Cisco systems implementing erp essay sample

Business, Company

Cisco Systems Inc. was founded in 1984 by two of Stanford University's computer scientists. In 1990, a matter of just six years from the start-up date, Cisco became publically traded. With the massive growth of Internet Technologies, demand for Cisco products increased dramatically, resulting in Cisco dominating the marketplace. The contributing factor to Cisco's dominating presence in the market is due to the company's primary product, the " router". This is a combination of hardware and software that acts as a traffic cop on the complex Transmission Control Protocol and Internet Protocol (TCP/IP) networks that make up the internet as well as corporate intranets. TCP and IP networks provided a robust standard for routing messages between LANs and created the potential to connect all computers on an ever-larger Wide Area Network (WAN).

Financially, the company experienced consistent growth from July 30, 1995 up until July 25 1998. Using figures provided in Exhibit 1 of the case study, it can be calculated that Net Sales increased a whopping 279% from 1995-1998. The year 1997 proved to be a milestone for the company. It was the first year for the company to feature on the Fortune 500 list. Cisco was ranked among the top five companies in return on revenues and return on assets.

Some industry pundits predicted Cisco would be third dominating company alongside Microsoft and Intel, to shape the digital revolution. The reasoning behind such a bold prediction is because just 14 years after being founded in 1998, Cisco's market capitalization passed the $100 billion mark. Such potential did not go unnoticed. Don Valentine, partner of Sequoia Capital and vice chairman of the board of Cisco, was the first to recognize the success

and potential of Cisco. He decided to take a chance on the young company, by initially investing $2. 5 million. However, he ensured that with this investment he reserved the right to bring in professional management when he deemed it appropriate.

1n 1993, Pete Solvik joined the company as the Chief Information Officer. With his industry experience and taking into account the company's massive growth prospects, Solvik believed Cisco needed to change its core transaction-processing package. The following report will focus on the importance of an Enterprise Resource Planning (ERP) system to the overall architecture of an organization such as Cisco, some differentiating factors between the success and failure of an ERP project, areas of being just plain ' lucky' and just ' smart', and whether or not a repeat of the project is required. In order to effectively present this information, this report is divided into four segments – Introduction, Analysis, Evaluation, and Recommendations.

Analysis

At the time of Solvik joining the company, Cisco was running a UNIX-based software package to support its core transaction processing. This package supported three functional areas of the company, financial, manufacturing and order entry systems. Most customers who adopted tis UNIX based package had revenue streams of between $50million to $250 million. Cisco was a $500 million company; therefore Cisco was " far and away" the biggest customer of the software vendor that supported the application. The application did not provide the redundancy, reliability, nor the

maintainability in which Cisco needed in order to reach their growth target of $5billion-plus. According to Solvik, the vendor did offer an upgrade, but still did not meet Cisco’s requirements.

Initially Solvik did not want to implement an ERP system, as he had concerns about the types of “ mega-projects” such implementations often became. He chose to allow each functional area to make its own decisions regarding the application and timing of its move. This approach was consistent with the organizational and budgetary structures that Solvik had installed upon his arrival. However, the following year brought little progress to Cisco. January 1994, proved to be the real eye-opener. Cisco’s legacy environment failed so dramatically, shortcomings of existing systems could no longer be ignored. A method deemed non-applicable was used to access the core application database corrupting the central database. As a result, Cisco was shut down for two days. This environment is too traditional for the increasing growth of Cisco. It focused on internal orientation too great. It could not handle the 80% annual growth rate facing Cisco. Due to the incapability of not being effective enough to adhere to the increasing demand, staff at Cisco spent a lot of their time repairing the system.

The realization that a new application was required came in February 1994, when a team was put together to investigate a replacement for the under performing application. The decision was taken to implement an Enterprise Resource Planning system. “ In most companies an ERP provides the back bone needed to manage day-to-day execution” 1. The Eleventh Edition of the APICS Dictionary defines ERP as a ‘‘ framework for organizing, defining, and

standardizing the business processes necessary to effectively plan and control an organization so the organization can use its internal knowledge to seek external advantage’’2. The ERP system integrates functional areas, transforming de-centralized companies into centralized. In Cisco’s case the functional areas that is stated to be integrated is Financial, manufacturing, and Order Entry. Successful integration is accomplished by a database shared by all functional areas within Cisco. This new system would be rolled out throughout all functional areas. It was decided the ERP system would be installed in a big-bang approach in place of a phased approach.

The implementation of the system concentrated on three areas; the selection of the ERP product, approaching the board, building the team;

The selection of the ERP product: The selection of the ERP product was crucially important. Cisco found people-selection critically important, only picking the very best people they could find. Secondly, Cisco found in addition to a strong staff team, they needed strong partners. Solvik and Redfield felt working with an integration partner that could assist in the selection and implementation process, would be extremely beneficial to Cisco. The decision was taking to appoint KPMG as the integration partner. KPMG brought a number of benefits to Cisco. For instance, Mark Lee being appointed as project manager is thanks to KPMG. Lee previously worked in an ERP environment, so he had an idea of what to expect when implementing an ERP. With the partnership with KPMG firmly in place, a group of employees approached the software market using a multi-pronged approach to identify the best software packing. Using such research sources

such as the Gartner Group, Cisco narrowed their package choices down to a mere five. Request for proposals (RFP) were then sent to the vendors, at the same time Cisco continued their Due-diligence by visiting reference clients offered by each vendor. Ultimately Oracle was chosen, based on three decisions. Oracle offered better manufacturaing capability, made a number of promises regarding the long term functionality in the package, and flexibility offered by Oracle’s as it was close by (Both Cisco and Oracle HQ’s are 20 miles from each other.