

“Culture as a Competitive Advantage”: What Makes Xilinx an Exception to High-Tech Organizational Culture

Interview with Peg Wynn, VP of Worldwide Human Resources, Xilinx, April 2003

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Following my driving directions to Xilinx in South San Jose, looking for street signs while taking in an area of the Valley I was seeing for the first time, it crossed my mind that the location was unusual. It was in the middle of a community, not within blocks and blocks of stark, modern, sterile office buildings. That should have been my first clue.

As I got out of my parked car, the second thing I noticed was friendly people. A man and a woman were unloading boxes from the car parked next to mine, and when they saw me, they made eye contact, smiled and said “good morning”. Not the usual demeanor of workers in the Valley during April of 2003. Those who still had their jobs held an aura of paranoia and lack of trust that kept their eyes either down or over their shoulder.

I had just finished my doctoral dissertation, a study of the relationship between high tech organizational culture and emotional intelligence. One of the significant findings was how toxic technology companies can be relative to the relationships they develop with their employees and the impact that relationship has on social engagement. When I was introduced to a friend of Peg Wynn, Xilinx VP of Worldwide Human Resources, I summoned the courage to ask for an introduction and got it. I wanted to find out how a technology company had managed to make the Fortune 100 Best Companies to Work For three years in a row. And in the top 10!

The friendliness continued with the security guard at the reception desk and Peg’s admin, who escorted me to a conference room. They were both adept at small talk, which I love when I’m in unfamiliar spaces – it makes me feel comfortable and relaxed. Peg walked into the room and filled it with her presence. She was extremely gracious, and though I know she’d probably had

the same conversation many times, she spoke with the enthusiasm and pride of someone telling a great story for the first time. So the atmosphere was set.

Turnover during the first three years Xilinx has been on the Fortune Best Companies list, 2001-2003, has been less than 5%. And though some may argue that employees are simply riding out the recession, the conversation with Peg revealed otherwise. In the midst of cost-reduction actions affecting their compensation, Xilinx employees responded even more positively to the 2003 Great Places to Work survey, the instrument Fortune uses that primarily measures trust in the organization. Each year, the semiconductor maker continued to better its position on the list. At number four in 2003, Xilinx was the *best publicly traded company in the country to work for*.

Xilinx has a two-fold vision that sees the flagship product, a programmable logic device, being a component in every piece of electronic equipment and the organization becoming the standard for how a high-tech company is managed. It is a vision that, according to Peg, people connect with and believe in. Peg often referred to CEO Wim Roelandts when she talked about the steps the company has taken toward realizing those lofty goals – an example of the theory that exceptional performance is a reflection of the team at the top. Speaking on behalf of that team, Peg shared their belief that altruism is good business, that a socially responsible company is also financially sound. In addition to appearing on Fortune's list, Business Ethics recognized Xilinx in its 2001 The 100 Best Corporate Citizens list while, in the same year, Business Week ranked Xilinx 17th on its list of the 50 best performing companies on the Standard and Poor's S&P 500 Index (Anonymous, 2002).

Founded in 1984, Xilinx epitomizes a knowledge-based company. It is a "fabless" semiconductor company – it outsources manufacturing of its chips, used in everything from DVDs to wireless phone base stations to data storage devices. There are fewer fixed costs and its revenue depends upon new product designs; in other words, intellectual capital – its people. A focus on people is probably why words like connection, energy, and communication came up a lot when Peg talked about what makes Xilinx a resonant environment. Connection is

created by the shared vision to which Peg refers to above. Connection is also one of the five disciplines of a learning organization – another Xilinx characteristic. As a learning organization, Xilinx also embraces the remaining four disciplines. The company invests in and encourages employee development (personal mastery); challenges the status quo and rewards creative thinking (flexible mental models); and takes an inclusive, holistic approach to change (team learning and systems thinking) (Senge, 1990).

A vibrant energy resonates as a result of a leadership team that actually treats employees as owners of the company and strongly encourages them to give back to the community. The culture at Xilinx is strong because it not only supports organizational innovation and learning, but personal growth and meaningfulness as well. According to Peg, “We are energized by giving” and the connection between employer and employee becomes one of ‘heart and mind’.”

Both Peg and Wim joined Xilinx in the mid 1990s when the last technology innovation cycle was on the upswing. But when it took the downturn in 2001, Xilinx sales dropped to half of what it was the previous year, and the duo had to sell the board on considering other alternatives to laying people off. Peg and Wim believed that layoffs were a last resort (they still do) because they would decimate the company’s most important asset – people. During 2000, Xilinx doubled its workforce with a majority working in new product development. Cutting staff would jeopardize the vision and demoralizes the survivors. “A demotivated engineer cannot innovate” was Peg’s stance, and they had to do whatever they could to avoid that truth.

The alternatives that Peg and Wim took to the board came out of the culture itself. They went to the employees for input, using focus groups that discussed approaches for mitigating the lost revenue. The consensus was salary cuts on a sliding scale, the higher the pay, the higher the cut. New hires and the lowest paid employees experienced no pay reductions at all. So in the midst of the carnage occurring throughout the Valley, loyalty at Xilinx continued to grow. Employees concentrated on their work instead of worrying about their jobs.

But for Peg and the Xilinx leadership team, this accomplishment was only a dodge of the first bullet. Quarterly performance was indicating that the company needed to find another \$5M in cost reductions. The second outreach to the employee-owners exemplified the power of Xilinx's vision, values, and culture. Again, the employees were willing to take a reduction in pay, with a similar sliding scale from the top all the way to the bottom on this round. Yet, they were willing to consider other creative alternatives. This time, workers were offered a year off without pay, but with full benefits. If the employee applied a portion of the time off to service in a community non-profit or school, the benefits included a \$10,000 bonus.

In another move against the grain, Xilinx leadership "made the decision to intensify training" during this challenging organizational change rather than eliminate it. Peg told me that they believed training was more important than ever when hard decisions were being made regarding performance, productivity, and austerity. Xilinx considers every employee a leader, therefore they all needed support confronting and handling the troublesome issues they faced. Every employee was offered the opportunity to learn skills necessary to have "difficult conversations" with peers, subordinates, and managers. Fifty sessions called "Tough Time Management" were also conducted. This investment in development added another element to the culture - the adoption of the motto "democratic decision-making and dictatorial execution." We hear a lot about inclusion and participative leadership, but how often are they effectively applied? Xilinx performance demonstrates that it works.

In the midst of this second round of cost reductions, Xilinx employees completed their third Best Companies survey. Peg confessed she had second thoughts when she took the steps to participate. "Am I crazy to do this *now*?!" Even she seemed pleasantly surprised that Xilinx became the top publicly-traded company on the list, but her pride in the company, its employees, and its leadership is well-founded. "It's about values," she says. Peg shared that when managers were hiring during the growth years, "we were looking for the fundamental character of individuals – do they embody and embrace our

values?” Xilinx employees refer to their values as CREATIVE, an acronym that stands for “Customer focus, Respect, Excellence, Accountability, Teamwork, Integrity, Very open communication, and Enjoying our work.”

Xilinx's consistent ranking as a great place to work should not overshadow their performance as an organization. The commitment to values and protection of its true assets (people) through tough times proves that a company can be “lean and humane”, as Peg puts it, instead of lean and mean to improve the bottom line. It was a good business principle to uphold; one that translates into expanding market share simply because Xilinx engineers are still around – focused on their work and continuously innovating – for the long term. Values are for the long-term. Another example – when FY2003 revenue increased, Xilinx held to its values and guiding principles. Remembering the sacrifices of its workforce when times were tough, as times got better, the company began to reinstate pay it had taken away. Loyalty *can* live in a high-tech company!

As the interview came to a close, I asked Peg if Xilinx planned to participate in the 2004 survey. She wasn't sure; expressing the same concerns she had the year before. I thanked her for the interview and shared my opinion that such loyalty doesn't go away. I'm finishing up this article a year later, inspired by Xilinx's appearance in the top 10 of the Fortune 50 Best for the fourth year in a row. Though I've told the story to my management students many times over, the example Xilinx sets never ceases to amaze the people that hear it. Xilinx is living their vision and I'm hoping more people will spread the good news.

Anonymous. (2002, March 2002). *Xilinx: Corporate Backgrounder*, [website].

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Senge, P. M. (1990). *The fifth discipline: The art & practice of the learning organization*. New York: Doubleday.