As the environment change firms often need to change their strategies to adapt to, or exploit the new situation. To manage increased complexity and introduce appropriate controls for the new strategy they must often change their structure as well. The history of Cisco demonstrates that structure usually follows strategy; however, once a structure is in place it may influence a company’s strategic choices.

1. Identify how Cisco’s strategic moves have dictated that it change its structure.
2. Identify ways that structure might influence the Cisco’s choice of strategy.

Cisco’s focus traditionally has been on producing network equipment that enables voice, video, and data to travel across computer networks. Accordingly, its products are at the heart of allowing the Internet and intranets to function across most corporate, public, and educational institutions around the world. Because Cisco’s rapid growth was influenced by the Internet, it focused on three semiautonomous lines of business with distinct customers: Internet service providers, large enterprises, and small and medium-sized businesses. Within each of these three lines of business was a self-contained organization with separate marketing and operational groups. This allowed the firm to grow rapidly by focusing on the idiosyncratic needs of different customer segments.

This structure worked because the market was expanding quickly. However, in 2001, the explosive growth ceased when the internet bubble burst. Thus, on August 23, 2001, Cisco announced a reorganization. The restructuring created 11 technology groups or divisions, all of which had previously been in the three separate business organizations. The sales groups, however, maintained their focus on the three particular customer segments. The integrations across technologies allowed for more efficient cost reduction, which was necessary given the external environment change. Despite the many changes, Cisco emphasized its constant focus on customers because of the informal organization and previous personal interconnections between people in the reorganized engineering groups and the marketing segments.

Over time, Cisco has also evolved its approach with the external environment. As networks matured, Cisco focused more on large firm data centers. Therefore, Cisco has changed from a pure networking player focused on routers and switches to an overall information technology supplier. Thus it needed to build new software businesses as well as service collaborations. Futhermore it has expanded through acquisitions of software and hardware firms to create the necessary capabilities to develop a more integrated support system necessary to serve large corporate data centers. It also developed a consumer strategy by acquiring Linksys for home network systems and Scientific-Atlanta for television network boxes to facilitate cable systems. Likewise, it purchased software firms such as WebEx and IronPort to facilitate its corporate communication business and network security business, respectively. In addition, it has been collaborating with Accenture and Tata Consulting Services to provide an overall solutions business. Accordingly, not only is Cisco changing its focus on large and small customers, but it is offering software and consulting solution services.

The current downturn in the economy is forcing Cisco and other major firms to reposition and expand into nontraditional business in order to gain revenues lost in other areas. Most recently, it moved into “servers, which have been the traditional business of its former partners Hewlett-Packard and IBM. To manage this expansion and the integration process, Cisco needs to change its structure again. It is more likely that a corporate M-form will be necessary because Cisco will need to not only have a large group of separate businesses, but it will need to integrate these businesses in a cooperative way such that all of the services are bundled and sold together to large IT centers. It will probably develop different structural approaches to manage its consumer businesses. It remains to be seen whether Cisco can make these changes effectively. Cisco does have one thing going for it—its strong culture focused on customer satisfaction. As stated earlier, customer focus is even embedded in its engineering divisions.. But it will need more than a strategy—it will need a finely tuned organization to make it all work. Only time will tell whether Cisco is successful with this new strategy and the necessary structural adaptation..