

# INVESTOR'S BUSINESS DAILY®

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## Leaders & Success

### Chambers Has Cisco In Gear

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John Chambers may lead one of the largest tech firms in the world — networking gear maker **Cisco Systems** ([CSCO](#)) — but the West Virginia native couldn't even keep up with classmates as an elementary student.

Chambers suffered from dyslexia, crippling his reading abilities and damaging his confidence.

"There's nothing harder on you than when people come around the classroom in first, second and third grade to call on you, and your stomach starts to tighten up and you know you're going to mess up the reading," he told IBD.

Chambers says dyslexia is especially frustrating because more effort couldn't fix the problem.

"My parents would sit and read with me in the evening, and it would get worse, not better," he said.

Eventually his parents found expert help. The process did more than help him learn how to more easily read. "Once you understand that you can overcome something in life that you really had doubts you could overcome, that would have a major negative impact on your life — then you have an inner confidence," he said. "It helped me learn how to deal with challenges in life."

He would later use that tenacity to make Cisco a dominant player in its markets. How? Just as Chambers needed assistance with dyslexia, he employs a leadership style that gets perspectives from others. Many pin much of his success on a devotion to listening to customers. That keeps him ahead of competitors.

### Move It

While he's known as one of the friendliest executives in Silicon Valley, he doesn't like losing. He insists on action.

"He is a CEO who is running a large operation, but doing so with a tremendous amount of vision and motion," said Brian Halla, chief executive of chipmaker **National Semiconductor** ([NSM](#)) and a Cisco board member who has known Chambers for a decade. "He's a very good listener. I think he collects the inputs (from others) and comes up with a vision."

After a dozen years as CEO, Chambers, 57, is still driving Cisco's results higher, with sales growth of over 20% in its most recent quarter.

Even after the downturn earlier this decade, Cisco still claims a market capitalization of \$165 billion, putting it among the largest U.S. companies based on investor interest. Put another way, stock buyers attach more value to Cisco than **IBM** ([IBM](#)) or **Hewlett-Packard**. ([HPQ](#))

Chambers says leadership is about surrounding yourself with people who "complement you, both your strengths and limitations — and focusing on market transitions, and not on the short term."

Cisco's core traditional business is making the pipes of the Internet called routers and switches. The firm has been expanding into new areas, such as online videoconferencing and set-top cable boxes.

Chambers — unlike some of his fellow tech executives — doesn't talk like a tech geek. He took two years of engineering in college, but he also has a jurisprudence degree from West Virginia University and a master's in business administration from Indiana University. He can talk up the business, but he's not about to lace a conversation with techie terms for the wrong audience. He knows how to sell.

Chambers ended up in technology through no plan of his own. He interviewed at IBM after a pal bribed him with tickets to a basketball game, urging him to try out the company. "I ended up in the computer industry purely on a fluke," he said.

He would shine as a salesman at Big Blue, working up to a marketing manager position. He later took a job at Wang Laboratories, but as the company stumbled he left in 1990.

The next year he joined Cisco as senior vice president of worldwide sales and operations, a position he held until 1995, when he became chief executive and president. Last year he became chairman.

When he arrived, the San Jose-Calif.-based firm had \$70 million in annual sales and 400 employees. By fiscal 2006, Cisco had sales of \$29 billion and employed 50,000.

With the explosion of the Internet, Cisco was the consummate highflier in the 1990s as the firm expanded into new markets. Cisco buyers got what they wanted, says Chambers, because he listened. "I've learned from every customer," he said.

The stock climbed from about \$2 at the beginning of 1995 — the year Chambers took the CEO's spot — to more than \$80 in early 2000, on a price-adjusted basis. The 4,205% rise made it one of the greatest stocks in history. Investors gave Cisco a market capitalization of more than \$500 billion — larger than many countries' annual economic output.

In his book "The Eye of the Storm," author Robert Slater says Chambers distinguished himself early at Cisco by spending as much as half his time with customers.

Seeing IBM's slump and Wang's demise, Chambers decreed 40% of Cisco's leaders would come from outside, ensuring that the firm never got stale.

"Clearly, I like him a lot and admire his perseverance, but also his ability and willingness to change," said Rosabeth Kanter, a professor at Harvard Business School, in an e-mail.

That ability to adjust was put to the test as tech hit its wreck. In 2000, a spending slowdown knocked the networking sector, slashing sales, earnings and stock prices.

Soon, Cisco's 50%-plus growth screeched to a halt. By October 2002, Cisco's stock had slumped to 8. That kind of swift downturn could have caused him to lock his office door. "It's so easy to go into withdrawal," he said.

But he knew that wasn't the right course to take if Cisco was going to emerge from the dot-bomb. Although he said he had a "good idea of what needed to be done," he still called four or five of his counterparts at companies in various industries, including automotive, energy and financial services. He wanted to make decisions from consensus.

He then made a bold move: Cisco would cut 8,000 people — a fifth of its work force, Slater writes.

"We were the only company that reacted one time and very aggressive," Chambers said.

### **Bouncing Back**

The restructuring plan took 51 days. "On day 52, we started gaining market share," he said.

Cisco saw consistent double-digit annual growth again in 2004.

What's next for the Cisco boss? Maybe politics. Sen. John McCain of Arizona said Chambers might make a great member of his Cabinet if he were to win the presidency.

But Chambers says he's committed to his company for another three to five years. He says the Internet is in its second phase of growth, based on collaboration such as with with video-sharing site YouTube and social networking's MySpace.

Expect Chambers to keep using his teamwork approach. "I never played individual sports," he said. "Even in tennis, I play doubles."

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