Managing in Difficult Times

It takes more than technology to survive and flourish in this current economic slowdown.

by Wim Roelandts
CEO, Xilinx

We are facing some of the most difficult c h a l l e n g e s our industry has ever encountered. Yet, in spite of the current economic slowdown, Xilinx remains strong and we are very optimistic about the future. We continue to aggressively develop the next generation of programmable logic technology and to provide the industry's most comprehensive design solutions for both high-performance and low-cost applications. This year we will introduce more new products than ever before – our rate of innovation has not slowed.

In addition to our new products, we continue to develop new ways to help you succeed. For example, our eSP website provides a wealth of current information to help you create designs based on emerging Standards and Protocols – developing products for the home networking market has never been easier. We also hosted the highly successful Terabit Networking Forum, which provided much needed insight into the future of high-speed networking. These innovative marketing efforts, combined with the advantages of our technology, are the reason why the programmable logic sector of the semiconductor market consistently grows faster than other alternatives.

Even in these difficult times, when our revenues have been significantly reduced, Xilinx continues to be a profitable technology leader, as well as a great place to work.

The Xilinx Way

Xilinx is able to weather this current economic storm better than most companies, while continuing to bring unprecedented innovation to market, because of four primary factors:

• Our management philosophy

• Our company structure

• Our people

• Our technology.

The Xilinx Management Philosophy

I left Hewlett Packard in 1996, after 29 years of service, to become the CEO of Xilinx. I chose Xilinx, because one of my goals is to create a new, enduring style of management that other companies will want to copy. I believe that great companies treat people with respect – and also win in the market – by using creativity, innovation, and the common wisdom of all employees to make all of our jobs enjoyable and rewarding.

In Xilinx, I saw the potential to help create a company that would be a technology leader and a financial success, while also being an excellent place to work. I believed Xilinx could be a company that would one day become great – not just financially successful – and we are well on our way.

I follow four basic management principles that help to make Xilinx a great place to work while also creating an environment in which new technology can flourish:

• People want to be part of a supportive team. We all do our best in a supportive team environment. And, because we spend a large part of our time at work, it is very important that we enjoy our work. At Xilinx, everyone is respected and given plenty of opportunity to succeed. We provide both technical and management career paths so all employees can go as far as they choose.

• People want to do a good job and to contribute. We all want our contributions to be recognized, and we want to be proud of the work we do. Therefore, it's important to provide work that is interesting and exciting, and to let people make their own decisions whenever possible. This requires a lot of communication, so everyone understands our common goals and overall business conditions.

• People want to grow and improve. We all want to be better employees tomorrow than we are today. So, at Xilinx, we encourage all employees to continually learn, and we give them plenty of opportunities to do so.

• People want to have ownership. We all want to share in the responsibilities and rewards of success. As owners of the company, we will do a better job and have a more positive attitude. At Xilinx, everyone gets stock options when they join the company, and they also have an opportunity to participate in further ownership through the company's stock purchase plans.

The end result is that you get better products and services, and you get to work with highly skilled and motivated people who enjoy what they do.

The Xilinx Company Structure

We focus on the core business functions that are necessary for our success – design, marketing, and technical support. We leave the two most expensive operations – sales and manufacturing – to our business partners.

Because we outsource these functions, we don't have to worry about keeping a manufacturing facility busy, or worry about financing a large sales force during slow business cycles. Thus, we can focus all of our resources on bringing more innovation to market, while keeping our expenses at a minimum. This is one of the key reasons why we have been able to avoid layoffs at this time, even though our revenues are down by more than 50 percent.

By staying focused on our core functions, and maintaining a full workforce, we are able to keep producing the products and services you need to keep your business running smoothly.

The Xilinx People

Managing innovation is not difficult – just hire the best people and allow them to rock the boat and make some mistakes as they "push the envelope." What I've done at Xilinx is to create an environment and a management structure where people are encouraged to be creative and take risks; a place where decision making is fast and people feel they can contribute their best. As a result, our company has attracted the best people, we have consistently created the industry's most advanced products, and we have gained significant market share.

We describe ourselves as "competitors with heart" – that's part of the unique culture that we've created at Xilinx. Our employee attrition rate is a very low 5 percent, while other Silicon Valley companies average about 20 percent or more. In addition, we are among Fortune's "100 Best Companies To Work For" – an honor based largely on the reports from our employees. Our success demonstrates that you can build a company that is very aggressive in technology, and the first to market, while treating employees with respect.

When you choose Xilinx, you are not just buying the best devices, software, and services; you are also choosing a worthy partner. You'll find that Xilinx people are not only capable and friendly, we are also dedicated to your success – because we succeed together or not at all.

The Xilinx Technology

Most companies are lucky to be the best at one technology. However, due to the rigorous requirements of programmable logic, we must master both silicon and software – and in our industry, Xilinx is the recognized leader in both. We are producing some of

the most advanced silicon in the world, and our software teams are advancing the state of the art with device programming tools and intellectual property (cores). We are achieving dramatic results on all fronts.

For example, five years ago our biggest device had 50,000 system gates, and was running at a clock rate of 20 MHz. Today, we are delivering devices with more than 6,000,000 system gates, running at a clock rate of over 200 MHz. Devices with 10,000,000 system gates, running faster than 300 MHz are on the horizon, and our technology plan calls for devices with over 50,000,000 system gates in the next few years. This is tremendous progress by anyone's standards.

While many people think of Xilinx as primarily a chip manufacturer, in fact more than half of our technical employees are software engineers. Each time we double the density of our devices, our software must also double in speed to keep your productivity high. A few years ago it took our tools about 60 minutes to compile a 10,000 system gate design. With the latest 4.1i release of our software, it takes only 30 minutes to compile a 1,000,000 system gate design – giving you a huge improvement in your productivity. Our goal is to continue to increase the efficiency of our software tools by at least 50 percent a year.

We can make this kind of progress because we have developed a tightly coupled product development system where different teams create silicon, software, and intellectual property in coordination. In each discipline alone, we could never have achieved these breakthroughs.

You can be assured that all of our devices, our software, and our intellectual property will give you the best possible performance, because they were all designed, from the beginning, to work together.

Conclusion

When I joined Xilinx, programmable logic technology was still in its infancy, but I realized it was going to have a very bright future. Today programmable logic is one of the fastest growing segments of the semiconductor business, and it's growing faster than the overall semiconductor market.

I expect Xilinx growth to continue at an average of 30 percent per year for the next several years. And in an odd way, we are actually benefiting from the current economic slowdown because programmable logic provides a cost-effective, flexible alternative to ASICs. As a result, we are gaining many new customers. We previously expected to be a $5 billion company by the year 2003, and now it will take a little longer. Yet, I'm still confident we will achieve that goal.

Xilinx is truly unique company. Because of our values, our trust, and our confidence in each other, we can get through these tough times and emerge stronger than before.