

901 Outsourcing Services to Foreign Countries

Beyond Outsourcing Cisco's Globalization Initiative

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Agenda

- Why go Beyond Outsourcing ?
- Best Practices Considerations
 - Legal
 - Finance
 - Commercial
 - Political
- India Case Study

Beyond Outsourcing

Oct 06

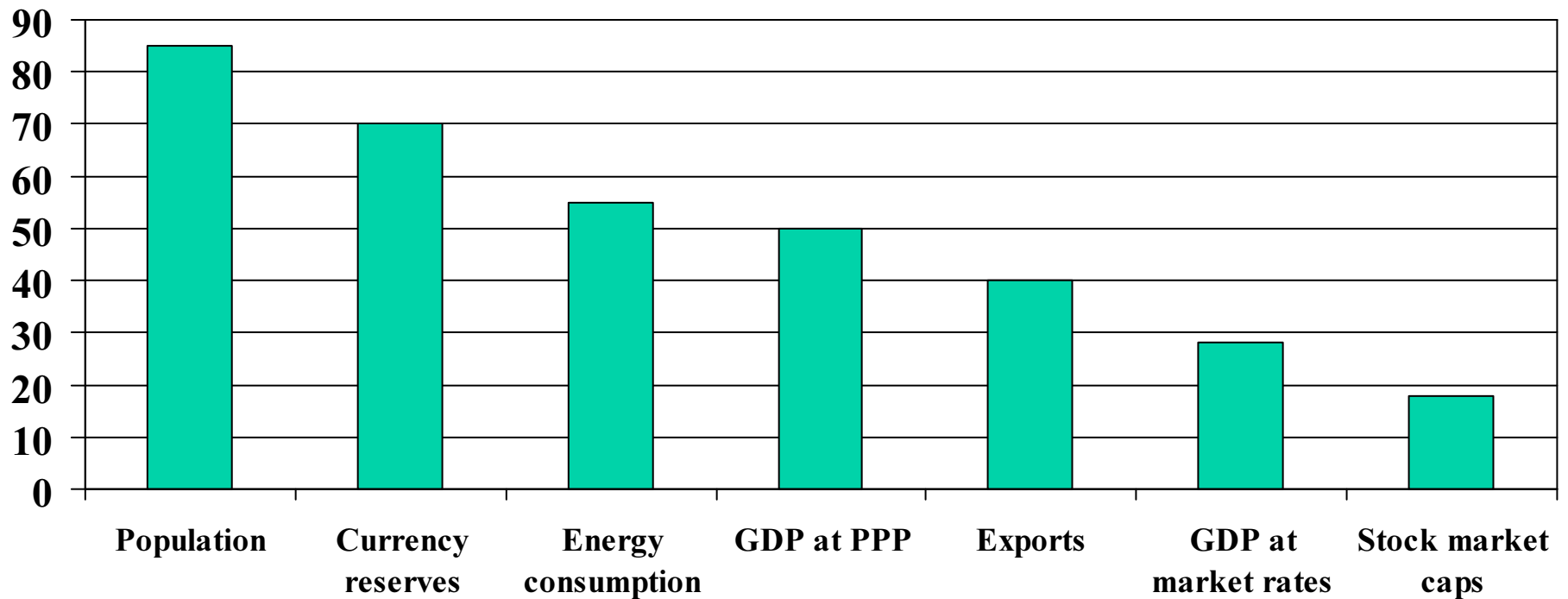
IBM established Chief Procurement Office(r) in
Shenzhen, China

Feb 07

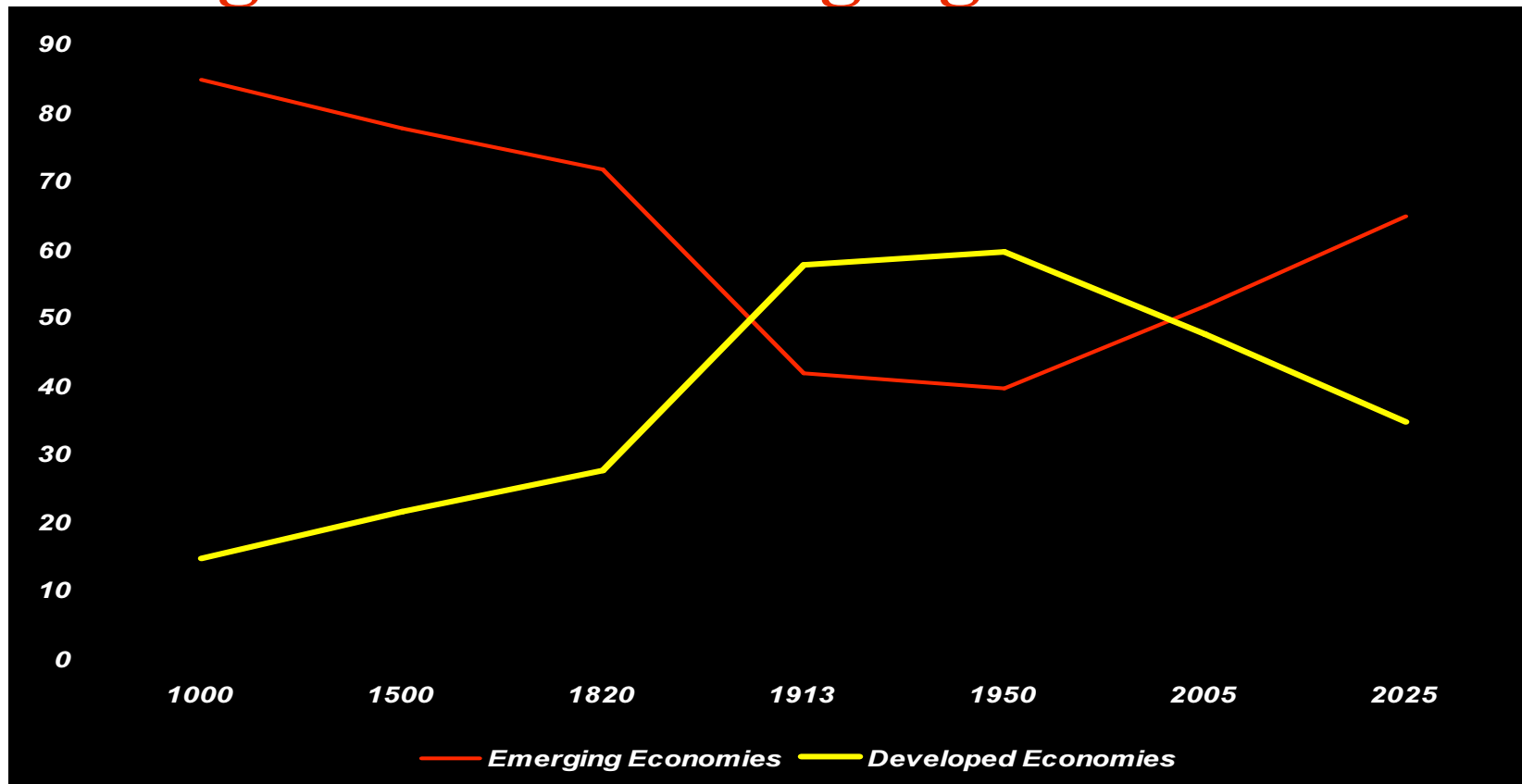
Halliburton moved corporate HQ to Dubai, UAE
Cisco opened its Globalization Centre East in
Bangalore, India

Why go Beyond Outsourcing ?

■ Emerging Economies as % of world total, 2005



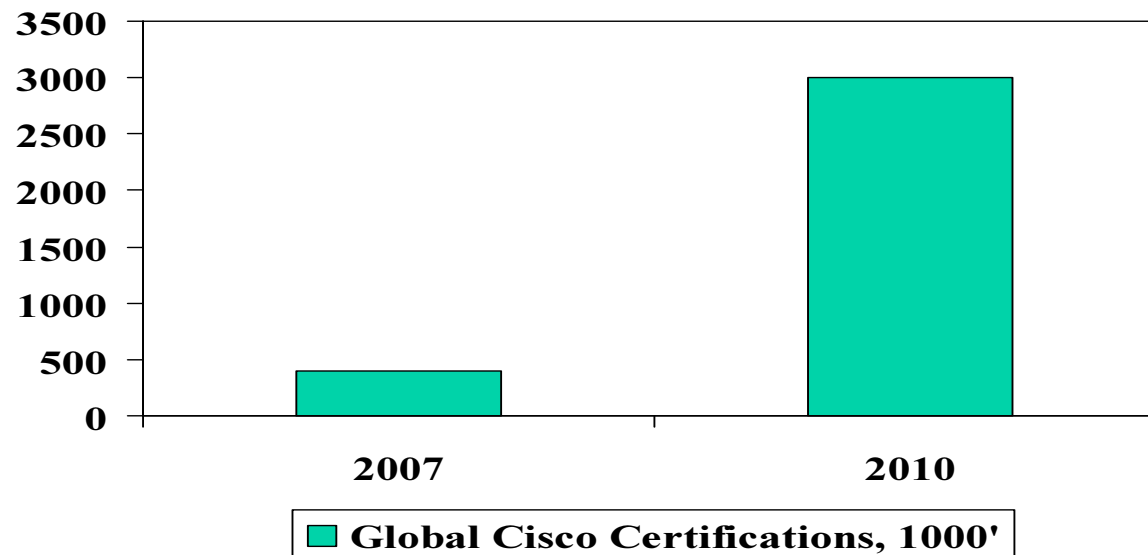
GDP growth in Emerging Economies



GDP share (at Purchasing Power Parity), Source: Economist, Sep 2006: The New Titans

Why go Beyond Outsourcing ?

- GDP growth in Emerging Economies
- Emerging Economies as Mass Market
- Emerging Economies as Talent Pool



Best Practices – Legal Issues

- Judicial System
 - Reliability
 - Process
 - International Recognition of Rulings
- Intellectual Property Rights
 - IP Ownership
 - Brand Protection

Best Practices - Legal Issues

● Labor Laws

- Termination rules; ARD, TUPE equivalents ?
- Union's rights
- Employee inventions

● Regulatory Issues

- Export laws
- Data protection
- Sector-specific restrictions: Finance, Healthcare

Best Practices – Financial Issues

- Accounting Rules
- Tax System
- Free Movement of Capital
- Stock Options
- Local (Minority) Investment Rules
 - e.g. South Africa

Best Practices – Commercial Issues

- Customer base
- Skill set
 - Available
 - Development
- Environmental Standards
- Labor Practice
 - Work conditions
 - Development of salaries

Best Practices – Political Environment

- Stability
- Democracy vs. Autocratic Regimes
- Corporate Social Responsibility
- Integrity
- Impact at Home

India Overview

- Land area— **1/3 of United States**
- Population— **1 billion**
- **6 cities over 3M** (only 2 in US);
5 over 4M (only 1 in US)
- 13 official languages;
English-speaking professionals



India is Changing the World



Top 5 reasons

1. Growing Up — 8%; \$800B
2. Consuming Conspicuously — 50M pax
3. Exporting Talent — 2M in US; Highest Income
4. Peopling the Planet — 1B
5. Challenging China — democratic; faster growing population

Innovative
Customers



Skilled Partners with
Global Capabilities



Culture of Tolerance
and Diversity and
Partnership



Large, Skilled
English-speaking
Talent



Economic Growth—
Top 5 Economy by
2025



The World's Largest
Free Market



Leadership Focused
on Economic
Development



Fastest Growing
Young Population

India's Strengths

- The World's Largest Free Market
Democracy
- Large, **Skilled English-speaking** Talent
- History of Political, Economic Stability
- Educational System; Diversity
- **Judicial Infrastructure—**
Reasonable IP Protection
- India Top 5 Economy by 2025
- Middle Class of Over 160 Million

India's Challenges

- The World's Largest Free Market
Bureaucracy
- Poor Infrastructure—Power and H2O Shortages, Extremely Weak Transportation
- High Tariff and Tax Structure
- **Restrictive Labor Laws**
- **Corruption** Pervasive
- Large Growing Population
- **Immense Poverty**, Large Class Gaps

Early Entrants



Labor Arbitrage and
Domestic Market
Penetration

- 43,000 FTE
- 19 offices, labs, data centers
- Domestic growth: 60+% 2006; 50+% 2005
- \$6B additional investment



Skills and
IP Harvesting

- Largest software center
- Research collaboration
- Community involvement



Business Process
Outsourcing

- Second largest R&D investment
- Hosts global teams—Finance, Services, ASP, eSales
- Operates in all major Indian languages
- 6,400 customers; 200 partners
- 300,000 member developer community

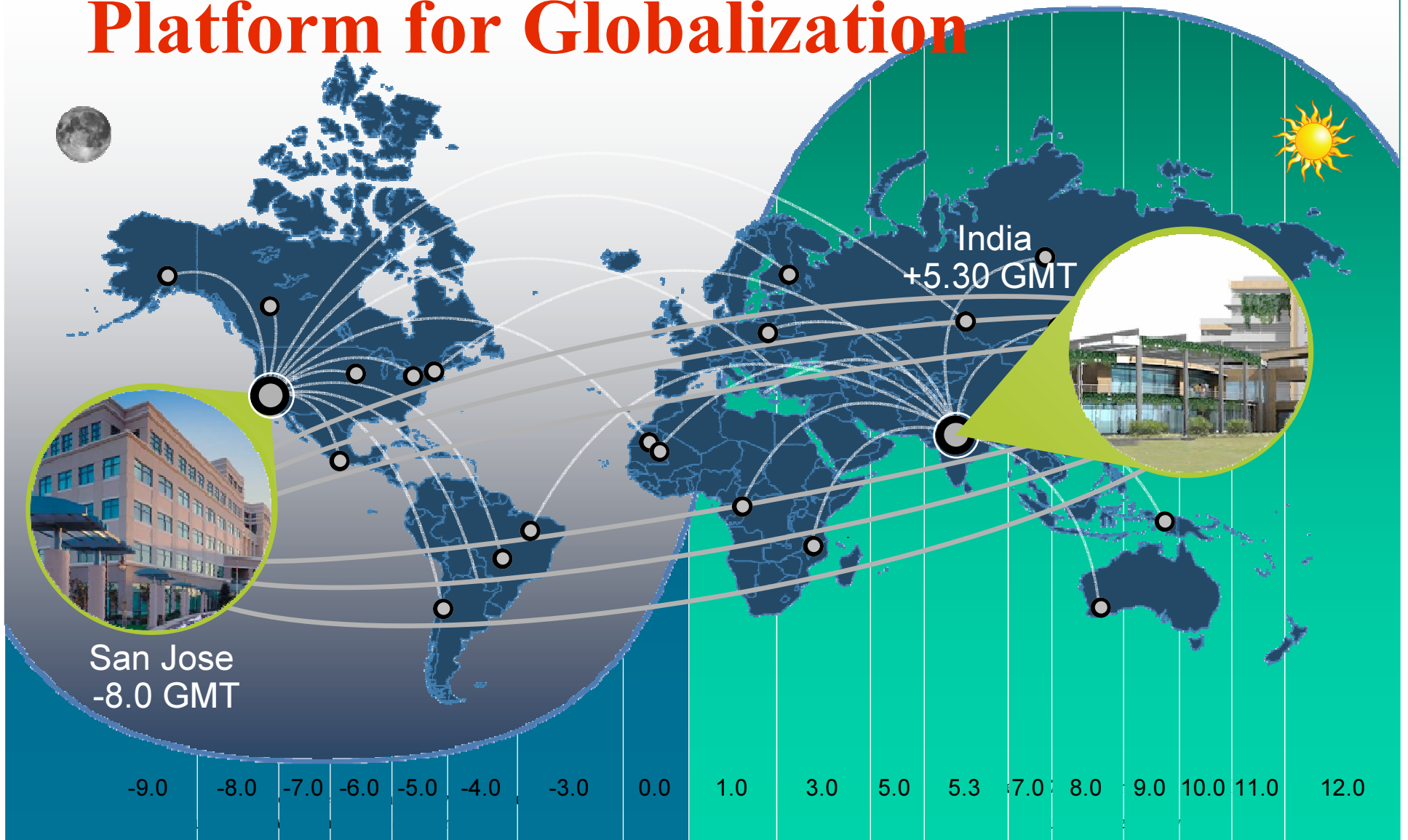
Cisco India



- 1994 Cisco established India presence
- 6800+ FTE today

- New HQ
- Sales Offices
- R&D Centers

Platform for Globalization



Cisco's investments in India

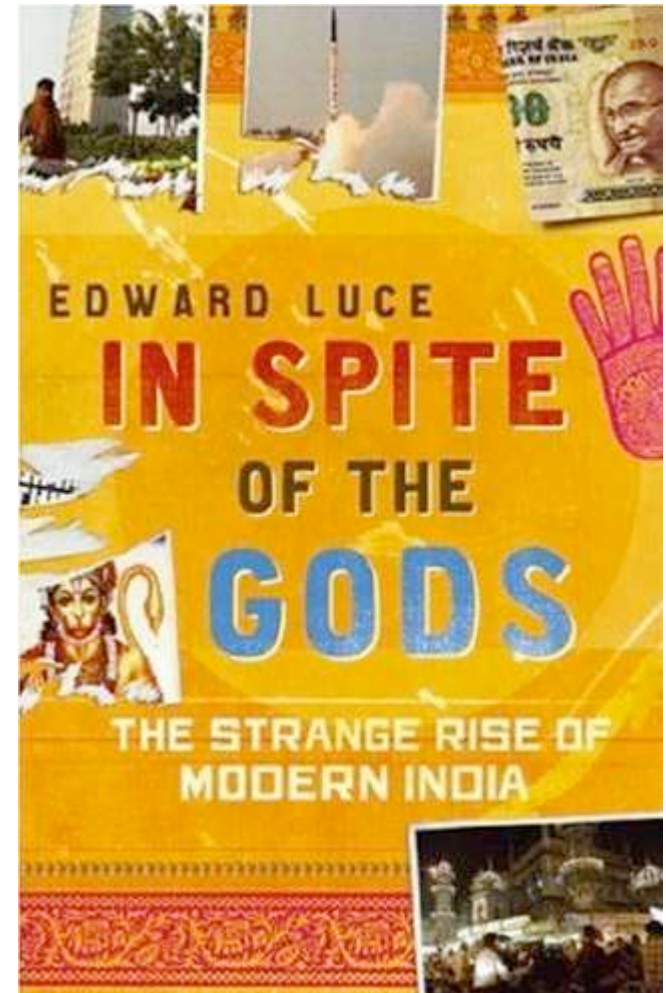
- Working with local partners since late 90s
 - SW development
- **\$1.1 Billion** Cisco India Commitment
 - announced October 2005
- **\$60 Million** Bangalore Campus
 - Phase 1 opened April 2007
- Various venture-capital investments

Best Practices for Globalization

- Focus on Globalization in **one** team
- Full-scale Management Team in place
 - CGO, Sales, HR, Finance, Legal,...
- Profile of Management Team, Positioning within Company
 - International work experience in multiple cultures essential
- Reduce Workforce Churn

“India is not on
autopilot to greatness.
But it would take an
incompetent pilot to
crash the plane.”

Edward Luce, August 2006



THANK YOU

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