

# CISCO Systems

## Supply chain risk management

"In an increasingly networked world, supply chain risk management is top of mind in global organizations as well as key differentiators for leading value chain organizations"

Presented by: Mohammed, Svetlana, Victoria & Chris

### Case summary

- Threat - Earthquake and Tsunami in Japan
- Action - "Black Swan" ("force majeure") event incident management protocol
- Aim - Guarantee continuity of supply, lowest impact in operations, as well as financial performance
- Overall Result - almost no revenue impact for Cisco

### Cisco

- Global information and communication technology provider
- Almost unique growth model in the high-tech world
- Adaptive Supply Chain
  - Outsourcing and globalization
  - Arrangements with contract manufacturers
  - Acquisition and integration criteria

### Supply chain risk management

The implementation of strategies to manage both everyday and exceptional risks along the supply chain based on continuous risk assessment with the objective of reducing vulnerability and ensuring continuity

### What lessons can be extracted from the experience of managing these high magnitude disruptions?

- The difficulties tackled after the crisis allowed Cisco to learn how to improve their supply chain risk management strategies, starting from the design of their supply chains until the crisis management.
- Ability to illustrate the particularities of Cisco's supply chain and their internal and external vulnerabilities.
- The evolution of the supply chain risk management approaches at Cisco.

### Can the existing risk management approach be improved?

- Viable supply chain
- Resilience
- Integrated risk factors and impact
- Outsourcing can be complex

### Has the supply chain risk management implemented after the tsunami in Japan resulted in a positive outcome?

- Key test
- Business continuity
- Customer impact
- Revenue protection
- Cost avoidance

### What worked and what did not?

- Incident management protocol
- Ability to manage complex situations
- Effectiveness in global response
- In-hour updates
- Vulnerable
- Supplier problems
- Cultural differences

### Supply Chain Complexity

- Effects SC Complexity:
  - An increase in the functionality of the system
  - Growth in complexity

### How should supply chain complexity align with supply chain risk management?

- Supply chains are exposed to both domestic and international risks. The more complex the supply chain, the less predictable the likelihood and the impact of any disruption.
- In other words, exposure to risk is potentially higher.

### Top 5 reasons why supply chains become complex

1. Multipointness
2. Variety
3. Interconnections
4. Equity
5. Dynamic effects

### Which comparable and comprehensive metrics have been required to assess supply chain resiliency capabilities?

- Component
  - Single fixed
  - End-of-life parts
  - Component supplier TTR
- Supplier
  - Supplier financial health
  - Supplier SOP compliance
  - Non-PSI and new supplier
- Manufacturer
  - Dual manufacturer sites
  - Qualified alternate sites
  - Manufacturing TTR
- Test
  - Test equipment TTR

### How can we utilize these metrics to the time-to-necessary management for all capabilities?

- Business continuity planning
- Crisis management
- Product readiness
- Supply chain resiliency

### Can this approach to managing supply chain risk be generalized by other supply chain?

- To some extent
- Business continuity planning challenge to your organization needs to be assessed based on the supply chain design
- Risk of product failure
- High-level management support
- Cultural, organizational, and staff differences that influence the effectiveness
- Transparency into the processes, security and well-being partners

### How can the existence of the supply chain risk management efforts and budgets be justified?

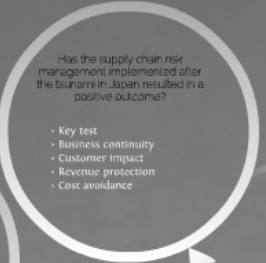
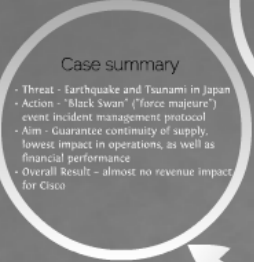
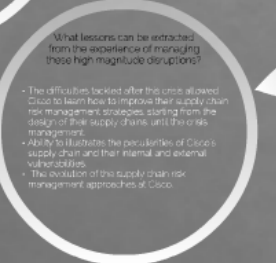
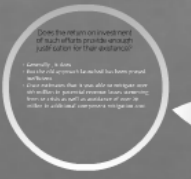
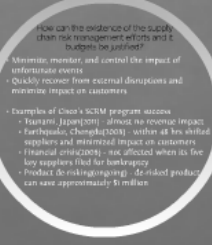
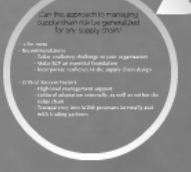
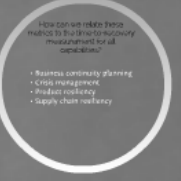
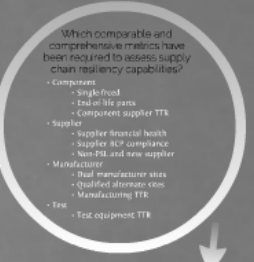
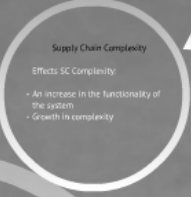
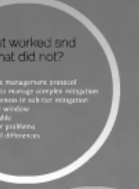
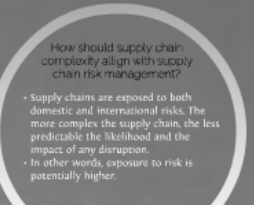
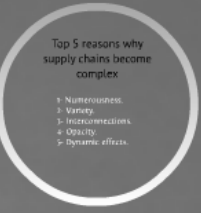
- Minimize, monitor, and control the impact of disruptive events.
- Quickly recover from external disruptions and minimize impact on customers
- Examples of Cisco's SCRM program success:
  - Tsunami (Japan): almost no revenue impact (earthquake, disruptions) within 48 hrs shifted suppliers and minimal impact on customers.
  - Financial crisis: not affected when its the key suppliers filed for bankruptcy
  - Product de-risking program: de-risked products can save approximately \$ million

### Can the return on investment of such efforts/programs can justify it for their existence?

- Generally, "Yes"
- The total approach described has been proved and valid
- Cisco demonstrated a valuable ROI case, not the return on investment model, based on the fact that the risk is reduced or avoided at all or in part by having an active risk management program in place.

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