



CYPRESS SEMICONDUCTOR CORPORATION
Internal Correspondence

Date: August 19, 2016 **WW:** 3316
To: All Cypress Employees
Author: T.J. Rodgers
Author File#: TJR#1197
Subject: Goodbye
cc: BoD, Jim Collins, Larry Sonsini

It's 2:30 in the afternoon on August 17, my last official day at Cypress. After packing my stuff, I realized there were goodbyes to write. So, this won't be a typical "TJ memo," revised 10 times, logical and filled with fact-checked data; it will be more stream-of-consciousness in style.

In a way, writing this memo is like talking to your wife of 34 years, while she's on her deathbed. What do you say? I've enjoyed being with you? We've done a lot of good things together? There are really no appropriate words.

But, perhaps there are. In the 1970 movie *Patton*, as the General leaves his command, he says, "Gentlemen, all good things must come to an end. And the best thing that has happened to me in my life has been the honor and privilege of commanding the 3rd Army. Goodbye, and God bless you." This is the way I feel about Cypress.

We have a lot to be proud of. Cypress was founded in December 1982, when there were 59 publically traded American chip companies. Today, only 15 of them are left—and we are one of the 15. That statement applies to every Cypress employee, whether you came from old Cypress, Spansion, Fujitsu, Broadcom or Ramtron. Each of us has made it in the industry for a long time; we all now fight together under one flag; and we're all still around because we've earned the right to be. In an industry where corporate death is more common than life, we've had more than our fair share of victories. Indeed, the future for Cypress is as bright today as it has ever been—and we've created that opportunity.

1983 US Semiconductor Ranking

(with revenue and founding date)



1. Motorola ('52)	\$1,647	26. Allegro	\$55	51. SEEQ	\$9
2. TI ('53)	\$1,638	27. Precision	\$50	52. Applied Micro	\$7
3. National ('67)	\$914	28. Western Digital	\$47	53. Linear Tech	\$4
4. Intel ('68)	\$775	29. STD Micro	\$42	54. Exar	\$0
5. AMD ('69)	\$505	30. VLSI Tech	\$36	55. Mitel Semi	\$0
6. Fairchild ('57)	\$455	31. Solid State	\$33	56. IMI	\$0
7. Mostek	\$315	32. Solitron Dev	\$33	57. Holt	\$0
8. RCA	\$297	33. LSI Logic	\$32	58. Universal	\$0
9. Gen Semi	\$241	34. Silicon Sys	\$28	59. Cypress	\$0
10. ITT	\$185	35. VQSI	\$27		
11. Intersil	\$171	36. Interdesign	\$25	Only 15/59 alive today.	
12. Analog	\$145	37. Hughes	\$25		
13. Monolithic Mem.	\$131	38. Micron	\$24		
14. Agilent	\$130	39. Honeywell	\$24		
15. TRW	\$118	40. Teledyne	\$22		
16. GE Semi	\$115	41. Burr-Brown	\$20		
17. Synertek	\$96	42. Micro Power	\$19		
18. IR	\$84	43. GTE Micro	\$19		
19. Unitrode	\$81	44. Acrian	\$18		
20. Symbios	\$75	45. Xicor	\$16		
21. Siliconix	\$70	46. IMP	\$16		
22. Zilog	\$70	47. Cherry Semi	\$13		
23. Raytheon	\$65	48. IDT	\$10		
24. Westinghouse	\$58	49. Appian Tech	\$10		
25. Conexant	\$57	50. Supertex	\$10		

TJR

COMPANY MEETING 04/28/16 – CYPRESS CONFIDENTIAL

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I didn't take my first course in electronics until I was a senior in college. At that time, memories had only 16 bits and logic chips typically contained a few simple gates, but I was still amazed with the complexities and possibilities of integrated electronics. Today, we make a dazzling array of memories with up to eight billion bits, and logic chips with computers on them so powerful that in 1970, they would have required a whole rack of electronics to implement and been considered supercomputers. Our industry's amazing rate of progress is the primary reason why there have been so many corporate casualties. When a company's products become obsolescent every two years, just one slip-up combined with a recession is enough to do it in.

But it is just that confluence of complex things, smart people and danger that makes our industry so exciting. The whole world knows about Silicon Valley. Much of it aspires to become like us—Silicon Mountain or Silicon Prairie—but they will not make it. We live in a unique place where it all comes together: social and economic freedom, great universities, smart people, smart money and most importantly, the rule of meritocracy. At least one of those critical factors is lacking in every other would-be Silicon Valley, even in Taiwan which has the second most important chip industry.

In my final company meeting, I focused on several actions that needed to be taken. If my advice is followed, it will improve the company—but new problems will come along. I also talked about business processes, how we do our work, and suggested some improvements there, as well. But the kind of advice that lasts for the long haul cannot be about actions to take

or even efficient processes by which they can be done. The long-haul is governed by bigger and more fundamental things—like who you are and what you stand for.

In some poor countries, there are not enough wells to serve humans, let alone to water crops. The cause of this problem is that no one is guaranteed to get the water from a well that took months to dig by hand. To solve this problem, having the societal Core Value of property rights would create broad wealth and well-being by incentivizing individuals to dig wells. In general, good Core Values in a society enable it to create the wealth that President John F. Kennedy likened to “a rising tide that lifts all boats.” In his case, Kennedy made a huge tax cut that took some economic control away from the government and left it with individuals—in a way, leaving people with money to dig wells—a change that led to a major period of prosperity.

I first learned about the immense influence that Core Values have on companies by reading the extraordinary paper “Organizational Visions and Visionary Organizations,” written by Jim Collins and Jerry Porras, before they became famous for writing the seminal business book *Built to Last* (email FLM for a copy of either).

Built to Last showed why certain companies lasted for 100 years, while other companies perished during their first big recession. Why did Boeing prosper, while MacDonald-Douglas was acquired? Why is General Electric a 124-year-old powerhouse and Westinghouse an afterthought? Why is IBM still a stalwart, while Burrows is no longer with us? One important answer to these questions is their excellent “Core Values,” the common set of beliefs held by most employees in any company. These values have much more to do with corporate longevity than any other attribute. There’s even a section in *Built to Last* titled “The Myth of the Charismatic Leader,” in which the authors show that Core Values are more critical in determining corporate longevity.

I first worked with Collins and Porras on Cypress’s Core Values in 1992, after we had hired large groups of employees from other companies, causing Cypress to become an incoherent patchwork of different cultures. Core Values are not what management tells employees they want. They are what employees believe. Obviously, as a long-term CEO, I have shaped our Core Values greatly by picking the EVPs and approving the promotions of managers who believed in our Core Values.

Core Values determine a company’s DNA. For example, top universities have a Core Value of admitting smart people, combined with admission practices to achieve that result. Thus, you will find a lot of smart people at Harvard. Similar selection processes can be used in companies to influence other cultural attributes, such as honesty or having a quality mindset.

Cypress’s Core Values are—what a surprise—specified. I wrote the Core Values in 1992 and have revised them many times since. The Core Values were created during a nine-month period in which I traveled to Cypress sites and asked the basic question: “What makes Cypress different from your last company?” Obviously the answers to an open-ended question like that differ very dramatically depending upon site, function, and the local attitudes about corporations. Nonetheless, after recording thousands of answers to the question in dozens of meetings, I was able to assemble a list of 23 Core Values that represented the commonly held beliefs of most Cypress employees.

My favorites among our 23 Core Values are as follows:

- We are smart, tough and work hard.
- We tell the truth and don't make excuses.
- We value knowledge, logic and reason.
- We admit to and solve problems quickly.
- We deplore politicians.
- We "do what's right for Cypress."
- We are loyal and fair to Cypress people.
- Our standard is zero defects. (A Core Value added to the list more than a decade later, when this basic tenet of quality finally became a common belief at Cypress.)

I believe our Core Values, more than anything else, have kept us alive and well, while three-quarters of 1983's U.S. semiconductor companies have perished.

We are not perfect and sometimes violate our own Core Values. I know of situations in which some employees have not been loyal to the company and, unfortunately, times when the company treated an employee unfairly. I have been in meetings where I have been told things that I knew were not true, typically by a person who cared more about his image than about the company. We sometimes allow products to be manufactured that are more defective than they could be if we cared more about quality. But, in general, our employees try to do what's best for the company.

"Doing what's right for Cypress" is more important to you than just making your contribution to the company's prosperity. There is something fundamentally rewarding about going home at night, knowing that you have done something no one else but you could do. "Burnout" happens when people work hard but don't get satisfaction from making accomplishments. The opposite is also true. You can work very hard and find it exhilarating, especially when you achieve objectives that you thought were beyond your capabilities. We do this all the time. How else could we stay around for 34 years, making amazing integrated circuits for just \$1.25 each at the rate of *four million units per day* with part-per-million quality levels?

I have always introduced new employees at company meetings, and always introduce first those who left Cypress and returned. These returnees left Cypress perhaps because of pay or an exciting job offer or even because they found me abrasive, but they returned because—in the end—they enjoyed the non-political, fast-paced environment full of smart people with good values—which they did not find elsewhere. In the case of legacy-Cypress, as of my final company meeting, 1,000 of our 3,200 employees had left and returned to the company—that's 31% of the total workforce. That's extraordinary.

And Cypress has been the best thing that has happened to me in my life—I even met my wife, Valeta, at Cypress and got married to her at the 2008 Cypress Christmas Party.



TJR (to be TJR@tjrogers.com starting 9/1/16)

P.S. I've just revised my resume, also a nice mini-history of Cypress. It's attached.