

# Chapter 1

## An Extraordinary Environment

### ■ IN THE BEGINNING—THE SILICON VALLEY CULTURE

The microchip created Silicon Valley—and gave it its name. Before chip technology began paying off in the late 1970s, there was no Silicon Valley because there was no mass-market, high-tech electronics industry. But once micro-processing became economically available to everyone, Silicon Valley literally burst into life like an exploding star. It is still expanding at something approaching Big Bang velocity today.

Like Hollywood, the name *Silicon Valley* means both the place and the industry. Geographically, it comprises a narrow ribbon of land, about 80 miles long and 15 to 20 miles wide, that runs southeast down the contours of the Santa Clara Valley from San Francisco Bay to Gilroy. The Valley's total area is less than 1,500 square miles; before the microchip, most of it was farm and orchard land, with rela-

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tively modest population centers located in cities like San Mateo, Palo Alto, Sunnyvale, and San Jose. Not anymore. The farms and the orchards are gone now. Today, that pleasant stretch of land has become home to some 6,000 high-tech corporations employing nearly 1.5 million people whose combined efforts in 1997 produced sales figures of just under \$200 billion! In less than 25 years, Silicon Valley has transformed itself from a rural backwater into the headquarters of the fastest growing industry in the world—an industry that last year contributed roughly 30 percent of the growth in America's gross domestic product, adding more than \$1.1 trillion to national output since 1996. Not bad for an industry based on a little piece of plastic less than half the size of a credit card.

Like painters heading for Paris in the nineteenth century, or filmmakers converging on Hollywood in the twentieth, most of the high-tech buccaneers in the 1980s and 1990s saw Silicon Valley as the place to be. That's where the new ideas were. That's where the best new people were. That's where the venture capital was gravitating. That, in boffin-speak, was where the high-tech dreams were coming true.

"Where else would I go?" one of Intel's senior project managers said to me recently. "I came out of Princeton with a Ph.D. in physics in 1983, looked around for about five minutes, and headed straight for the Valley. Easiest decision I ever made. And the best."

What draws people to the Valley is the way business is done there and the way talented employees are treated. Tales of Silicon Valley culture began hitting the newspapers back in the early 1980s. And as the culture matured and defined its values more clearly, the column inches praising its accomplishments grew in number, until today you'd be hard pressed to find a financial page or business magazine anywhere in the world that didn't include at least one article about the latest Valley triumph. Nor has "Valley culture" remained confined to the Valley. You can find it in technology corporations all over the country. High-tech is the leading private-sector employer in five states outside of California today, and the second-leading employer in fif-

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teen. But the culture's spread hasn't stopped there.<sup>1</sup> "Today," wrote Mark Simon in the *San Francisco Chronicle* last September, "there is a Silicon Valley in Bangalore, India, and another in Zelenograd, Russia." New York City calls its high-tech sector "Silicon Alley," and the Prairie States boast a whole collection of infotech establishments they've named "Silicorn Valley." "There's a Silicon Swamp in Florida, a Silicon Mesa in Arizona, a Silicon Gulch in Texas and even a Silicon Bog in Ireland," Simon wrote. "The Valley's growth is not just meteoric, it's metaphoric."

It's also logical. For just as information technology is transforming the world into one, vast, interconnected community, so the people who invent, produce, and sell that technology are turning their industry into one vast network of independent companies that are all striving to adopt "best practice" as a means of maintaining competitiveness. The model for that practice was created in Silicon Valley. Once companies outside the Valley began seeing how successful it was, the spread of this high-tech culture became inevitable.<sup>2</sup> "The geography didn't change," wrote high-tech pioneer Regis McKenna. "The concept of what Silicon Valley is changed. This stuff has no borders anymore. Silicon Valley has become a state of mind."

And it's all happened in the last twenty years.

### ■ THE CULTURAL DIFFERENCE

In his recently updated study of teamwork and the new corporate culture, business expert Geoffrey James highlights some of the specific differences that separate the high-technology philosophy from the management practices of older, traditional industries. He begins by equating the high-tech business world with an ecosystem rather than a battlefield; a landscape where success depends not upon the ability to march in step and obey orders, but to spot new possibilities, exploit small advantages, cooperate when necessary, and adapt quickly to changing situations. By the same token, James describes the people working within that ecosystem as communities of equally valued

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individuals rather than subservient cogs in a machine; people whose understanding of their roles within the whole actively encourages them to “enjoy contributing to their own success, the success of their peers, and the success of the community at large.” The effective management of such a work force depends not on controlling people’s behavior, as it did in the past, but on serving individual needs.<sup>3</sup> In high-tech companies, according to James, “a manager’s job is to set a direction and then to obtain the resources that employees need to get the job done. Management,” he asserts, “wants to lead, not run.”

Why? Because, as I tell my audiences, running people through a status-based, hierarchical chain of command is ponderous, alienating, and slow. It creates resentful, uncooperative work forces. It promotes “us and them” thinking. It discourages individual initiative and wastes human potential. Worst of all, because it is based on coercion and fear, it creates conservative, insecure employees who are constitutionally resistant to change. And change, as the industry understood from the outset, was going to be central to high-tech’s future development.

### ■ CHANGE OR DIE

No company, it was immediately seen, could afford to stand still. No high-tech leader, however far ahead of the competition, could simply rest on its laurels and expect to go on leading. “If you don’t change, you die” became a cornerstone of high-tech philosophy almost from the beginning. And it wasn’t just a theory. The new kids in the game had IBM’s unhappy lesson to draw on:

Throughout the 1960s and 1970s, IBM was the undisputed king of the minicomputer industry—a vast, traditionally structured organization renowned for its strong leadership, faithful employees, blockbuster capitalization, and cutting-edge technology that earned more money from computer-related sales each year than all of its competitors combined. Those competitors included the not-inconsequential likes of Univac, NCR, Data General, Digital, and Honeywell. When

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the microchip came along, effectively killing off the mini-computer industry, it was automatically assumed that IBM would simply shift gears and go right on leading the field. Only that didn't happen. By the early 1980s, IBM hadn't just lost market share to upstarts like Intel, Compaq, and Dell, it had lost the market entirely. In the darkest days, while new companies such as Microsoft, Apple, and Silicon Graphics were pulling in enormous profits, IBM was forced to lay off nearly half of its 400,000-strong work force. Share values tumbled, confidence evaporated, product disappeared from the shelves, customers defected en masse to the opposition. Until Louis Gerstner put IBM solidly back on top, the company floundered for a decade.

Lack of vision? Inadequate engineering know-how? Insufficient development capital? Failure to believe that microprocessing really was going to revolutionize computer technology forever? None of these reasons explain the disaster according to Mitchell Kertzman, CEO of software manufacturer Sybase: "IBM simply got too bureaucratic to be nimble when technology changed." The company had that strong, centralized, oligarchic culture, but as Kertzman rightly says, "It eventually worked against them when the market changed."

You must have agility, flexibility, rapid response, and the shortest possible turning radius—those were the lessons high-tech learned about company culture from IBM's mistakes. It is the difference between an ocean liner and a speedboat. The liner may look impressive, but then that iceberg suddenly appears...

"You don't want to get too proud of your accomplishments," one Valley executive told me. "You don't want to start thinking, 'Boy, we've got a great product here.' You always want to think, 'What's next? Where do we go tomorrow?' You actually want to look for change. And you want your company thinking the same way. You want to position your people so they can pack up and move at a moment's notice. If you don't, you're history."

Or as Scott Cook, co-founder of software giant Intuit put it: "How do we know if a process needs improving? The answer is: It always does."

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That was another lesson the high-tech industry learned early from Hewlett-Packard, one of the giants. H-P, despite its size, survived the microprocessing revolution because, unlike IBM, it was visionary enough to see what was coming and was flexible enough to respond immediately. Almost overnight, the company shifted focus from pre- to post-chip product, moving with barely a hitch from its traditional business machines and mini-mainframe computers into PCWs, printers, and workstation software. How did H-P do it? The company's (then) unique culture is the answer, and I'll explain that in more detail later on. But for the moment, staying with lessons learned, it is worth noting that H-P's executives pinpointed the next big frontier, turned the company around to face it, and then moved—immediately!

The ability to turn and move fast in pursuit of changing objectives depends crucially on company infrastructure and the company's philosophy. What high-tech has learned over the past twenty years is that if *success* equals *change*, then success is also dependent on the mobility, enthusiasm, and willing participation of every individual in the organization. If people aren't willing, they won't adapt to change. And if people won't (or can't) adapt, you're dead. Bottom line, keep the people happy. That's how the high-tech ecosystem works.

### ■ THE EIGHT COMMANDMENTS OF HIGH-TECH CULTURE

Eight basic articles of faith underlie the phenomenal success of high-tech companies. All of them, in one form or another, feature in the policy statements of the companies I researched. All of them are treated with the seriousness of Scripture by successful technology organizations today:

1. Egalitarianism
2. Freedom
3. Informality

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4. Trust
5. Responsibility
6. Teamwork
7. High performance
8. Fun

Together, these commandments form the building blocks of the human side of high-tech. In the workplace and out, the eight commandments are seen not merely as rules of conduct but as cultural mores. To violate them is to threaten the security and well-being of the whole corporation.

PeopleSoft, a company specializing in corporate and commercial software, was named last year as one of *Fortune* magazines Best 100 Companies to work for in America. Headquartered in Pleasanton, California, 20 miles east of the Valley, it is renowned for its culture. An article in *Fortune* reported on PeopleSoft's "easygoing work environment, free bagels, gourmet coffee, and casual dress.<sup>4</sup> The corporate rock band plays at pep rallies." In the same article, Dave Duffield was called by one employee "the coolest CEO any company ever had."

According to Dave Duffield, "Our true core competency is our culture. That's what attracts people and keeps them here. It also helps sell customers. Customers want to work with companies that are competent, trustworthy, and fun. Winners like winners."

Stu Kazin, senior VP of Worldwide Operations and Administration at Lotus Corporation, notes that "everything starts with the environment you are working in. We don't have blast furnaces here at Lotus. Our assets go home at night. And we want them to come back in the morning. So you have to create an environment where they'll do that. Culture is how you get the work done, how you do business."

Ron Krouk, manager, Change-Management and Diversity, at Lotus Corporation, agrees:

*The main thing that attracts people to Lotus is our corporate culture. We have an atmosphere of collegiality and teamwork. There's a nonhierarchical feel about the place,*

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*an informality. We have a daycare center, and you can see kids playing as you walk by. We pay a lot of attention to work-life balance, too, with programs like maternity and sick-child leave for both parents, domestic partner benefits for gay, lesbian, and bi-sexual employees. We also do a lot of thinking about the employee as a whole person. For example, we hold regular lunch-time talks called "healthier together" that cover everything from Tai Chi to financial advice. It's a nice culture to be part of. And it has paid off in employee commitment. We recently finished conducting a culture survey in all of our North American centers. Two of the most positive responses were "I am proud to work here", 93%, and "I really care about the fate of this company", 95%.*

Lotus, a Massachusetts-based software company, is another example of the hundreds of infotech organizations around the country that mirror Silicon Valley cultural mores. "Our principles," Kazin said, "are about what is important to us, who we are, what defines us. They are the social contract we all adhere to, managers and individual contributors alike." Lotus follows these principles:

- Commit to excellence
- Treat people fairly
- Value diversity
- Insist on integrity
- Communicate honestly, openly, and directly
- Listen with an open mind; learn from everything
- Take responsibility; lead by example
- Respect, trust, and encourage others
- Encourage risk-taking and innovation
- Work as a team
- Have fun

Sheryl Lewis, director of Management and Organizational Development at Quantum, says that Quantum has always been a values-driven organization.

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*We believe that defining our values and defining the kind of behavior we want at Quantum is just as important as writing a business plan or raising startup money. We knew from the beginning that values would play an important role in Quantum's success. So our first long-term goal was to create a great corporate culture.*

*Our values are customers, excellence, integrity, capable people, and teamwork. We've worked hard to uphold those values with concrete behavior. Now we're working on the next long-term goal—to build an “extraordinary environment” at Quantum.... I was presenting our concept of the elements of that environment recently, and a GenXer in the audience asked if it would include Feng Shui. His question brought home to me that a great work environment means different things to different people. It also told me we'd need a lot of focus groups and meetings before we knew what our employees themselves saw as a great environment. Eventually, they came up with six things:*

1. Successful business
2. Share in that success
3. Feel values
4. Pride in association
5. Fun and excitement
6. Developing potential

*The real work began when we started looking at the gaps between those concepts and where we were at present. Let me give you two examples: We thought we already did a pretty good job of having everyone share in our success, but when we looked at our compensation system, we found there were three different bonus plans for three different company levels. So we scrapped that and went to one plan, based on return on total capital (ROTC), for every one of our 8,000-plus employees. We also closed a gap in developing employee potential by changing our system of performance management from*

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*what was essentially a paperwork exercise to a strategy of stating clear expectations, developing coaching skills, and trying to become a culture of real candor.*

*What is unique about Quantum is not just setting goals and espousing values. What's unique is that we take a systematic approach to acting on them; that we reinforce and clarify goals, that we measure our progress in getting there, and that we have senior management's full commitment and support.*

Respect for the individual. The willingness not just to listen, but to hear what each employee has to say, and then to act on what's been said. This represents fundamental high-tech philosophy.

Stu Kazin, again on egalitarianism, responsibility, and trust, said, "At Lotus we operate basically through relationships. We're a very flat organization. No hierarchy. Everyone is on a first-name basis. People who are good at building relationships and working in teams do well here."

*Senior management basically looks "out." That is, they are concerned about customers, strategic alliances, technology alliances with other companies, and so on. Company management is done from the middle of the organization. And when you manage from the middle, you can't rely on "position power." Just because you have a title someone gave you doesn't mean you also have wisdom. Intelligence is what's valued at Lotus. People here look to management to come up with good ideas and to lead through intellect, not position.*

*The way to succeed in this culture is to demonstrate that you can build trust. ("Putting bucks in the trust bank," I call it.) What I mean by trust is, first, "I trust you not to hurt me." Then, "I trust you to look after me, look out for me, etc." Company politics doesn't go here. Bettering yourself at a colleague's expense is out.*

Kerry Miller, Worldwide Employee Communications,  
Texas Instruments:

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*At TI we have created a culture based on three main values, each of which is supported by two principles that convert these values into concrete behaviors:*

- ▶ Integrity—Be honest. Respect and value people.
- ▶ Innovation—Learn and create. Act boldly.
- ▶ Commitment—Take responsibility. Commit to win.

*Bound up in these values and their principles is the culture we want to maintain—an organization that is focused on the kind of high performance that drives a commitment to producing results. We have always known that a critical part of our ability to achieve that corporate objective is to have an environment that is healthy and supportive of people who have an internal drive to learn and develop and contribute to the business.*

That knowledge has clearly earned dividends in employee satisfaction and loyalty. Last year, Texas Instruments was also listed in *Fortune's* 100 Best Companies to work for in America. Voluntary employee turnover was only 16 percent. Applications for jobs numbered 58,000, nearly three times the company's domestic employee base. Obviously, people want to work there.<sup>4</sup> "One of the world's leading chipmakers," *Fortune* commented, "TI has embraced the openness pioneered by its West Coast rivals. Dress is now casual, and employees are encouraged to speak their minds. They also get a \$1,500 bonus for recommending new hires. Profit-sharing has been enriched to tie company payout to return on sales."

But money, perhaps surprisingly, isn't what draws people to the high-tech culture. Not according to *Fortune's* findings, anyway. As part of its best-to-work-for survey, the magazine's researchers asked a range of infotech employees: "How come you're staying where you are?" Answers included "cutting-edge technology, exciting work, the chance to change careers within the same company, a shot at overseas assignments, promotion from within, flexible work hours that still keep you on the fast track"—but nobody mentioned salary or perks.

Karen Southwick, in her book *Silicon Valley Goldrush*:

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*The technology industry, like any frontier, has attracted a new type of executive and a new type of employee; indeed, the two are almost indistinguishable. The key attributes for both include a tolerance for chaos, disdain for hierarchy and politicking, willingness to fail, elevation of talent and brilliance, passion for technology and naivete about limits.*

David Morris, president and CEO of Protegrity, on teamwork and responsibility:

*When I build a company, I'm looking to create a culture that is based on a team—where people feel that there is more to be gained in a collaborative environment than there is in an “I'm in this just for myself” environment. What I want is a culture where we as a group—management, administration, marketing, programmers—view our overall success as a group effort. I'd rather have a couple of really average people who know how to cooperate than an Albert Einstein who is only effective in isolation.*

Tosh Barron, retired division president of Xerox, on teamwork and high performance:

*The energy and flexibility of Silicon Valley is difficult to replicate in a company as large as ours. One of the things we did, though, was to organize the work into smaller chunks and the business into smaller groups. Research shows that around 200 people is the maximum size for an environment in which everybody knows what is going on and everybody knows each other. It also shows that when those factors are working, productivity is much higher.*

## ■ SILICON VALLEY MODELS

### ► Cisco Systems

Cisco Systems, headquartered in San Jose, makes computer networking gizmos called routers and local-area switches—

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highly specialized, not very sexy little devices that direct data from one computer to another and send electronic mail either across the office or across the world. In 1994, two years after the company went public, Cisco's sales were \$340 million. Two years after that, they were \$4.1 billion. In January 1995, the average price of a Cisco Systems share was \$16. On January 16, 1999, the same share closed on Wall Street at \$96. The company employs 11,000 people at 125 sites around the United States, has a voluntary employee turnover of only 4 percent, received 50,000 job applications last year, created 7,200 new jobs in the last two years, and gives every one of its employees, from the janitors up, generous stock options. The company, to indulge in a little understatement, is doing well. And virtually everybody who works there is happy to stay put. Only ten other companies in the *Fortune* 100 list had a lower employee turnover percentage. And remember, that's voluntary turnover. Among the many other virtues its culture embraces, Cisco Systems has an iron-clad, explicitly stated no-layoff policy.

A quick browse through Cisco's employment opportunity statement will give you a good picture of what a model Silicon Valley culture looks like:<sup>5</sup>

**Purpose:** To create unprecedented opportunities and value for our customers, employees, investors, and partners.

**Mission:** To be the supplier of choice by leading all competitors in customer satisfaction, product leadership, market share, and profitability.

**Communications:** Cisco regularly communicates its vision, mission, strategies, and goals through all levels of the organization to ensure a common direction and empower employees with information to make decisions.

**Responsibility:** All employees are given the necessary decision-making responsibility to achieve results. Teamwork is supported and rewarded.

**Flexibility:** Cisco supports flextime, flexwork (telecommuting), and part-time work schedules depending on work requirements.

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**Environment:** We encourage a work environment characterized by respect for each individual, where people from diverse cultures and ethnic groups work together in harmonious and heterogeneous teams. We strive to provide a stimulating environment for all employees by providing high levels of motivation, empowerment, recognition, and the removal of obstacles that hinder creativity.

Cisco also provides a staggering array of employee services and facilities at its San Jose headquarters—all of them aimed at keeping people happy. Among them are the concierge and onsite cleaning services (already mentioned), and a cafeteria, open from 7 A.M. to 7 P.M., serves good food. There is an onsite stationery store, an onsite car wash service, a shuttle bus service to public transportation, and a fitness center with professional staff and classes. In addition, Cisco has volleyball and basketball courts, a parcourse, billiards, ping-pong, and games rooms. Walking and jogging trails are on the beautifully landscaped site. Annual fairs cover subjects from health and safety to earthquake preparedness. There are corporate discounts for items ranging from amusement parks to automobile tires, funded sports teams, travel services—even birthday breakfasts with CEO John Chambers. And massages, of course. All the massages you need, whenever you need them.

Are employees happy? Enthusiastic? Loyal? Motivated? Proud and delighted to work for a company with that kind of success and that degree of commitment to the individual employee's well-being? I would be. So, obviously, would those 50,000 Cisco job applicants last year. But Cisco is by no means unique on the Valley culture front. After all, it was only twenty-fifth in *Fortune's* 100 Best-to-work-for list. Dave Duffield's PeopleSoft came in five places higher. Read what one of PeopleSoft's employees has to say about the culture.

### ► The People-Focused Culture at PeopleSoft

Andrew McCarthy, 29, moved to PeopleSoft in 1997 after working at Cunningham Communications and Motorola.

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He has a BA in journalism from Pepperdine University and is a member of the PeopleSoft's famous Communication Team. Along with agreeing that Dave Duffield is the "coolest" CEO around, McCarthy also voices immense respect for the way Duffield has created one of the most "people-centric" cultures in the business.

**Goman:** *How do you think Silicon Valley culture got started?*

**McCarthy:** Youth, would be my first answer to that. You have intelligent, entrepreneurial young people founding these new high-tech companies. People from Stanford and UC Berkeley and a dozen other good schools around the Bay Area and the country. Most of them just didn't believe in the established work styles that were pervasive in traditional corporations. For example, PeopleSoft is Dave Duffield's third startup. He came from Integral, which had become so bureaucratic that when Dave and a couple of other folks came up with the idea of doing human resource software using client servers instead of mainframe stuff, the powers-that-be at Integral said, "No way. We're not interested in this. This is not the future." So he and Ken Morris started their own company.

**Goman:** *How has the culture at PeopleSoft evolved?*

**McCarthy:** In the beginning, PeopleSoft had three core values: happy customers, fun, and profit. Dave figured that this kind of culture would work with no more than 50 or 60 employees. Today, we have 6,000 worldwide and our culture is stronger than ever. It has also expanded over the years to include seven values: people, customers, integrity, quality, innovation, fun, and profitability—though profitability is actually viewed as a result or consequence of the other six.

**Goman:** *What is it like to work in a company where "fun" is a core value?*

**McCarthy:** Fun, as a PeopleSoft value, transcends the "let's have a party" level—though we still love parties—to include

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the whole idea and ethos of teamwork. If something goes wrong, it's not seen as somebody's fault, it's seen as a situation that needs to be corrected, and everybody pitches in to figure out how. Because people are going to make mistakes, they're bound to in an innovative company like this. We're all taking risks and trying new things all the time. That's part of the culture, too. So having fun includes getting support when you fall down. It also means that when you win, everyone shares in your victory. Somebody will run around saying, "Look at this great article we got in this publication," or Dave will send a personal note saying, "You did a great job on this. Keep it up!" All those little things let you know that people around you are engaged in what you as an individual or your team is trying to accomplish. That spirit contributes a lot to the fun.

The other part of having fun is being successful because you're doing good work and developing happy, satisfied customers. It all blends. If you go to a customer thinking, "I really love my work," and the customer says, "Gee, this or that has gone wrong," then your first response is going to be that there are things you can do to solve the problem. If you're frustrated and unhappy with your job, your first reaction is probably going to be, "Yeah, that's one of the things that really sucks about my company. We can't get this thing down well." So when Dave says, "If you're not having fun, go to Oracle," what he means is, if you're not having fun, you probably aren't doing a good job for yourself or the company, and you're definitely not contributing to the overall spirit of the work environment here." He means, "We either need to find something new for you to do that is more enjoyable—or you need to find another company where you can enjoy yourself more."

**Goman:** *What do you personally like best about PeopleSoft's culture?*

**McCarthy:** I've worked in other high-tech companies that had very good cultures (Motorola, for example, also appears in the *Fortune* 100 list), but when I came here, I realized what it was like to work in a really flat organization—where

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everyone's ideas are equally valued and sought after. Here, you can be a brand new hire with a fairly low-level position and suddenly find yourself in a meeting with some of the company's most senior folks helping to hash out what we do next. That's just amazing to me.

**Goman:** *Have you ever worked in a company that wasn't high-tech?"*

**McCarthy:** Oh, yes. That's why I'm so sure there is a difference. Very early in my career, I worked at the western regional office of a big insurance company. One day I changed the toner cartridge in the fax machine, and almost instantly word started spreading around that I'd be hearing from the regional VP in charge of operations because I wasn't supposed to have done that. As the morning wore on, a rumor actually began to circulate that my head would roll. And sure enough, that afternoon, the VP of operations went into my boss's office and we could all hear him yelling. When the yelling finally stopped, my boss came over to my desk, and as soon as the VP was out of sight, he doubled over with laughter. Neither one of us could believe what was going on.

**Goman:** *How important is PeopleSoft's culture to its employees?*

**McCarthy:** You know how people at Apple felt about the Macintosh? People feel the same way about the culture at PeopleSoft. It's something we've been entrusted with, something each of us will fight hard for if anyone tries to mess with it. Our culture is an unspoken code of ethics and behavior. A sense of cause has been created around it. Not through marketing or crafty printouts distributed to the work force, but through communication from Dave and from all the managers who have grown up here at PeopleSoft and learned about management in this environment.

**Goman:** *Give me an example of that kind of communication from Dave.*

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**McCarthy:** Dave has been able to expand operations and still maintain the culture by being a living example of the values he wants the company to have. You see people give Dave hugs, and bring their babies into his office. Family values are what this culture is about. Dave is 57 years old now, and he has basically adopted this new young family. We have a CEO who actively demonstrates that kids are important. He trusts kids. He respects their opinions and their intuition and their intelligence. Like in any good family. That's why we have some people here who choose to work tremendously long hours fewer days a week—so they'll have more time for their own families.

**Goman:** *So when you say "communication," you're referring to Dave's actions.*

**McCarthy:** Definitely. Dave lives the values. But he also tells stories. One example he uses of behavior that doesn't work in our culture is what he refers to as "kiss up and slap down." Employees who act real nice around management and then yell at the people below them. He tells stories about why this kind of person is so destructive to our environment. He has also ceremoniously fired some of them, making them public examples of what not to do at PeopleSoft.

**Goman:** *What is the story of the "Raving Daves"?*

**McCarthy:** The Raving Daves is PeopleSoft's house band. A few years ago there was a group of employees (software developers are often closet musicians) who started practicing in one of the conference rooms. Dave heard them one day and thought they sounded terrible. The band argued that if they had some decent equipment they'd sound a lot better, so Dave bought them a good sound system. Now the Raving Daves play at every company meeting. They're pretty good, too. They even played the Fillmore (a San Francisco Dance Hall) a couple of times.

**Goman:** *That's the first time I've ever heard of a company band named after the boss.*

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**McCarthy:** Dave is just an amazing individual. There are very few people with Dave Duffield's core talent for managing—and liking—people. He's sort of the Mark McGwire of leadership. I think part of it is that he's done startups before, and that he's learned what the important things are. He's not driven by technology. I think he enjoys the technology, and it's certainly made him a few bucks, but what drives him are relationships. If you asked Dave what the most valuable resource at PeopleSoft is, he wouldn't say it was our server stack. He'd say, "If the people left, all we'd have is a bunch of PCs and some desks."

**Goman:** *I've heard that you have had some great company celebrations.*

**McCarthy:** Dave took the entire company to Tahoe a couple of times because we'd met or exceeded our quarterly goals. And he paid for it out of his own pocket. It's that kind of thing—not writing a check signed "PeopleSoft," but one signed "Dave Duffield"—that really motivates the work force and ties people to the guy."

**Goman:** *This all sounds very "touchy-feely." How does your culture support the bottom-line of your business?*

**McCarthy:** By taking the values with us when we go out the front door. Our entire business is based on developing successful, long-term relationships with our customers. PeopleSoft produces corporate software. I believe the average transaction for licensing fees alone is in excess of \$1 million. This is not software you get in a shrink-wrap box, open up and shove into your PC. When a company comes to us, it's already made major hardware purchasing decisions and major networking decisions. It's already contracted with an Arthur Andersen of KPMG to do the business reengineering. If the Ford Motor Company buys PeopleSoft, they're making a twenty-year investment. You can't just sell and walk away from a deal like that. When you make the sale, you're also committing to a closely supportive, long-term relationship with the customer. And this is where our caring about every-

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one—customers, vendors, suppliers, and employees—pays off. We work hard to make the companies we sell to as happy with PeopleSoft as we are. And we don't just do it because it's smart business. We do it because we'd be letting Dave and ourselves down if we didn't.

**Goman:** *You'd say the culture really works, then.*

**McCarthy:** Our culture is the foundation of everything that makes this company a winner. It's the secret of our success. And we're not the only people who realize that. Sometimes, based on the amount of positive attention we get, it feels like the whole industry is rooting for us. Our stock took a tumble last year, and the business press immediately said, "We can't figure out why the market is doing this to these guys. Their fundamentals are so sound. Of all the companies that are getting drilled, these people don't deserve it."

### ■ LESSONS FROM A HIGH-TECH CORPORATE CULTURE

1. The culture and the values that underpin it must start at the top of the organization and be lived at the top of the organization. Lead by example.
2. You've got to be firm in defense of your culture—firm to the point of being willing to fire anyone, however technically talented, who can't or won't fit in. Even the most gifted individual has the potential to destroy a culture.
3. You have to be constantly vigilant; strive every day to ensure that all the values are operational in your company—that the employees are having fun, that the customers are happy, that you are behaving with candor and integrity. Continual monitoring is crucial. You can't just look around at the end of the quarter and say, "Hey, we've got a morale problem here—let's throw a party."

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4. You have to function as a team, think like a team, treat every individual in the organization as an equally valued team member—no matter how large the company may be. PeopleSoft's team is 6,000-strong, but it's still a team.
5. Management must be evaluated and compensated on the key people issues of attracting, retaining, nurturing, and training employees. Reward managers not just on their ability to complete a project, but also on their ability to build a happy, cohesive, loyal team and to lead it toward success. It's reasonable enough to compensate a marketing VP on colateral output and increased sales. But if the VP is also leading a work force with a 40 percent turnover, do you really want him or her in your organization?
6. Spend as much time educating managers on how to deal with people as you do on training them for the "actual work" they're expected to carry out. Be very careful in your selection of managerial candidates—especially if they come from outside the organization. Culture clashes can be a real problem. (For example, when Cisco is interviewing a prospective employee, more emphasis is placed on cultural compatibility than on talent or past performance.) Remember, too, that leadership can't be forced or faked; it must be aligned with the the organization's mores and culture. A successful manager at Quantum could well turn out to be a disaster at Apple or Intel.
7. Encourage people to take responsibility for themselves, their jobs, and the company's future.

*Explain, enable, and encourage.* I repeat these three words over and over again to my management audiences when I talk to them about the people practices of high-tech and their phenomenal success. Forget bureaucracy, I tell them. Forget titles. Forget seniority and status and names painted on doors. Those hierarchical totems went out with framed portraits of the founder and mahogany-paneled executive dining rooms. If you want to create an enthusiastic, commit-

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ted, high-performance work force today, think democratic. Think equal. Think “everyone’s as important as I am.” Think ping-pong tables, company picnics, and bagels for everybody. And don’t keep secrets! Make sure everyone in the organization knows exactly what the company’s aims, resources, prospects, and even problems are. Set clear objectives based on clear statements of fact, and then do everything in your power to enable your people to do what needs to be done as quickly and efficiently as possible. That doesn’t mean simply telling them how. Because *how* means how it was done last time, and last time’s solution might not work this time. “Stop micro-managing employees,” I always emphasize. Let the people who have to do the job decide for themselves how best to proceed. Give them the freedom to make decisions based on their own experience and their own expertise. Train them, support them, and help them if they need help, but if they don’t, let them get on with it. The important thing is to create a supportive organizational culture where people feel free to act on their own initiative without feeling intimidated and to ask for help if they need it without feeling inadequate. It all begins with the deeply held conviction that success in business can come from a great culture—and that failure can come from a bad one.