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Leading the Pack

If technology is driving change, who are the change leaders, and of these who are just celebrity CEOs? Elizabeth Howard interviews T.J Rogers about the future role of the CEO

Telecoms and the technology industry have the bandwidth to change the world, and to set standards for how the corporation will be managed moving forward. The dynamic, young entrepreneurs who created Silicon Valley and shook down IBM, AT&T and Xerox are designing the technology and creating the entities that are redefining the way business operates.

Who will provide the leadership?

The names Bill Gates and Steven Jobs spring to mind. Yet, are they really leaders or celebrity CEO's? Talk with someone in the industry and the name at the top of the list is Andy Grove. Sift through the business pages or scan the news-stands and the man of the moment is Michael Armstrong of AT&T.

True leadership is speaking out for what you believe in and setting new boundaries. T. J. Rodgers, the president and CEO of Cypress Semiconductor Corporation, is probably one of the most outspoken CEOs in the United States today. His positions create controversy and crossfire on the front pages of newspapers and in opinion editorials. He thinks in ways that probably reflect how most CEO's feel but are too afraid, actually too terrified, to say, because of potential retribution from the media, their board of directors, their investors and their employees. And, while T.J. Rodgers may not be a consensus and team builder, he may be writing the agenda for the CEOs of the twenty-first century.

EH: When you responded to a letter from Sister Doris of the Sisters of St. Francis of Philadelphia questioning the diversity on

TJR: There are a three reasons. One is the fear of backlash. For example, when I spoke out against Reverend Jesse Jackson, many of the people inside my company thought that I should not take on a national figure like him because of the potential for counterattack – and Jesse Jackson's colleagues did in fact put out a press release attacking the Cypress employee pool. In our case, the attack was completely unfounded and they were the ones who lost the credibility.

So while the up side to speaking out is that you are taking a stand on what you believe in, the down side can be huge. Many CEOs, particularly those in companies that are not doing very well, simply do not want to stand in the line of fire.

Another reason is, in general, CEOs don't appreciate the economic system we live under. I don't think the large body of CEOs understand freedom and capitalism on an intellectual and philosophical basis. That's why they don't have a visceral reaction to an attack on a system that is the very underpinning of what makes them prosperous in a free-market economy.

The third reason is that there are two types of CEOs in the world. One is the prototype Silicon Valley, entrepreneur CEO who is not interested in politics, not interested in lobbying but competes in the marketplace and creates something new and better to make his company more competitive. The other is the statist CEO who gets his or her power from the state. The mentality between these two types of CEOs is very different – while an entrepreneur CEO built something from nothing, the statist CEO moved slowly up the hierarchy by not stepping on the wrong toes. So a lot of CEOs,

WHILE AN ENTREPRENEUR CEO BUILT SOMETHING FROM NOTHING, THE STATIST CEO MOVED SLOWLY UP THE HIERARCHY BY NOT STEPPING ON THE WRONG TOES

the Cypress Board of Directors, your response generated a front page article in the Wall Street Journal. Most recently you have taken on Reverend Jesse Jackson in an editorial, 'The color of the valley' published in San Jose Mercury News, when Reverend Jackson accused Silicon Valley of having a 'digital divide' that locks out 'many black and brown professionals.' There are no other CEOs who would have had the courage to respond as you have. Why are they so afraid?

belonging to this latter category, would rather work the angles of the system instead of defending the principles that created their wealth.

EH: It has been said that the lobbying efforts in Washington by Silicon Valley technology companies, has been driven, in part, by the anti-trust suit being brought against Microsoft. Why did it take so long? Do you believe in traditional lobbying?

TJR: I do not support traditional lobbying. Silicon Valley CEOs don't care about getting involved in government. I don't have a

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Start spreading the news – CEOs should not be afraid from the crossfire of being in the limelight



lobbying force. I ended my membership with the National Association of Manufacturers (NAM) when they tried to support price export subsidies, which is one of the worst forms of corporate welfare. I have always been against corporate welfare. I got 84 Silicon Valley CEOs to sign the 'Declaration of Independence to end Corporate Welfare.'

As for why Silicon Valley CEOs do not try to influence associations like NAM or the American Electronics Association? It is because they are from an old paradigm that is dying away.

The reason entrepreneurial companies are coming into preeminence in the country is because we stayed home working on our ideas, not wasting our time in Washington. The only way to get a Silicon Valley CEO to go to Washington is when Washington threatens to do something stupid or destructive – but we don't act in a politically proactive way.

EH: Apparel and sneaker companies have been under attack for human rights abuses in developing countries. The issues of using child labour, underpaying employees, not providing an environmentally safe working space, not providing adequate medical benefits, for example. To date, there have not been public protests about the operations of technology companies off shore. Are American-based technology companies developing Codes of Conduct, offering engineers in places like Bangalore equivalent stock option programs and equivalent salaries and benefits?

TJR: Cypress has operations in Bangalore; we have about a hundred employees there. We pay the prevailing wage plus a premium, provide working conditions that are

equivalent to US standards – and we give them stock as an incentive so they feel more like owners of the company rather than just employees. Taking into consideration the local wage structure, engineers there look like they are being employed here.

Companies treat people in a market way. There is an established norm – and the norm and accommodations of an employee that ►

WHEN THE HUNDREDS OF COMPANIES FULL OF EMPLOYEES WHO ARE INTELLIGENT, ARTICULATE AND ENERGETIC, START TO BECOME A SIGNIFICANT PART OF THE COMMUNITY – THEY’LL START DEMANDING CHANGE

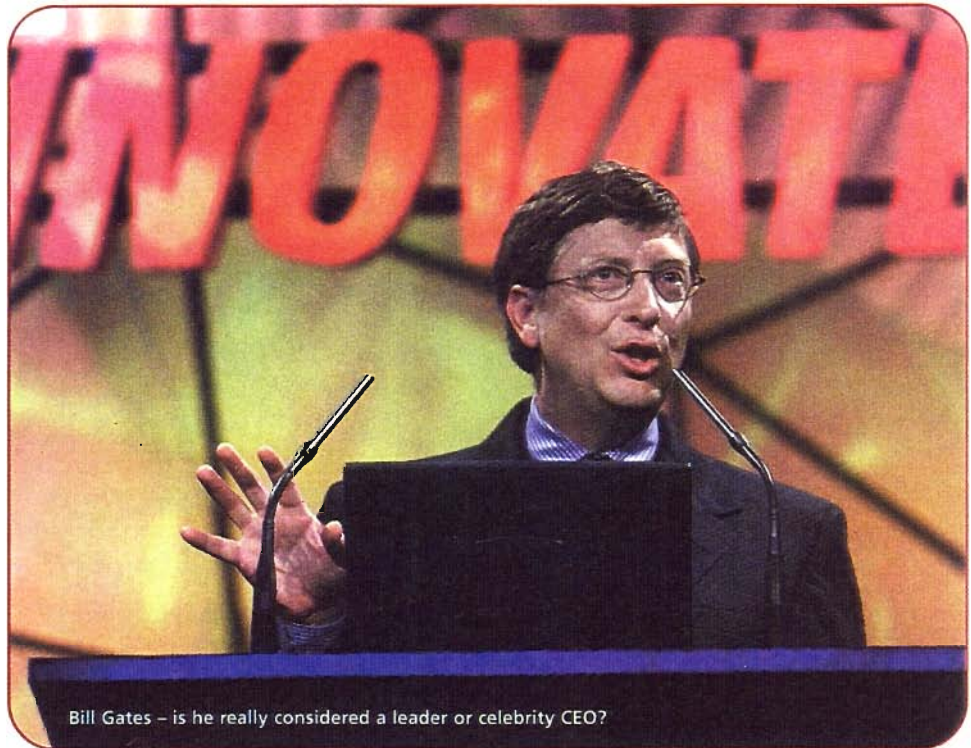
sews is different from an employee that designs integrated circuit chips. In the semiconductor business, workers are scarce around the world and companies have to attract workers with better wages and working conditions. I doubt people will become the scarcest commodity within the apparel industry. Despite the activist groups, the fact is people will buy the cheapest product of the quality and style they want. And any company that pretends that cost doesn't matter and makes its expenses a lot higher will make itself uncompetitive and, in the long run, will probably lose out.

EH: Do you agree that technology is ahead of society's ability to integrate change? And what can be done to separate the haves from the have-nots?

TJR: Individual companies probably cannot make a difference in integrating social change because they do not specialize in that area. I can't win a debate against someone who is an expert in that area and I'm not going to learn all about that because it's not my job. But if you are looking at the bigger picture, I think in the long run, as this generation of companies and the people who work in them become more influential, they will change the world.

In our company, the concept of the learning curve – of getting better all the time – is completely embedded in our corporate philosophy. We force our human and capital efficiency to follow that curve. And that is happening more and more in this generation of companies. When the hundreds of companies full of employees who are intelligent, articulate and energetic, start to become a significant part of the community – they'll start demanding change.

Let's take education as an example. The average public school in California burns \$5,200 per student per year. The average private school in California, which routinely outperforms the average public schools, uses \$2,500 a year. As soon as the voters and school board members become like the people who work in Cypress Semiconductors, they'll put individual pressure on the system to become more efficient.



Bill Gates – is he really considered a leader or celebrity CEO?

I believe that as we empower employees by challenging them and then rewarding them for their efforts, they will expect and demand more from the system. So, am I going to ask Cypress employees to volunteer in schools or work to reform public education? No. Because I know that my employees will want the best schools for their children and they will work individually to raise the standards. That's what the free market system is all about. ■

T.J. Rodgers was a Sloan scholar at Dartmouth College, where he graduated as Salutatorian with a double major in physics and chemistry. He received his master's degree (1973) and Ph.D. (1975) in electrical engineering from Stanford University. In 1982, he founded Cypress Semiconductor Corporation, global supplier of high-performance integrated circuits. The company is headquartered in San Jose, California. T.J. Rodger's articles and his letter in response to Sister Doris can be found on the Cypress website: www.cypress.com

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