Critical Analysis on 'Stringent People Management' at Cypress Semiconductor: A Case Study Approach

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Abstract

A company is known by its employees. Every organization recruits committed and loyal employees. In these days of outsourcing, downsizing and limited advancement openings; employee loyalty is considered as a premium. A comprehensive and competitive Recruitment and Performance Strategy plays a lively part in the accomplishment of an organization's overall Mission, Vision, and Culture and aligns in the direction in which the system is running. The case of Cypress Semiconductor has been adapted from secondary roots, mainly Geocities website and case study of Stanford University and combined with the first hand experience of one of the authors' with Cypress Semiconductor for four years. The primary purpose of this theme is to express the authors' viewpoint on the people management style of Cypress Semiconductor being the portion of the organization.

Key words: Cypress Semiconductor, Recruitment Strategy, Performance Strategy

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Introduction

Every organization adopts distinct approaches towards achieving its goals. Human resource, being an important contributing factor, is embarked upon heavily. A company is known by its employees. In these days of outsourcing, downsizing and limited advancement and openings, employee loyalty is considered a premium. To derive the maximum yield from the employees, organizations tend to build an appropriate human resource strategy which is aligned with their overall mission and vision.

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The case deals with only the recruitment and performance processes of people management system of Cypress Semiconductor. It reflects one specific way adopted by an organization towards people centric processes. This review looks at the structure, find out what is working and make an honest and objective voice. The writers expressed their opinions along the Cypress people management after analyzing these practices of the troupe.

Every policy needs to be lined up with the culture of the organization and should evolve with the development of the organization. The process and policy framework needs a relook as per the changing needs of the organization. They have to evolve as the organization evolves.

Case of Cypress Semiconductor

Cypress is a $723 Million (2013) semiconductor firm located in San Jose. Founded in 1982 by T.J. Rodgers, the company manufactures high performance integrated circuits for highly cost-sensitive markets. T.J. Rodgers, CEO of Cypress Semiconductor, is a Stanford PhD, who has been working in the semiconductor business since 1973. Rodgers has a 'take-no-prisoners' approach on corporate success.

TJ (as he is 'fondly' addressed) is considered as one of Silicon Valley's toughest bosses. Describing himself as 'tough, but not mean', TJ questions all rationalizations. All Cypress new hires have to undergo an extensive training session on 'How to Ask and Answer Questions the Cypress way!" In his office is hung a license plate holder, that reads, "Cypress: We eat nails." Another sign reads, "Be Realistic, Demand the Impossible." TJ has also authored a book, aptly titled, 'No Excuses Management'.

TJ has been labelled "brash, brilliant, charismatic, and an egomaniac." TJ once distributed profit-sharing money in gold coins, guarded by uniformed security guards armed with assault rifles. Among his goals, was rewarding employees with four big parties a year, where he rented movie houses for employees and their families to watch world premieres, and with his usual panache for the dramatic, gave away a brand new, fully loaded SUV's. T.J. Rodgers, CEO of Cypress Semiconductor in Silicon Valley referred his company's people management style as 'No excuses management'.

Recruitment at Cypress

Cypress views, recruitment as one of the cornerstones of success, and has evolved a highly streamlined approach to recruitment.   There are only a handful people in the company who are authorized to extend job offers.   HR maintains a database of resumes, but plays no role in evaluating them. Prospective employees do not meet HR until after they are hired and need to fill out insurance forms.

The underlying policy surrounding the recruitment process reflects Cypress' corporate culture as a whole:

- It's tough: Cypress follows the tactic of making a job seem more desirable by making it incredibly difficult to get hired. After four technical interviews, there is what is called the 'wolf-pack' session. Here the candidate is grilled for 45 minutes while standing at a blackboard, while the interviewers strive to 'create emotion' in the candidate.
- It's fast: In the semiconductor industry, effectively addressing 99% of problems, guarantees failure. To ensure that Cypress recruits the best, TJ has developed the idea of a "raiding party." Compared to a SWAT-team attack, this tactic targets engineers and managers of a particular company, and hires their ten very best people. Cypress 'attacked' Mostek in Dallas, TI in Houston, Motorola in Austin, Inmos in Colorado Springs, Intel in Phoenix, and left with the cream of the crop.
- It's structured: The entire recruitment process is documented in a 'hiring book', which contains checklists, reference checks, etc. Based on this hiring book, the recruitment process is consistently revised and refined. The candidate fills out a "career path questionnaire" which weeds out characteristics which are out of character with Cypress' culture.
- It's aggressive: The offer letter is ready for signature at the final interview. If the candidate is unsure, a senior Cypress executive may even visit the candidate's house, to chat up the spouse, and convinces the candidate to join.

Controlling Headcount at Cypress

TJ said "Being a 'tough' boss is not about sending people to the unemployment line during hard times, but maintaining disciplined hiring during good times." TJ demands that all managers maintain lean recruitment practices. Managers negotiate and justify headcount increases directly with productivity increases, which are tied in to their goals.

Cypress has a highly regulated way of punishing sub-par performance, such as a 'Killer Software' that cuts off an employee's paycheck when a goal is missed. Rodgers himself has been a victim of the killer software.

Performance Management

Avoiding the "flaw of averages"

All of the 3,600 employees have specific goals and completion dates, assigned to them. These commitments, organized by project and task are fed into a central database. Cypress workweek ends on Monday. On Tuesday morning all managers receive a listing of their, and their subordinates' new and pending goals. These reports are used to work out overloads and conflicts and to organize the work.

Cypress follows the drill-down goal setting. Senior management goals are assigned to various subordinate managers lower down the value chain. Any manager can drill-down on his/her specific goal, to the subordinate level responsible for that goal, and get status updates. Cypress has a custom software application to assist managers with goal monitoring and compensation management. The software is intended to assist the manager in weeding out subpar performers, and smoothing out benefit allocation. This system is designed to maximize accountability and minimize surprises. It prioritizes and extends clarity on who is to do what and when, and what is the minimum expected outcome. It resolves the conflict between the urgent and the important.

TJ had previously implemented a similar project tracking system using a simple whiteboard. The magnitude of tracking and monitoring goals of 3,600 employees has made the use of technology, inevitable. With just a few keystrokes TJ can use the system to find out not only about projects, but about whether managers and vice presidents are keeping their organizations on track. Rodgers credits the performance management system for Cypress' low turnover, which is half of industry average.

Performance Compensation

Cypress believes that merit and equity must remain distinct. Based on the organization making its numbers, every employee within Cypress, from CEO to the operator on the test floor, receives exactly the same bonus amount. In addition, key project contributors receive additional merit bonuses.

Annual salary revisions are based on 360˚ appraisals and forced-choice comparisons based on an individuals', compared to his/her peer groups. Based on these rankings, the total amount allocated to the department or project is apportioned. The ideal result is for 2/3rd employees to get above average raises, while 10% get a "solid citizen" raise. The software application ensures a maximum spread of raises and flags out-of-line or arbitrary increases.

In addition to increments and bonuses, Cypress also grant Stock Option to reward future potential. One million stock options are granted per year. These options vest over a period of four years, and 'employee indispensability' and 'fair market value of the invested option amount related to an employees' long-term potential', are critical deciding factors.

Cypress also has an Employee Stock Purchase Program (ESOP), where employees can set aside 10% of their salary to purchase Cypress stock, at a designated price which is 15% lesser that the market price.

Experts' Critique

We see what we want to see. The same thing is seen and interpreted differently by the wisest too. In the case of Cypress, different experts will see the working of Cypress differently and interpret as per their own perceptual distortions. There is always a view and a counter view. It is an unending cycle of thesis, antithesis and synthesis. The authors have given their views on Cypress asunder.

People Systems

In the contemporary 'dog eat dog' turbulent business world of today, this kind of HR processes and methods gives us a deep insight into the tools and techniques used by business leaders to achieve the challenging and difficult goal of corporations to survive and grow.

At the first glance Cypress appears to be a draconian company, run on military culture of 'do or die'. Is running big business akin to fighting a grim war with the adversaries to stay ahead & maintain its market share? So it appears.

Cypress HR/Recruitment process seems to be impeccable, flawless. They produce results. When the going gets tough, the tough need to get going. Cypress is a tough work horse. Comparing the tough and demanding processes & methods of Cypress with any military operation, running a business successfully comes out to be

more challenging than winning a bitterly fought war. The common phrase used often in civil world is to do on a 'war footing'. We imagine, the military should now say, 'do it on a Cypress footing'. The mantle of credit of course goes to its CEO, T. J. Rodgers.

However, there is a big difference.

Every war has to end some day. Peacetime comes when soldiers go back to barracks to take it a bit easy. Is this peace time 'ease' available to the soldiers of Cypress? I do not think so.

"The road to run a successful large business is always under a state of construction".

We have few reservations on the Cypress model of running its business. Since there is no peace time for Cypress soldiers, in a manner of speaking, unlike the military men, "Can such a demanding, brutal culture run uninterrupted for an endless number of years & decades? Is it humanly possible?

Is the Cypress model only path to survival and growth of business? Can't it be humanized and mellowed to take into account a bit of under or average performers? Are there any alternative paths?

T. J. Rodgers would say 'NO'. He saw the demise of his old company who tried to follow the more human alternative path.

Every best method gets rusty over time. Some aberrations are bound to creep in the culture. Cypress needs to be a learning organization.

"Learning is not repeating your past mistakes"

We feel business leaders need to continually experiment with newer and better methods that would be more humane to maintain the level of efficiency, economy, productivity and effectiveness that comes from following the present path of Cypress. Business deals with humans who, unlike machines are subjected to mood swings and cycles. Business leaders need to look for a less regressive culture than what is in Cypress.

Since its founding in 1982, Cypress was forced to change its business model; Cypress have migrated away from commodity-type chips to a producer of niche semiconductors for specialized applications. Is it a matter of time before Cypress re-invents its 'people model'?

The business world is everywhere same. Despite cultural differences, core values of business are everywhere same, i.e. to remain competitive, that comes through being efficient, economical, productive and effective. Cypress model would be equally effective in India or China. "What is good for the goose is good for the gander."

Performance Management

True to its military style 'do or die' culture, Performance Management system of Cypress is tough and fast moving - with an overbearing six sigma, zero error approach to every problem, major, minor and trivial. In a semiconductor business like Cypress, problems come at 100 miles an hour from every direction, and like Israel's paradigm of 'defeat is death', there is no scope for anything in Cypress to be other than the best.

The Cypress Performance Management system is highly technical that is implemented with the help of impeccable software that takes care of compensation packages which rewards merit and takes care of the principle of equity. The software is highly complex and complicated, but can be implemented in a matter of hours for any group of people. The USP of Cypress Performance Management software is that it takes into account highly motivated outcomes, above average and outstanding performances and recommends pay rises accordingly. However, extreme pay raises are moderated to keep the skew less between the lowest and the highest pay with a difference of not more than 25 times. The Performance Management system of Cypress is highly appreciable.

Cypress aims, achieves and rewards successes, especially outstanding ones. Failure has no place in Cypress environment. However, failure has a way of creeping into our lives and systems, be it a large corporation or a normal person's life.

Cypress management should remember that every failure is a deferred success. We need to learn from our failures. Learning is not repeating the past mistakes. Cypress follows the culture of Marines, Navy seals of the US army and navy.

Failure is never a problem in the long run. Success is. Every success creates its own vicious cycle leading to failures. Every 'upward swing' has to follow by a 'downward swing'. That is the law of nature. It is inherent in business cycles. Success brings growth that leads to more work that leads to more people, requiring different

and more efficient systems to manage that scale of operation and with it come many turns that bring the eventual collapse of business giants.

Failure leads to experience while success leads to arrogance, be it an individual or a business corporation. Success fosters a 'taken for granted' attitude for existing processes.

A little spirituality needs to be invoked in the world of business as is aptly stated by this English phrase, "Man proposes; God disposes". & "Man plans, God laughs".

The Indian business scene is no different from US business scenario of Cypress. Any business anywhere has to remain competitive to survive and grow. Indian business is no different. The road to being competitive lies in being more efficient, more economical without compromising the quality, higher productivity and being effective holistically. Cypress model of business is an exemplary model of business for Indian business.

Conclusions

Despite the differences of opinion of different experts on the efficacy and usefulness of the Cypress model of recruitment and performance appraisal processes, all good things always come to an end. This is the universal law of nature. Like the universe, the contemporary turbulent business world is always in a state of motion and the only way to cope up and manage such changes is continuous rediscovering and reinventing everything. The final solution is to give a fresh and closer look at any process as often as possible. The authors expressed their personal viewpoints on the 'no excuses management' of Cypress Semiconductor as expressed by T. J. Rodgers himself. Readers might share a different opinion from that of the authors. Such views are always welcome as it gives a wider perspective of thoughts and opportunity to develop. The questions cited by the authors at the end might guide in channelizing the readers' take on Cypress's Systems**.**

Questions

   i.   Do the people management system Cypress help them to attract and retain the talented people they are looking for?
   ii. Does the people management system getting profit to the company which they target?
   iii. Can the company adhere to this system in the changing environment?
   iv. Do you suggest any change to the current system of the company?

       v.   Can the system be replicated to other companies as well?

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The case has been developed combining data from published sources as well as personal experience of one of the authors' as an employee of Cypress Semiconductor for four years.

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