

# How John Chambers, Former CEO of Cisco, Took The Company From \$70 Million To \$47 Billion!

**Jacob Morgan** 00:00

I'm very comfortable if

**Jacob Morgan** 00:01

you challenge me, not all CEOs have such a great sense of humor like you do.

00:04

They're kind of endangered species.

**Jacob Morgan** 00:06

How do you avoid saying the wrong thing?

00:08

I'm a believer, Jacob to take a step back. And I always picture that the outcome that I want to do a

**Jacob Morgan** 00:13

lot of leaders out there are really struggling. Well,

00:15

it starts with the culture, you got to survive, and you've got to execute, do you hire for the sake of diversity, I analyze what it's going to be.

**Jacob Morgan** 00:23

I think a lot of people realize that leadership can be a lonely

00:27

road. And leadership is unbelievably lonely.

**Jacob Morgan** 00:30

And it's kind of like climbing a mountain, right? Hey, everyone, welcome to another episode of the podcast by now hopefully, you have noticed that we changed the name from leading the future of work to great leadership, with Jacob Morgan. And having said that today's interview is, I'm just gonna say awesome. It's kind of like an MBA class and a conversation. And my guest is John Chambers. He is the former CEO of Cisco. When he was there, he grew the company from 70 million to \$47 billion. He's now involved with a lot of advising will start up mentoring and investing. So he's doing some really cool

stuff, you can connect with him on LinkedIn to see some of the some of the awesome things that he's involved in. But the conversation today is, I gotta say, it's one of my favorite ones. And before we even started recording, John said, you know, my goal is to have this be one of the best podcasts that you've had this quarter or this year. And I think he definitely achieved that. So we talked about a lot of really cool stuff. The first thing that we jumped into is the state of the business world. Today we talk about ESG. And if he believes that that is something that organizations should be investing in, or we're, we've been seeing a lot of backlash in the ESG world. So I asked him what he thought about that, we talked about the difference between how you treat high performers versus low performers, which I think is a very interesting take of it, John shares. And then we focus a lot on the key moments of his leadership career and what he learned from each one of those moments. And these key moments include, when he was diagnosed with dyslexia, when he became a leader for the first time when he became an actual CEO, dealing with the tech bubble, the big crisis that was in 2001, and how Cisco plummeted and how he had to lead during those tough times. So it's really, really a fascinating conversation, a lot of leadership lessons learned. And again, I like to think of it as an MBA program in a conversation. This is also one of those conversations where you're gonna want to make sure you listen to the bonus episode, because we touched on a lot of really amazing things. Their bonus episode, again, is available for subscribers on Apple podcasts on Spotify. And in conversation with John, we talk about his strategies and approaches to growth. We talk about how he had to battle it out with Steve Jobs a little bit, a billion dollar acquisitions, constructive criticism, and I asked him for his number one tip for how people can be great leader is, and he surprised me didn't give me one tip, he actually gave me three tips that you can apply to be a great leader. So I hope you decide to subscribe, again, Apple podcasts or Spotify. If you subscribe on each one of those platforms, you will get one of these bonus episodes every single week along with some other cool stuff, too. So I hope you subscribe. And now let's get into the conversation with John Chambers, the former CEO of Cisco. Ai, well, why don't we start with just kind of what's going on in the business world and what your take is, you know, if you were either CEO or leading a team today, and you've saw that there's just just a lot of craziness going on, right? We see banks going under, we see wars going on. There's politics inside of organizations, there's polarization around so many different issues. To me, it would seem and I've heard this from a lot of leaders that there's just a lot of confusion around. What do you do? How do you talk to your team in a way that inspires them? How do you avoid saying the wrong things? So if you were running one of these big companies today, and somebody came to you and said, Hey, what how are you supposed to lead in this crazy world? What would you tell them?

04:07

Well, I'm a believer, Jacob to take a step back. And I always picture the big outcome that I want to do as they give answers to really hard questions. And I play the chess game almost out to the end goal before I even start explaining to a team, how we lead through tough times. First thing you got to remember is as a leader, your currency is real simple. It's your track, record. It your relationships, and it's trust. So if you're in a position where you've already got those in place, as you start to outline the challenges a company will face during these times you want to remind them about your track record before with the dame. And mine would be my predictions that had been pretty accurate. Not just over the decades, but in the last three years. Very lucky on it. In 2020 in January, we saw a virus coming out of China into Southeast Asia. And one of my startups suddenly said, I'm having trouble closing business, making trips, etc. And while we did not have any idea of the terrible pain that went with

COVID, I knew immediately this was going to be a tougher economic impact and people thought, and it turned out to be in 21, it was the reverse. Everybody was so focused on COVID, and said, it's gonna be really hard. My customers by listening to them knew that things were going well, economically. And it turned out to be a very good year for the market. And 22 and December of 21, in January of 22, we said that you're going to be like a roller coaster, tremendous ups and downs. And it's not for the faint of heart, and you need to have your seatbelt fastened on it, and that inflation will very quickly come in front of COVID in terms of the implications going forward. So back to the day, you take your group and given them a little bit of facts, so you feel comfortable with your currency. And then you say, for the for this year, it's about agility. We've been six months away from a recession for Jacob, how long now? A year. And we're allowed to be six months away from recession six months from now as well. So you've got to be agile on ability to adjust. You've got to be conservative during the tough times, now's not the time to, to focus on growth and not worry about expenses. You want to also be realistic that you want to hope for the best, but you need to prepare a scenario B and C that is not where your business plan is and say how do you drive to or that you've got to organize around understanding the market conditions which you articulated, well, more uncertainty than I've ever seen in my life, inflation, etc, I have seen a long time ago, it's really hard to get rid of interest rates will probably have to be raised above the inflation rate to get rid of it. As you go forward. Then you say what are the things that are self inflicted in in our operations, and you've got a lot of them because we're at the back end of 12 years of growth, in free money. And you've got to address your own challenges that are self inflicted, then here's how you address the others. You then say, here are the five to seven programs, you're going to run. And you're going to say here's the impact on customers. Here's the impact on Cash Generation. Here's the new projects we're going to try to do, but very, very carefully. Then you get back report to your employees, your shareholders, your partners, your customers, I read your frequency on it. So it's a playbook, Jacob, it's one that you're in good isn't bad news. I've run it about a dozen times and made mistakes along the way and keep tweaking it. But it's a playbook that I think work for all leaders.

#### **Jacob Morgan 07:40**

Sounds like we need to get you back into one of these big companies to be CEO because a lot of leaders out there are really struggling. And it seems like you got it all already figured it out. People just need to listen to the first five minutes of this. And hopefully there'll be moving in the right direction there.

07:54

But you know, what's fun, Jacob, if I can jump in. That's what I'm doing now. But we're startups Yeah, startups are agile, they move fast. I only pick startups that are great vision and strategy, a great leader. But my major value to him is a coach and a mentor. As opposed to the large company, the large company was a blast. You said it well being being the most valuable company. At one point in time in the world. That was a tremendous honor creating 10,000 millionaires among our employees. In the first decade as a CEO that was exciting, winning Corporate Social Responsibility words and profitability Awards, the union Tech for Good and tech for benefit Taya for society as well on it, but the startups, they just move fast. And I love coaching and now I watch their success. So I am where I belong at this stage of my life.

#### **Jacob Morgan 08:42**

Well, so speaking of. And I wasn't planning on asking this, but you kind of mentioned like the the sustainability angle and kind of doing doing good. This is also a very polarizing topic, and you let me know if this is something you don't want to talk about. And I totally respect that.

08:56

I don't mind. Yeah, Jacob, if I'm not good enough by now to answer a question that if I don't want to answer it, you won't even know it, nor the audience. I'm not doing justice to my communication skills, but high probability I'm gonna answer it very squarely.

**Jacob Morgan** 09:10

Okay. And so well, I guess the core question is, is what you think of a lot of the stuff going on in ESG? Because this used to be something talked about for many years. And a lot of people were very much on board with it. It seemed like for the past, I don't know, five, even 10 years or so although it's been much more of a recent phenomenon in the last two, three years. And it seems like now, especially this year, and we started to see this coming up a little bit last year, there seems to be a lot of pushback around it in certain circles, right? You, for example, saw what happened with Silicon Valley Bank and some people were saying, well, the chief risk officer there was more concerned with ESG initiatives and with actually running the bank and you're starting to see what seems like a lot of pushback and a lot of questioning around ESG movement and it's kind of because I think the argument is that there shouldn't be like, if you're in business, you're in business, you should be focusing on making as much money as possible, you should be focusing on your shareholders on growing this because people invest in the company, and it's your responsibility to help deliver returns. And what happens is, when a lot of companies, it seems like are focusing on ESG, what they're doing is they're prioritizing other issues that a lot of people believe the business shouldn't be involved in. And what happens as a result is that it negatively impacts the return to shareholders and people who are invested in the company, at least that's what the argument seems to be. So where do you stand on it? I mean, if you were still the CEO of a massive organization, would you be prioritizing ESG? To the extent that some of these companies are and how would you be dealing with that blowback?

10:47

Well, to me, I think you outlined your culture and that your real question, Jacob, is what is your culture as a company, and be realistic on what it is and what it is not? The culture at Cisco was to be very successful as a company very competitive. Number one, or number two and everything we did, but a culture of a very collaborative group, almost a family environment, holding your family more accountable than anybody else for getting results. And yet, we got the financial results you articulated in terms of speed of growth, economic wealth, but we won every corporate social responsibility in the world, we wanted the Democratic President, Secretary of State and, and Clinton and Obama and we run it from the Republican president, President Bush and Secretary Rice. Every place in the world, we're number one and corporate responsibility, and you know where I'm going with this, we're also number one in economic power. So I think, well run companies would do both. If you don't do that, society will be disappointed in you. And then Canada, you're gonna get regulation and Nanak, not effective results. Now, much you're saying is also true today, that when the economy is going, well, companies are going well, people feel comfortable with doing the end, when things get rough, they get very hard on the CEO, sometimes justifiably, about you. And the bottom line is you've got to make a

growth and profits for us to survive. But I think world class companies have a culture of doing both just do the right thing, create Win Win environments, customer driven a balance of ESG, corporate social responsibility, and economic results. And I think great companies do both. You're gonna probably bring me into discussion later about turnover and the great resignation, is it going to be followed by a great recommit? And I think the answer is yes. But to recommit. Most employees will not be part of a company that is purely only economically focused, at least not for the long run. So you've got to create an environment that attracts people to your company, keeps them there. And most people want to see a career path, they want to feel they're valued, but they want to work for our purpose than just just making \$1 for the company. So I think well run companies do about,

**Jacob Morgan** 13:07

hey, sorry to interrupt. But do you want to hear something really crazy 96% of the people who watch these videos are not subscribed to the channel. If you want to get access to more content just like this on a leadership and the future of work, make sure to hit that subscribe button, so you can get notified when new videos are released. So I guess the question then becomes what happens if you can't do both? So, you know, I guess that's an ideal scenario, right? You as an organization can deliver maximum return for your shareholders, you can grow, you can be profitable, you can do an amazing job on the business side. But at the same time, you can also invest in communities, you can invest in social responsibility, and you can do those things too. And I think, it seems to me like one of the big arguments that we're seeing in today's business world is that a lot of organizations are not able to do both. And for example, I think you see, like Vivek Ramaswamy, who's now running for president making all these big arguments, saying that, you know, companies have no business playing in that that ESG space, you should not be prioritizing diversity over business performance. You can't do both. And oftentimes, when you try to do both one kind of sacrifices against the other. And it seems like I mean, you were able to figure it out at Cisco somehow. I don't know why a lot of companies today seem to be struggling with it. But what do you do if you can't do both?

14:25

Well, it starts with the culture, Jacob, and you want to be practical. There's a different culture at Cisco, versus Microsoft versus a Oracle versus an Intel versus an apple. And by the way, all the been successful understand what your culture is and what it is not. You then recruit to that culture and people who come to join you who see that you're doing both. We'll focus on that. Now during tough times. You have to be realistic, you got to survive first, and you've got to execute but you We'll also get people through this tough times by reminding them it doesn't call it take take you away from going down to Second Harvest food bag, and packing goods as a team. It doesn't mean you have spent huge amount of money or other things, but reminding yourself that we're all equal in life. Yeah. And you're in respect, respectfully disagree with people that don't think diverse teams out execute teams that look alike, it's been shown again and again and again that it does. And with 54% of our graduates being female, you better do a good job of getting the top female talent in your company, or you got a problem coming at you. Yeah, so this is where I think most leaders will learn to do the combination. It's what I train all 20 of my startups on, it's fun to do it, I take it to be very candid. Usually they get vision and strategy quickly. They get I got to have a great team to implement it, they get I get to get fit, customer focus, culture comes slower. But when they get it, that's when it gets exciting. And by the way, my average company is growing 40% Now in a market that is barely growing, what is it? I percent enterprise CIO growth type

numbers, but I'm in hot areas, artificial intelligence, cybersecurity, etc.

**Jacob Morgan 16:15**

Yeah, well, yeah, you mentioned diversity, which, which I know has been a big priority for a lot of organizations around the world. And I think the challenge there becomes then if if you prioritize diversity over meritocracy, because it seems like you need both, and I've been asking a lot of CEOs, how they, you know, balance this, you know, do you hire? Do you focus on diversity for the sake of diversity, just because you need to have more women in a certain role, or you need to have more diverse candidates? Or do you focus on the meritocracy, but if you notice that everybody looks the same, or has the same background and you take a step back and notice, hey, wait a minute, is that really the best way for me to do it? So how do you approach and balance the meritocracy aspect with the diversity aspect? Because obviously, I don't know, maybe you you, you do believe this? Do you hire for the sake of diversity

17:07

that you can do the end, Jacob, I really do. So let's get to the basics. Let's use diversity, let's use gender. I had three women on my board of directors at Cisco before anybody said you should even have one. And I did it for very simple reason, I got the best talent. I got that people like Kristine Johnson out of Duke engineering school, Michelle burns out of a CIO, CFO background out of delta, you add talented people that can really, really make a difference in where you go. In terms of the market, you've got to have role models to attract diversity. And if you say I want to add diverse candidates, and you bring them into the interview says it's a system and it's all white males, you're not going to make it happen. Use venture capital as an example. Women VCs make up 6% of the partners in the world. Terrible number. But if there's a woman VC involved in the selection of a investment for a company, a female CEO is three times more likely to get funded. So you have to have role models, you have to have the examples that we all point to and are proud of, and that's going to occur on your board level, your senior management level, etc. And I, I would push back hard saying that you can't get top quality and so know, you've got to hold everybody accountable. And most women, for example, will tell you hold me accountable. I don't want you to put me in the job just because I'm female.

**Jacob Morgan 18:45**

Yeah. Yeah. And I've heard that several times. I've interviewed a couple amazing female CEOs on this podcast too. So yeah, and that's fair, I totally agree with you is that you do need to make sure that it's also, you know, Merit meritocratic where people are, are indeed good at their jobs, and you're getting in the best talent. And then kind of blending that with diversity, which I think is probably a good mix. I wanted to shift gears a little bit and talk about leadership lessons. And so you've obviously been in the business world and the leadership world for many, many years. And I thought, well, we could do and I pulled out, I think five or six pivotal moments that I've identified from your career, and what you've learned from them, how you've approached them, how you've used some of the how you've thought about these certain situations in your life. And the first one I think, actually happened when you were quite young, right? I mean, you were diagnosed with dyslexia. And can you talk a little bit about the impact that that had on you as a person and as a leader? Because a lot of people wouldn't assume that you would still become the CEO of, you know, one of the world's top companies and most recognized brands on planet Earth.



19:53

For those of us that have learning disabilities, and there is many, many of us that do and often is not an issue of intelligence is an issue of how do you deal with a learning disability and the challenge. And I was fortunate enough to have a person because dyslexia was really not understood at this time. But there was a special teacher that worked with me after school by the name of Mrs. Anderson. And she got me to understand how to do things differently and how to read differently because Dyslexics we read right to left, we invert characters, etc. But in order to be successful, without realizing that we actually are really good at taking the total picture, visualizing how does it occur and the outcome, and something that might surprise you, and you were very nice about the complimentary comments. But originally, yeah, and when fortune wrote about Dyslexics, it was Richard Brandon, Charles Schwab, myself were in the story that Betsy Morris wrote. And we all did it, because we, we knew it could have an impact on others, and make a difference. But probably in excess of 30% of CEOs are dyslexic, most of them will not admit it. And the reason I know the number pretty well is, if you're dyslexic, and you watch the thinking pattern, you can see how people connect the dots differently. And it's been at least a dozen times where after a meeting with the CEO, and I wait until we're one on one. I say I apologize for the directness. But are you dyslexic? And they look at me like, how did you know? And I see the pattern. And then I said one thing you might want to think about is sharing it with others, because it really helps. And most of them will say no, and I wouldn't have either except I disclosed. I was dyslexic, and take our children to work one day with that young girl who couldn't get a question out. And I came off the stage with my mic on and long story short. She said, I'm dyslexic. And I said, I am too. Now here's how you handle it. She asked a great question. And I realized I had come out of the closet and told everybody 500 people in the room that I was dyslexic. And my hands go sweat today, I wish I could tell you, I'm comfortable talking about it. I am not. But I think all of us have challenges in life and how you deal with your challenges, even if they're self inflicted challenges, determine more who you are than how you handle your successes.

**Jacob Morgan** 22:15

So how did you handle that? Because I think a lot of people, you know, they've probably heard of dyslexia, you know, they're familiar with it, but they, they might not understand how it manifests kind of in the real world. So you identified one area, which has different thinking patterns. So what would be an example of how maybe you would think about something which would be different than how somebody else would think about it? And would this be considered more of an asset for you? Or would it have been more of a liability, like a bad way to think about it?

22:44

Once you learn to manage it, and once you gain confidence in yourself in the process, it allows you to move speed that can lead others cannot. So think of it in simple terms first, and then I'll make it much more complex. Okay? When I start to play a chess game, or a business strategy game, before I make my first move, I visualize what the most likely outcome could be that I'm trying to get to. I then go through all the scenarios A, B, and C to get there. It's usually a blended version of them, I think through what my opponents are most likely to do. I'm a Henry Kissinger fan, he taught me he always said, Scenario A, B and C and his negotiations, and he taught me how to do you think about it, and they never came out with it, but a combination, and then I play out the game and adjust it as it goes through.

In terms that business wise would be a something the audience would understand. Prime Minister Modi in India is one of the best leaders I've ever met in my life. But what he does is visualize the outcome. And he works on this strategy himself to do it. But when we talked, I talked about a digital country digital companies, digital individuals, over 15 years ago, and said, everybody's gonna go this way. And if you do a digital India, combined with a digital manufacturing in India, with a startup India with an environmentally sound, India, with inclusion, focus from the beginning, etc, you're going to build what is going to be the fastest growing engine in the world with the highest standard of living of a population. That's an average age of 26. And so, it's understanding when you think of this total picture, which all good leaders do, but Dyslexics almost have to think of the total picture or I get lost driving down the road. If somebody gives me first turn this street second turn this street, third turn this street, fourth turn this street, I get lost. And if I make a turn wrong, I make the same wrong turn each time. So I have to understand I picture the whole drive. I analyze what it's gonna be. And then I've got it. So when Shannon who's been with me for 15 years and a key member of my JC two team, she knows that when I go someplace, I want a map Have what it looks like just very quickly. And then I will take the components as we go through it once I visualize what's going to occur. So that's the advantage we have go ABC fast. But you have to learn to keep it in balance, and you got to know what you don't know. Don't kid yourself. If you're in an era you don't know,

#### **Jacob Morgan 25:19**

do you want to learn how to create an amazing corporate culture, while avoiding the pitfalls that make for a toxic one? If so, I created a brand new eight part training video series just for you. In total, it's around 30 minutes in length. And you can get it right now by going to help my culture.com Go there right now, before this training series disappears forever. Again, that is help my culture.com and get access to this free eight part training series on how to create an amazing corporate culture. Yeah, so I like so you kind of transform dyslexia into a little bit of a superpower where it allows you to, you know, to use your analogy, kind of play play chess, and I love chess, I play a lot of chess, you know, I was diagnosed with ADHD when I was younger. And so for me, that meant that my mind was constantly bouncing around and like a million thoughts in my head. But it also meant that if I found something that I could really focus on, and if I was in the flow of something that I could stay in that flow for a long period of time and not get burned out. And so this is why when I was younger, you know, I had a lot of friends that would go out to parties and stuff like that. And I would be able to work to like, three, four or five in the morning, because I found something and I was trying to build it. And I'm like, I can't stop until it's done. And it allowed me to really, really hone in on that stuff. So I understand some of the challenges, you know, with the types of learning disabilities because it was it was hard for me when I was younger to until I was able to realize, hey, wait a minute. There's actually some benefits of this too, that I can really tap into. Yes, there

#### **26:51**

is. And for young people, especially kids, you want to talk about superpowers for for regular adults, you just say I learned how to balance my weakness was something that may be even more powerful. The one thing you may find, you might not just be good at one game of chess at a time. I love playing 20 games at a time. So with my startups, I'm every day thinking about the moves on each one of the 20 Chess boards, and where do they play out and the interdependencies where I can use startups? Common customers together?



**Jacob Morgan 27:21**

Yeah, no, I love that. Oh, welcome to another pivotal moment. So it seems like from there, what you learned, I would assume when you first got diagnosed with dyslexia was probably a little bit scary and a little bit like, Oh, my goodness, what is this going to mean? And then over time, you realize that this can actually be that superpower that you've leveraged into becoming a very successful leader? Do you remember the first leadership role that you ever had not as CEO, but just even an entry level leader? And what that was like?

27:47

Yeah, I do. I, if I were to do it in the sequence, I wish I could tell your listeners that when you have the learning disability you do or the learning disability I do, once you got it, you got it. And it's like six months, and you're, you're off to the races. It was 10 or 12 years. It first I learned how to work around. And then I wouldn't even tell people I had it. And I deliberately thought people wanted leaders who were super human, and didn't have any weaknesses. And I was just wrong on that. And then I had to be comfortable with myself to expose my weaknesses, which if you're doing a really good job, and people trust you, it actually allows them to get closer to you. When I shared with the young girl that I had dyslexia, nobody in the room knew it. And I delivered it never told anybody at work. And I got more emails after that than I had any session ever done with John. And now see why you have your people skills. And I encourage you to continue to share it. So it is the ability to kind of adjust on that as we go now to your question. My first job was at IBM, they train you remarkably well in communications, presentation skills. And I did the classic I would memorize. At first I tried to read my speeches, that doesn't work as they get lost, or my presentation, then I would basically try to kind of think through it and to write pieces of it down that failed miserably. I was so nervous, I would go into the bathroom and throw up before a major customer presentation. Once I learned how to take advantage of it, I thrive on being able to do it. But I think of the vision and I think of it instead of talking to the whole room. I look you in the eye Jacob and I look at the person beside you, then the person beside her and I focus my attention on just talking just like you do very well with the guests that you have on your show and make it personal. So you over time learn to balance a little bit. I will never ever be able to make an A in English or language in any way. As you can tell from my southern accent. My wife is a speech therapist. She calls me her only failure by the way on it, but I can make an A in almost any other topic if I'm willing to put in the time because of the intensity that you articulate, uh, well. So that's what companies have to do to understand your strengths limitations, you can't change them all when you get into trouble. But you can take a step back and say we're gonna play to our strengths. We're going to minimize the limitations, you outline a vision for the company. And then you go, that's true of a leader. That's a group of leaders with 10 salespeople reporting to them, which was my first management job at IBM, or true with 75,000 people reporting?

**Jacob Morgan 30:30**

Did you get official leadership training at IBM? Or was there a lot that you had to figure out and then were there any lessons learned from that first leadership role that you had at IBM?

30:40

Yeah, there were a number, IBM at that time, and this was in the mid 70s, when I joined them. And I never intended to go to work at a technology company, it happened out of a fluke. But when I was there, they were really good on communications and outcomes. And they taught me a lot, not just good presentation skills, but to sell technology for outcomes, not for technology, sake and the direction. Then one of the other lessons learned, I got criticized as a first line manager, and then it's hindsight, it was fair, which is, John, you've got 10 people on your team, you're spending time with all of make when in fact, a little bit more time with your lower producers. And if you'd spend more time with your top producers, your team would do better, the company would do better, and your low producers, once you leave, aren't going to be successful anyhow. And that's a fair criticism, I, I think much like managing a portfolio of startups, I've got to feed the ones that are growing the best, the most in terms of balance, I will still spend probably more time than I should with the startups that are struggling the most. That's just the nature, I like to try to turn things around and make it happen. But having come out of IBM, where when they didn't make a transition, well, from mainframes to mini computers, they fell behind. And then having come out of Wang, a mini computer company that didn't make the transition to client server and the Internet and fell behind. And then having gone to Cisco. And then we most people would say we had 90% of the nodes of the internet when it was built. And we didn't sell technology and moving around Z's and zeros and ones we we sold, we're gonna change the way you work with learning play. So some of the lessons are sell outcomes, especially during economic downturns understand your differentiation, make sure you articulate it well understand what motivates each member of your team, and you don't change your values or your culture and dealing with them. But you do change the way you communicate. I have certain members of the team that can they almost need to hit up the side, they have a two by four to get their attention at times that hey, you just can't do that. And here's what I expect. And that's with love. Others, if I just whisper, hey, I thought you could have done something better. They are demoralized and down and say, you know, you adjust the way that you communicate, not the message. But the way you communicate based upon the person or the team, you're motivated and where are they and their confidence and skill sets.

#### **Jacob Morgan** 33:04

It's interesting that you mentioned giving more time to the top performers and less time to low performers. And I guess the analogy, to bring it to like a personal, you know, an individual, it's kind of like focusing on your strengths and not on your weaknesses, doesn't mean you're not aware of the weaknesses. But obviously, if you focus on your strengths and play to them, you're going to do a good job. And I think that's what that's what I think of when you were talking about focusing on the high performers. Those are kind of like your strengths, and the low performers you can think of as your weaknesses. But how do you you know, sometimes people are low performers, because of external factors. Sometimes people are low performers, not because they're not trying not because they're bad people or they're lazy, but there's just kind of something, something that's keeping them from unlocking their potential. So if you're a leader, and you know, a lot of leaders listen and watch this show, you know, I don't want to tell them, hey, you know, if you have low performers on your team, to hell with them, like ignore them, nobody needs them. But what do you do when you have those low performers?

34:05

Alright, so what's the next question that I got there? Let me start with the big picture on the first one. You and a half 20 startups. a venture capitalist usually has a portfolio and each fund, and out of the,

let's say, 50, or 60 companies, they fund out of a fund, they make almost all their money on the top five. So they've got to focus on those. And they've got to say, yeah, make sure that's where the word is placed behind the air to really be successful. I like getting a balance. And I think you can do the and still focus on your top two or three in a portfolio my size, but focus a lot in the middle. And you can often by the point that you just made Jacob understand a person's limitation in a startup and you can help make it a strength or you can take a real weakness and make it manageable. and I love doing that because there's nothing like when the light bulb goes off, and you see people really take off in it. Also, sometimes you can have the person in the wrong job, my experience where you leave the same person a job for more than five, four or five years, they lose innovation. They've used up their skill sets, they haven't been developed for the next job, you're allowed to lose them externally. But I like moving people around. And often, you can then say, based on this person's skill sets, let me get to where if the position is in the company, that it more matches, like a salesperson, or an engineer that is good, but really not as good at building products, but very good about explaining them moving over to a systems engineer. And so move people around. Having said all the above, however, your key takeaway is also true. The number one mistake that almost every new leader makes is they stick too long, with the lowest producer on their team, who is a good person who is trying hard. And because they're a good person, they tried hard, you keep giving them more time, more runway, and then all of a sudden is Debian their problem. It's your problem, because the other nine people on the team are saying we aren't producing as a team, because you won't step up to your issue. Yeah. All right. That's a mistake I made. And and I'll tell most of the leaders listening to this mistake, most of you are having people raising their hand, probably 80% of the room we've been in leadership roles very long, would tell you they made that mistake. So it's something to be aware of, when you've got a problem that you can't fix. You got to step up to it.

#### **Jacob Morgan 36:31**

Yep, no, I like it a lot. All right, let's transition to another key moment, I think in your career, when you first became CEO. And for those not familiar, obviously, you grew the company from 70 million to 47 billion, obviously, you achieved quite a bit during your time as CEO. But when you first got into that CEO role. First, I'm curious, what do you think? Why you? Because there were probably a lot of people who were up for that role. Obviously, you were selected. Why do you think that was? And what did you learn? Maybe in your first, I don't know, 3060 90 days as CEO that maybe you didn't know, before, when you were a mid and senior level leader.

#### **37:11**

Gotcha. So at Cisco, I was brought in to be the replacement for John Morgridge, who was the CEO when I was recruited, John wanted that the board wanted it excetera. And so by the time I became CEO, I had all the functions already reporting to me. So as I got my arms around, that they'd give me what next function, then the next, then the next. And it was a very smooth transition, and our growth rate, our leadership team, it was my team by that time, and we were off to the races. So the fact that we did a very orderly one moving me around, and adding more to it allowed for a smoother transition. If I'd messed up, I wouldn't have got that, that that CEO role. But if you're, if you're trying not to lose a sports game, that's the best way to get beat. And if you're trying not to lose the CEO role, the best way is to be too cautious on it as you drive through. You and I made big bets right off the bat, in terms of acquisitions, being the way to do innovation, which people realize now, but back then nobody did

acquisitions, they almost all failed, I did 180 of them. And the vast majority worked out well. And if you don't have some failures, you didn't take enough risk, kind of rewrote the textbooks about customer relationships, had the tightest customer relationships in the industry had the best service in the industry, also with the best margins on it. And to the point you challenged me fairly on unhealthy give and take earlier, balanced ESG corporate social responsibility with economic return. And I actually think they fed off of each other as opposed to reverse on it. So those are the type of lessons learned for people watching and a little bit what I learned. As a early stage CEO, you got to keep an open mind you do not have all the answers. And make no mistake when you're the number two or three or number 10. It's nothing like where the buck stops. Yeah, as CEO, you get caught in and a challenging situation, whether you created it or the market created 2001. For me, leadership is unbelievably lonely. Now, Shimon Peres, the late President of Israel taught me that and I said, Shimon, what do you mean only? I've got 50,000 People at Cisco. Our shareholders love us. It's a very warm environment to be him. He said, No, when it gets tough, you will be by yourself and who knows? Right? And you just had to adjust to that.

### **Jacob Morgan** 39:35

Yeah, I don't think a lot of people realize that leadership can be a lonely role, especially as you become even more senior because early on in your career, there are a lot of people who are at your level. And it's kind of like climbing a mountain, right? The higher you climb that mountain, the less people you start to see for whatever reason, right? You know, there was not as many roles there's only one CEO role, but it's also hard to get up that mountain and so to certain point and a couple of CEOs. So I have a new book I'm working on called leading with vulnerability. Yes. And I interviewed 100 CEOs for that. It's out in October. And I was asking a lot of CEOs similar questions. And they said, Yeah, what a lot of people don't realize is that sometimes leadership can be in CEO roles specifically, can be very lonely. And sometimes I as a CEO can feel very vulnerable, because I don't always have somebody to turn to. And sometimes I have to make the decision that nobody else can make. And I don't really have anybody to go to to like, you know, get help with these things. And that I think that transition is very well to what you were talking about. And I think it's related to what we're seeing in today's world with the economic environment, you had to lead Cisco through a very, very tough time in 2001. When sales were going down because of the tech bubble. Can you give people some context there on just how bad was it in 2001? Like, how much were you hit? And what did you as a leader do during that time? What did you learn?

### 40:56

We all it was the first time that I realized Shimon Peres was right, leadership is unbelievably lonely. Your first reaction is to say, How did I not see this coming? Yeah, and I'd lead Cisco for 10 years, not on the CEO role. But I was running most of all the company for the 10 years that I've been there. And I've never missed a quarter growth had always been every 65% growth per year stock splitting every 18 to 24 months. And it was all fun. But I'd never seen a downturn that I couldn't navigate through, I'd already done the 1997 98 Asian financial crisis, the 93 slowdown, so I thought I could handle that. But we went from 50% Snow 70% growth the first week in December, of the ending of 2000, to the middle of January, minus 45%. growth, while mathematically impossible, and I confirmed to the street, I thought I could grow. And I had it not sandbag, but pretty close. Because we really get our numbers we we analyze the numbers in a way, that was 440 quarters, exactly right, every quarter based upon the

data. And my data said, we were going to grow probably 50%, the next quarter, so freefall, you if you're not honest with yourself, you have to think that I do this, and can I fix it. And getting part of it is self inflicted. Part of it is the market, this was the market driven, but we had also made some mistakes, you got to fix both at the same time. This is where leadership, not command and control. But make no mistake about it, you're the commander, you collaborate with your team, then you say, here's where we're going in you go, we made all of our changes and 51 days, on day 52, we started gaining market share before any of our peers had even reset their labor force or their approach out of the 7584. If I remember the right people that we laid off, they were my friends, I heard them all. And it was hard and heartbreaking. And we we took care of them. And most of the people who went through that would say we got him the next job, we move quickly, etc. treated them like we'd like to be treated ourselves on it. I thought it was my worst year of leadership ever. I still believe that Jack Welch at the end of 2001, I got to close to him when he was at GE. And he was one of the mentors I went to and to your point earlier with share and ask for advice, given scenarios. And actually in tough situations without outlining too much of my internal issue. I do learn from many other people before I make the decision fairly quickly, however, on it. And he said, John, he called me up in 2001. He said, This is the best leadership you're ever. He said I told you, you would never be a great leader have a great company and don't near death experience. You've now done that. And it was your best leadership you're ever asked to jack it doesn't feel like it my stock is down. Some of the employees some fair amount of employees are losing confidence in me. My shareholders are questioning should I be the one leading this long term, etc? And he said no, you navigated through it very well. And it was your best leadership here ever. I said, then Jack, you're going to be the only one that tells me this. By the way, Jacob, he was the only one that ever did.

**Jacob Morgan** 44:19

Wow. So it seems like a key pivotal, the lesson there. And I think you summed it up what you said about Jack Welch showed you that you're never going to be a great leader until you experience a near or go through a near death experience. And I mean, that's, you know, a lot of leaders don't actually go through that. And I think it needs to happen more often to kind of like test you to see what's going on and how you survive, how you treat your people, what decisions you make, the actions that you put into place, your behaviors, all that sort of stuff is really, really important. So it seems like what you learned about yourself is that you could lead during tough times and when you were telling

44:57

him but I didn't know that ahead of time I thought Radlett through tough times. It's like today's world, many of the young leaders, and this is no reflection. They're very talented. But they've led through 12 years of great economic growth with free money. And they've never been knocked down hard and had to get back up and get knocked down again. And until you go through that, you don't develop the skills that allow you to move in a contracting environment, economically, versus a growth environment, and they are different skills, and some leaders can't do it. And to your point, what you're going to see is breakage, that's probably going to be more than normal. Because these leaders have not seen that nobody's seen the inflation early at all. I know what it's like with a mortgage rate of 16%. I mean, you can use much more house would be the understatement of what you can afford. So I think this is unfortunately healthy in the economy. I wish there were a better way to do it. But you've got to periodically reset and go through a tough time so that both your country, your companies, your teams

know how to deal with it in a more frugal environment, not one that is just purely about growth, growth growth only.

**Jacob Morgan 46:07**

Yeah, I think Mike Tyson said it best, right, everybody's got a plan until they get punched in the mouth. So I think a lot of people are getting punched in the mouth right now and are trying to figure out what that next step is going to be. We have around 1015 minutes or so left. So I wanted to transition to maybe some specific action items that we can give for leaders. And there were two things that I wanted to focus on. One was specifically around growth, because when you were at Cisco, you grew the company from 70 million to over \$47 billion. You got a lot of awards, a lot of recognition, everything was going great. Obviously not everyone's going to be in that situation to grow a company that size. But maybe we're trying to grow a team, maybe we're trying to go grow a function grow something small. How do you approach growth in in such a way where it has the highest chance of success? Like what was your first, you know, how did you frame growth? How did you approach it? What factors did you look at? Did you have KPIs, just anything that you can share around how you thought about that? You don't want to miss my conversation with John Chambers. And trust me, you really won't want to miss this conversation. For subscribers of the podcast where we talk about his strategies to grow. Remember, he grew Cisco from 70 million to \$47 billion. We talked about some of the techniques, the strategies that can be used. We also look at how he was doing battle with Steve Jobs and what he learned a billion dollar acquisitions, how to handle constructive criticism, and I asked him for his best tip for poor how people can be a great leader and he actually gave me three tips for how you can be a great leader, again, only available to subscribers on Apple podcasts or on Spotify. If you subscribe on either of those platforms, you will get a bonus episode every single week from one of my amazing guests. It's also how you can support the show so that I can bring in really more more really awesome and cool people like John to share their leadership wisdom and insight with me, and of course with all of you. So I'll see you next week.