.00

Program to Benefit: Junior Achievement

Sponsors: Business Journal of CNY

Greater Syracuse Chamber
Syracuse Planner
Leadership Greater Syracuse
Peerless Press
The Events Company
Visual Technologies
MetaMatrix Consulting Group LLC

Registration: (315) 470-1882 or Fax to (315) 471-8545

Online Registration: <http://www.syracusechamber.com>

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