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ONE-ON-ONE

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## John Kern, Senior Vice President, Supply Chain Operations, Cisco Systems, Inc.

### ONE-ON-ONE PROFILE

-  **Education:** BS in Electrical Engineering, University of Notre Dame
-  **Background:** U.S. Army National Guard, semiconductor sales, networking startup
-  **Interests:** Golf, skiing, hiking, biking, scuba, running, yoga, drums and supporting educators (board member for Resource Area For Teaching (RAFT) and the Krause Center for Innovation).
-  **Honors/Recognitions:** Silicon Valley Philanthropy Day Distinguished Volunteer Fundraiser (2015), Cisco Enterprise Executive Sponsor of the Year (2014)
-  **Personal/Professional Guiding Principle:** Never stop learning. Learn from the past, but don't dwell on it.

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*SCN: You have spoken openly about Cisco's supply chain transformation over the past several years, what does achieving the #4 ranking in this year's Gartner Top 25 Supply Chains in 2017 mean to you?*

JK: Jumping from #7 to #4 in Gartner's Top 25 Supply Chains list was a great accomplishment. I am proud of our team for everything we have achieved throughout this past year, but I am even more proud that we have been represented on the list for more than a decade. I think that speaks to the way we run our supply chain, and how we are focused on

consistent execution so that the foundational elements of our supply chain are operating optimally.

At the same time, we recognize that for Cisco to be successful in this new digital era, we cannot operate our supply chain the way we have always done it. This is why every year we allocate approximately 7-10 percent of our business investment portfolio on “change the business” efforts. These programs are all about highly disruptive experimenting—striving for not just incremental improvement, but breakthrough change.

*SCN: What advice do you have for other supply chain executives who are struggling to inspire greater innovation from their teams?*

JK: To achieve breakthrough change, you cannot play it safe. We have to take risks and even if a project doesn’t yield the results we may have expected or hoped for, it allows us learn and leads us in the direction of significant breakthroughs.

One of the biggest challenges is getting people to fully embrace change. Many companies say they value and support innovation, but do not put in the right structure that enables experimentation and does not punish failure. Without this, people are not going to trust this different way of thinking, and you are not going to get the results you need to stay relevant.

From a leadership perspective, you cannot manage a team like this in the same way you would manage a traditional portfolio team—with a single-minded focus on return on investment. The priority for these teams must be creating solutions that first and foremost benefit our customers, shareholders and the industry. Your team members must be empowered to pursue those sometimes “off-the-wall” ideas that can lead to truly disruptive innovation.

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*SCN: Is there ever any concern among team members that they will essentially innovate their way out of a job?*

JK: I think that fear has always been at the heart of the change management challenge. But what makes our program different is that it is not arbitrarily mandated by some external process improvement team. These changes are driven by the teams themselves, and they

know that we are not asking them to find a way to replace themselves. Rather, we want to give them the opportunity to do things that challenge and inspire them. For example, our test capacity planning used to be a very manual, spreadsheet-driven activity. We had hundreds of highly-qualified test engineers spending time and energy manipulating spread sheets. For these intelligent, driven professionals, it was drudgery. But in one 48-hour “hackathon,” they had the resources to change and automate the process so the calculation and analysis is done in an automated and a real-time basis, and now is a simple push button approval. This freed up around 15-20 percent of our test resource bandwidth to move onto more high value work, like designing a next-generation adaptive test program or migrating legacy platforms to Python.

*SCN: How have you adapted Cisco’s supply chain workforce strategy to contend with the ever-widening “skills gap”?*

JK: Talent management is really a timeless issue, but in recent years the challenge of maintaining a robust supply chain workforce strategy has been compounded as technology has shifted the skills that drive leading-edge supply chain execution.

A few years back, we took a hard look at our entire operation – every location, every function – and then compared our “as is” state to an image of where we felt we needed to be within the next three years in order to be most effective. It was quite an eye-opening exercise. The gap was more extensive than we expected it would be and revealed some very clear opportunities for improvement.

For example, our University recruiting strategy has traditionally been focused on supply chain programs in the U.S. We realized that this approach wasn’t really mapping to our workforce strategy because our location analysis indicated we needed more people globally.

It was also clear that we needed people with stronger analytics/IT skills in addition to core supply chain expertise, but many of the schools we were recruiting from hadn’t evolved their curriculum beyond the traditional supply chain programs. As a result, we began investigating schools with programs that combined IT and supply chain, and also began collaborating more closely with other schools to help move them in that direction.

*SCN: Among the field of emerging technologies, blockchain appears to be pushing forward hard and fast. What are your thoughts about its impact on supply chain?*

JK: Blockchain is a technology that we believe has tremendous potential. We currently have about five blockchain projects —from securing transactions with high risk suppliers to raw materials tracking and traceability from the mine through final production. For example, we

are investigating some materials that can withstand the mineral smelting process ensuring that raw materials traceability isn't lost if minerals from multiple mines are intermingled at the smelter. This would be a huge breakthrough in simplifying conflict minerals compliance. There is no question that there are a ton of potential use cases for blockchain, but I think that the technology still has a way to go before it goes mainstream.

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*SCN: Despite the controversial demonetization scheme and the region's underwhelming progress in fulfilling its purported destiny as a technology powerhouse, Cisco seems to remain bullish on India. Can you share a little of your perspective on the region?*

JK: Over the last several years, Cisco has committed to a much more distributed supply chain model that is more attuned to customer need, segment need and country need. In India we see tremendous potential, not only for growth in domestic sales, but also as a global export hub for Cisco. Prime Minister Modi is driving aggressive policy around infrastructure, jobs, exports, as well as the “Make in India” and smart cities campaigns. Gartner recently [forecast](https://www.gartner.com/newsroom/id/3828963) (<https://www.gartner.com/newsroom/id/3828963>) that IT infrastructure spending by the Indian government in 2018 should hit \$8.5 billion. So, there is massive opportunity for us. We produced our first “Made-in-India” router in March, and plan to roll out a diverse product portfolio to support the region. We will also use our India manufacturing operations for testing, development, logistics and in-house repair capabilities. We don't have large scale operation there, but we are building a foundation so that as we continue to win these smart city projects, we can rapidly scale up our production capability.

*SCN: How are you positioning Cisco's supply chain and operations organization to maintain your ability to outperform the competition amid the continued shift from selling physical products to delivering solutions?*

JK: The digital economy is definitely compounding the challenge for companies like Cisco to meet customer needs, while retaining the flexibility to rapidly respond to changing business conditions.

For my team, we believe the best way forward is to adopt a Supply Chain as a Service (SCaaS) approach. SCaaS is a way for us to take our supply chain segmentation capability to the next level by creating a modular, “plug-and-play” service portfolio that transcends functional silos. Supply chain can be a very matrixed function and the metrics are interdependent across many other functions. As a result, accountability and ownership can be difficult to manage. By moving to a service-oriented model, it breaks down the silos. Teams form around the work and the service, not the “function”—allowing the focus to remain on creating value for customers, rather than simply managing cost.

*SCN: Any final thoughts?*

JK: I think that it is vital that we don’t underestimate just how radically this digital transformation will change how we think about and manage our supply chains. When you change the monetization model from products to services, the underlying skills and capabilities required of a supply chain professional are very different. At the same time, unless you are a pure-play software or cloud service provider, there are still going to be physical products—switches, routers, etc.—to build and deliver. This creates more stress on the supply chain. It’s mandatory that we figure out how to manage that physical side even more efficiently than before in order to free up resources to focus on the digital side of the business model. For us, it is not an either/or proposition. We need to be able to do both as effectively as possible.