

cādence®

CADENCE



AND THE  
CULTURE  
CURE

How to Turn a Tech Giant Around Through Leadership and Innovation

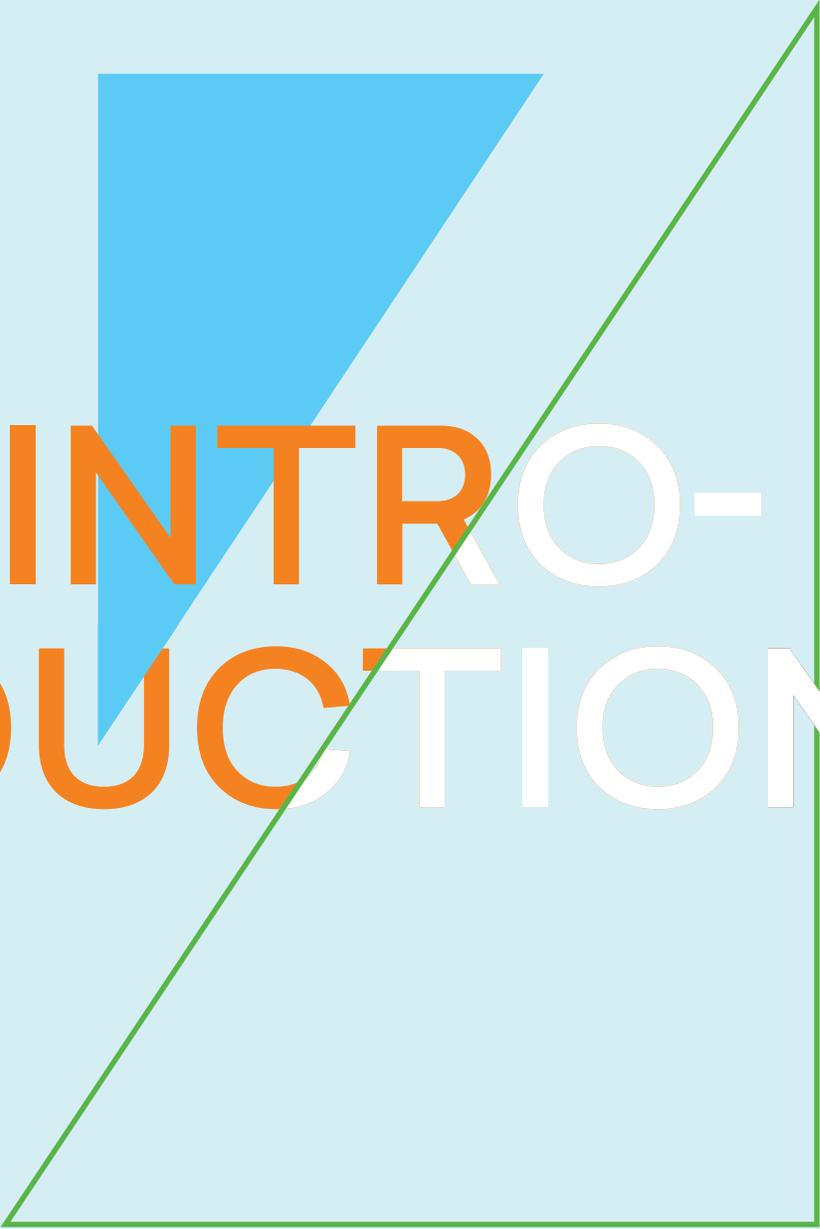
Great  
Place  
To  
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## Executive Summary

Silicon Valley-based Cadence makes the software used to design the electronic chips in almost any tech product you could name. When the 2008 recession hit, and the market questioned Cadence's future, the company's leadership looked to its culture for the answer. Inspired by an unlikely venture capitalist-turned-CEO who practices purposeful and inclusive leadership, Cadence re-engaged its highly skilled and experienced workforce and wooed skeptical customers. Under CEO Lip-Bu Tan's For All Leadership strategy, Cadence upgraded its culture, began a journey towards Innovation by All, and achieved a financial renaissance. Today, nine out of 10 employees say Cadence is a Great Place to Work. And with the company earning a place on Fortune's 100 Best Companies to Work For list for the past five years, the company's stock has also more than doubled the performance of the NASDAQ over the past five years, and it continues to achieve increasing financial results. Now the market is turning to Cadence for answers—especially when it comes to chips and culture.



# INTRO- DUC-TION

## Cadence is the second largest Electronic Design Automation (EDA) company in the world.

**ITS CUSTOMERS** use its software to design the electronic chips that go into everything: phones, laptops, game consoles, cloud servers, satellites, and even driverless cars. “Do you wonder how mobile companies can provide you with a new phone with significant advancements in capability and power every two years? It is because of the tools we provide to their chip designers.”

But on October 15, 2008, Cadence’s future looked grim. That’s the day Cadence’s CEO, and four of his direct reports all stepped down. “I went from being the most junior person at the table to one of the senior people overnight,” says Tina Jones, head of human resources. “The culture had become very bureaucratic and siloed. To compete, we needed to move quickly, as one team, which meant changing the fabric of our employee culture.”

The semiconductor industry goes through notoriously volatile boom and bust cycles, but 2008 was different. The global economy began the largest

recession since the Great Depression, just when Cadence was changing its business model. Investors fled the stock—pushing it below \$3 a share after it had been trading at more than \$24 a share the previous year.

“Cadence is an integral part of the overall design ecosystem. Many companies cannot put out their products without our technology. But when the stock went down to \$2.42, it was a terrible experience,” says Neil Zaman, the head of global sales and a 20-year Cadence veteran. “You lose credibility with the employees, you lose credibility with the investors, and you lose credibility with the customers in the ecosystem. That was the incredible challenge we faced.”

Cadence had to choose a CEO and a strategy for its survival. It chose culture, which would be a long-term effort, new and uncertain, but ultimately effective.

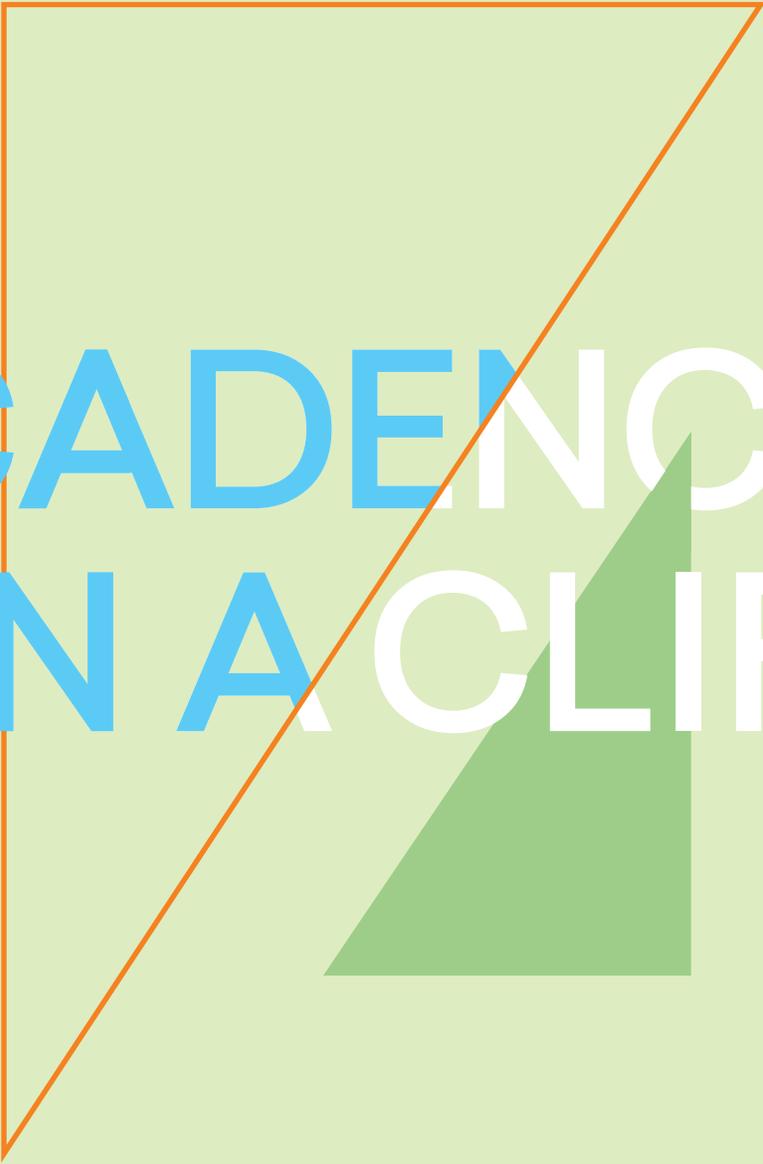
### Cadence Design Systems Key Facts

**NO. 73** on *Fortune’s* 2019 list of the 100 Best Companies to Work For

**HQ:** San Jose, California

**REVENUE:** \$1.9 billion (2017)

**CADENCE** has 7,500 employees worldwide, about 22 percent of whom are female. A third of Cadence’s employees have worked there for more than ten years. And most notably, at least half of all of Cadence’s US executives and managers are ethnic minorities.



# CADENCE ON A CLIFF

Before 2008, Cadence had a short-term, financially driven culture. At the time, Cadence revenue recognition model focused primarily on quarterly bookings. The company's overall revenues grew, but the approach compromised the predictability of future revenues.



**JASWINDER AHUJA**, Corporate VP and India Country Manager describes it, “The leadership was looking at the rear view and driving. We were too fragmented or siloed. Collaboration across groups was at an all-time low of what I have seen in 30 years.” Tina Jones, global head of human resources, adds, “It was this cycle at the company where every quarter was serious pressure, serious stress in the system and lots of pressure in the interface with customers [to do deals]. It was a very financially and very sales-driven culture.”

Then in the second half of 2007, Cadence changed the business model

to a ratable software recognition model, which was more sustainable in the long-term, but decreased the revenue from \$1.6 billion to \$853 million from 2007 to 2009. Against this backdrop, Cadence’s cost base, including its highly skilled workforce, looked expensive and Cadence fell out of favor with the market as the economy and stock market slid into chaos at the end of 2008.

New leadership was in order. And it would be a surprising choice.



# CHOOSING THE CULTURE CURE

Cadence had to choose a new CEO and a strategy for its survival. They made an unusual choice, and Lip-Bu Tan decided culture would be the first priority, making a big bet that employees could help transform the company. He explained to Cadence leadership that it would be a long-term process and convinced them that it would ultimately be effective.

“Instead of simply focusing on immediate tactical issues, Lip-Bu saw the core issue that needed to be addressed as one of culture, which was long term but more important to our future.”

Tina Jones,  
Senior Vice President,  
Global Human Resources



**TAN WAS AN ENGINEER AND VENTURE CAPITALIST** with billions of dollars under management who had joined the Cadence board in 2004. His exposure to Cadence came because some of the companies in his investment portfolio were Cadence customers. Tan was best known for his deep network and strong relationships within the tech industry around the world. He was viewed as a trusted businessman with a keen eye for innovation and a track record of building successful companies backed by talented employees.

Despite his experienced eye for opportunity and talent in the semiconductor industry, Tan didn't have the traditional CEO operations experience. He knew this and hesitated to consider himself the right person to lead the company turn-around. Tan only agreed to step in once the board assured him that it would only be for three months while they pursued a search for a permanent CEO.

But joining Cadence became a calling for Tan. He was approached by Cadence

employees and executives who were in tears about the company's difficulties but felt passionate about helping to turn the company around. Industry movers and shakers pointed out to him that unaddressed, Cadence's difficulties would ripple throughout the entire industry. He had reached out to his mentors and even though he had not been down the traditional CEO path, they encouraged him to take the role.

Everyone quickly understood what Tan brought to Cadence: close relationships to the critical customer base that the company would need to make a comeback. Tan held long-standing and trusted relationships with the best players in the tech industry. He knew that if Cadence's leaders could fix the trust issues with its employees and customers, the company could revive. He also knew there was another critical component needed for the turnaround—the company culture.

“We needed someone who could revive this company. Give it a vision. Give it direction. That is exactly what Lip-Bu did.”

Neil Zaman, Senior Vice President,  
Worldwide Field Operations





Sports BOSTON

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CULTURE  
PROBLEM



CULTURE  
REMEDY

Tan's start looked rocky from the outside. He stepped in to help on Oct. 15, 2008, the day the five senior executives left.

**ACCORDING TO JONES**, “Lip-Bu sat me down during the most difficult days. I came prepared with detailed plans about how we were going to tackle the operational challenges we were facing. He just said, “Tina, this is a culture problem. We'll deal with those issues as a second priority. I need you to help me address the culture issue first.”

The management team went on a listening campaign to ask “Who are we? What do we stand for? What do we aspire to be?” Tan encouraged employees to email him directly and flipped the open-door policy on its head, instead showed up at employees' cubicles to answer their questions face to face. Tan also reached out to hundreds of customers and partners. The conclusions were the same: Cadence was siloed, had short-term goals, and was individualistic, and not customer- or product-driven.

At the beginning of 2009, the board asked Tan to continue as CEO beyond his three-month interim role. While a group of leaders from around the world pitched in to write a cultural change and communications plan, Tan continued to make the rounds with unhappy employees, customers, and shareholders.

Tan says he “apologized to frustrated investors and customers. I told them I would step in to do my best and turn things around.”

Says Jones, “I'll tell you communication is a lot more fun now than it was then. I remember standing in front of employees explaining, there will be no raises or bonus this year. The management team also took base pay cuts. While we were not delivering good news, we tried to be transparent and compassionate with employees.”

“When you show your vulnerability, surprisingly, people are willing to help, and I value that a lot,” Tan says. He felt he had established a similar relationship with shareholders and employees. “We had an all hands meeting, and I told the employees, ‘I'm a first time CEO, I'd like some advice. Any advice, any suggestions, please email me.’ I received about 300 emails a day and I promised to respond to each one of them,” Tan explains. He held town halls, quarterly communication meetings, and began to survey employees regularly. As the management team explicitly codified its values, he began to speak about them at every employee meeting and in written communications to the company.

### The For All Leader

Great Place to Work analyzed a sample of 75,000 employees and 10,000 managers in multiple US industries to identify qualities held by leaders who create Great Places to Work For All employees —no matter who they are or what they do for the organization.

GPTW found five clusters of employee experiences—corresponding to five leadership levels. At the top are what we call For All Leaders. They create a positive experience for virtually all their people. Among their attributes are humility, the ability to create close bonds within and beyond their teams, a commitment to continual improvement and a focus on the organization's bigger purpose.

These leaders not only foster a great environment for their people. They get great results. Compared to teams headed by Level One “Unintentional Leaders,” teams led by For All Leaders enjoy:

- 353% higher productivity
- 300% greater agility
- 325% greater readiness to innovate
- 128% greater desire to stay at the company

For more on For All Leaders, see Chapter 7 of *A Great Place to Work For All*.



# LIP-BU TAN: FOR ALL LEADER

Lip-Bu Tan embodied For All Leadership as he sought to turn around Cadence.

**FOR ALL LEADERSHIP** is Great Place to Work's definition of what successful CEOs, executives, and managers look like today (See sidebar: "The For All Leader"). These are the leaders who are best able to foster a great workplace experience for all their people, and we have identified key traits that allow these bosses to both build great cultures and produce great results.

One of the most important ones is humility, something that Tan demonstrated by asking for help in healing Cadence. Consistent attention to the larger mission also is central to For All Leadership. Tan tapped into this sense of purpose in

hearing the call to lead Cadence, both for the sake of the committed employees but also for the wider technology industry and its impact on the world.

Tan then connected the Cadence community more tightly with culture-first messaging, like "One Cadence, One Team" (See sidebar: "The World According to Lip-Bu").

The data from Great Place to Work's Trust Index Employee Survey capture just how effective Tan has been at creating trust in leadership across the 7,500 people who work for Cadence. Fully 86 percent of US employees at the company say management is approachable and easy to

talk with. Another 82 percent say they can ask leaders any reasonable question and get a straight answer, while nine in 10 call their leaders competent at running the business.

These results are dramatically better than at the typical high-tech company. For the field, just half of employees say their leaders are approachable, or that they can ask reasonable questions and get straight answers. And just six in 10 call their leadership competent.







## Why Culture?

*Cadence CEO Lip-Bu Tan discusses the importance of company culture with Great Place to Work CEO Michael C. Bush*

**Lip-Bu Tan:** I think being a venture capitalist, what I bring to the table, is a typical VC mentality. Your product must be differentiated, you have to leapfrog from an innovation perspective and you have to recruit the best talent. I apply those same principles at Cadence. If customers tell me we do not meet their expectations of a product, I am very clear with the product team. I tell them, “We are behind. So tell me how you will not only meet but exceed customer expectations and what is the talent we need focused on this. I will give you the funding and I will help you recruit, if you need to augment the team to be successful.”

It’s also helpful being a VC because I follow industry trends closely. Machine-learning and deep-learning are trends happening now. And then there is the infrastructure for 5G in mobile and cloud. You need to be able to look at the five-year trend, not just customers’ immediate requirements when making product and investment decisions.

**Michael Bush:** Being here in the heart of Silicon Valley and knowing that some new leaders, young leaders, aren’t necessarily putting culture first. What advice do you have for them?

**LBT:** Any successful company that’s a sustainable, successful company, you need to have a very strong culture of your own. It’s very important to articulate what you stand for. It’s something investors care about. In fact, most of the companies I invest in, I’m

always asking, “What is the culture, what do you want your employees to build and to take pride in?” It’s not secondary. It’s right at the center of the foundation.

**MB:** As a VC, you’ve described doing all the analysis and then making a gut-decision. And as a CEO, I hear you saying, “Do all the analysis and then make the decision based on your heart.”

**LBT:** Yes.

**MB:** It’s different when you’re operating and leading people, compared to making a financial investment.

**LBT:** That is correct. Along the way I’ve learned a lot. I get a lot of satisfaction from investing in companies, taking bets on people and innovative ideas and advising CEOs on how to grow their companies.

**MB:** Has the operational experience made you a better investor?

**LBT:** Yes. Now when I am in board meetings, I ask detailed questions about product design issues. Being a CEO has given me the perspective, and maybe the confidence, to really dig into issues with companies where I have invested.

**MB:** And you’re going to ask about the people too.

**LBT:** Exactly. I’ve learned how to scale the companies and also how to give them more advice about how to build a great company. And my job is not finished at all. You need 15 years to show the performance.

# THE INNOVATION BY ALL



# JOURNEY AT CADENCE

“Cadence has nearly six employees who say they feel empowered to innovate for every two who do not.”

Great Place to Work

**LIP-BU TAN'S FOR ALL LEADERSHIP** gave rise to a more inclusive approach to innovation—what we call Innovation By All. Over ten years, Cadence rejuvenated its innovation abilities to the point that it creates six to eight new products each year, resulting in over 20 new products in the last three years. This is the result of problem solving by Cadence's highly-skilled and long-tenured employees, as well as new talent who were brought in from outside.

Moore's Law is the industry rule-of-thumb that the number of transistors on a chip doubles about every two years. Given that historically exponential rate of growth in transistor density leading to a lot more functionality being integrated on a single chip, designing new electronics has become too complex to do manually. Companies use automation software by Cadence to create and validate the semiconductor chips and electronic systems that go into new products. If companies start the design process two to three years before they put out a new product, Cadence must anticipate its customers' (design) needs at least two to three years before that. And Cadence is seeing the payoff of tapping the creativity, connections and contributions of more of its people.

Most companies only have two employees who experience innovation for every six who do not. Cadence has almost six employees who say they experience innovation for every two who do not, practically the reverse of the norm.

Even Cadence employees outside of the management ranks are invited into the

innovation process, which is far greater than their peers across the tech industry.

The widespread participation in coming up with better products and ideas has something to do with increasing the recognition for innovation at the company. Cadence now features quarterly company-wide awards for inventions, peer to peer awards for working together to support pressing customer needs, and customer recognition of useful online support solutions.

Cadence is further promoting its Innovation by All culture with programs where employees in many global locations have structured programs to develop their skills, network with each other, and present their ideas directly to senior executives.

For example, Sanjana Das began her Cadence career as an intern while doing her masters' degree. Through the Cadence Internship program, she participated in an intern showcase for Lip-Bu Tan and the executive team. After she was hired, she was selected as a member of the Wave of Change, a group of early career employees who brought their ideas to the executive management team around improving collaboration, professional development, and innovation. With the leadership's full support behind their suggestions, Cadence discovered new product ideas through a global hackathon, established a new assignment rotation program and launched a social learning platform for employees.

All told, Cadence has built a culture where the clear majority of employees

create, are connected, and contribute. This Innovation By All culture far exceeds what employees at typical technology companies experience (See Chart: Cadence Employees are Encouraged to Innovate).

Cadence's egalitarian internal approach to invention and agility and openness to external critique and collaboration helps explain the company's ability to win over customers and post strong results over the past decade.

### The Innovation Velocity Ratio

Great Place to Work has surveyed employees at 792 companies in 25 different industries about their opportunities to generate and implement new ideas. Innovation by All occurs when there is a high Innovation Velocity Ratio: the number of employees who actively and freely innovate in their company versus the number of those who experience friction. At the most accelerated companies, there are 11 employees who are able to innovate for every two who don't.

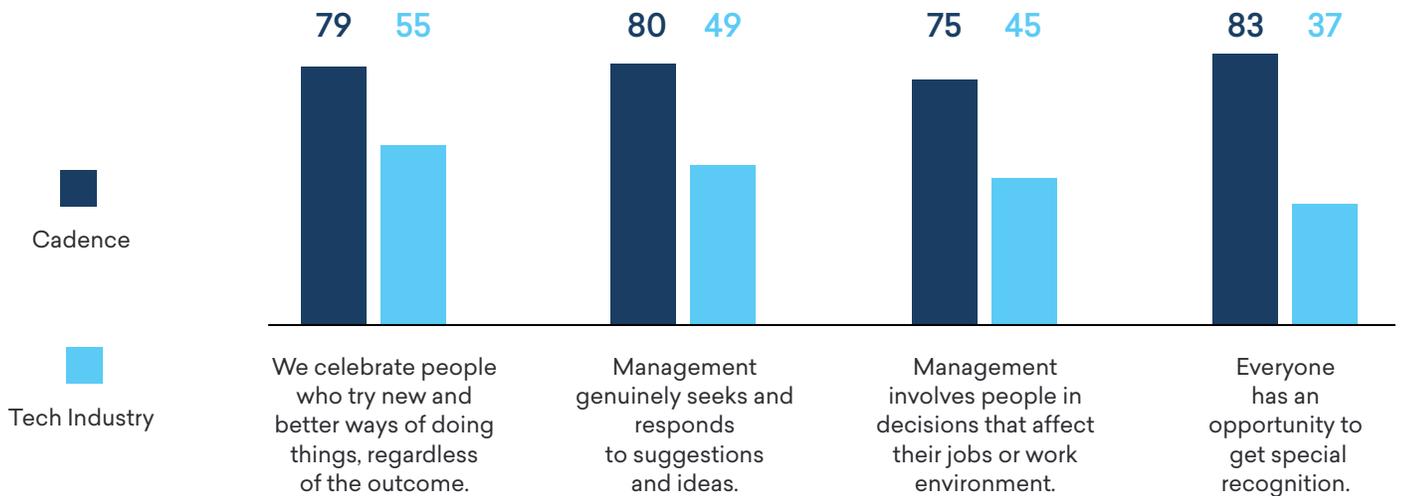
We know that Innovation By All cultures in general have 5.5x the revenue growth of firms with less inclusive approaches to innovation. They generate better ideas, implement more quickly and are more agile.





## Cadence Employees are Encouraged to Innovate

The percentage of employees who agreed with the following statements:







**'CUSTOMER  
FIRST'  
AND THE**



**MONEY  
WILL  
COME**



**IN ORDER FOR CADENCE TO SUCCEED,** it had to be not just tuned into, but ahead of its customers. 'Market Shaping Customers' is a key phrase that took on meaning when Tan took over.

Nimish Modi, senior VP of marketing and business development, spent eighteen years in R&D at Intel before joining Cadence in 2006. He says "we led with the market shaping customers as they are at the bleeding edge of innovation and constantly pushing the technology envelope. They are the most demanding and set the tone for our solutions. And ultimately this results in solutions that benefit all of our customers. We have to deliver

significant and sustained differentiation for customers to bear the transition cost of switching to our solutions. You need to win their mindshare first, then marketshare will follow."

Cadence also introduced the customer scorecard, where customers directly critique Cadence's products to Tan and the executive staff, which initially shocked some customers. Surprisingly, in an industry where customers spend millions each year on design software, few customers are asked for more than superficial feedback and even fewer receive a response.

As a former customer, Modi notes, "It's important that we get that feedback from

### The Cadence Technical Review

Lip-Bu attends highly technical engineering meetings for each product, to understand customer feedback about the products and how to better anticipate their requirements. The meetings have a standard agenda, beginning with the Lowlights, then proceeding to the Highlights. The next step is a Roadmap of the product's development, where competitors stand, what the estimated timetable is, what the key differentiating factors that create value for Market Shaping Customers are and what KPIs the team will use.





our users, the key R&D leads at our customers. We can then promptly act on any issues, and there's transparency and communication, all the way up to the high levels on both sides. Our goal is to strive to not just satisfy, but delight our customers."

Business unit heads set the meeting agendas where junior and senior engineers hash out algorithms, product development issues, customer concerns and timelines. Unusually for a CEO, Tan regularly attends these technical talks and spends time preparing in advance.

Tan reviews the scorecards and the Cadence teams track how they're doing internally. Then Tan meets again with the customer's senior management, updates them on progress and asks for further feedback. Again, this level of engagement between a CEO, employees and customers is unusual, but Tan considers it to be part of his transparent and vulnerable approach.

"Once, we got some "F"s and some "D"s. It was very humbling," says Tan. "They gave a very honest opinion. In fact, we asked the customer to come in and present to us. I asked them, don't give up, work with us. For [our] team, our "F" can become a "B" if we work hard. And our leaderships team will help you. When they get an "A", they get a pat on the shoulder from the customer directly and not just from me."

The strength of Cadence's 'Customer First' culture is demonstrated by data from the Great Place to Work's Trust Index Employee Survey. Among Cadence

employees, 92 percent say management is honest and ethical in its business practice and it has consistently stayed at that level for the last five years. 86 percent of Cadence employees say that their customers would rate the service they deliver as "excellent" and 91 percent say that people at Cadence are willing to give extra to get the job done.

GPTW's analysis finds that employees' belief in Cadence's credibility is equally high, regardless of department, rank, length of tenure, age group, gender, race, sexual preference or geography. 'Customer First' has inspired a positive attitude across all types of employees, which is an exemplary outcome of 'For All' Leadership.

### The World According to Lip-Bu

Tan sold his plans for a culture update to employees with catchy sayings that insinuated themselves into their hearts and minds.

#### ONE CADENCE, ONE TEAM

Says Zaman, "The culture that Lip-Bu laid out from the very beginning is that we have to be One Team that trusts each other. We bought it hook, line and sinker because Lip-Bu didn't come in with a strong hand, but came from a place of empathy and learning. He wanted to hear about the lowlights first and deeply cared about the employees while ensuring we exceeded customer expectations. I think Lip-Bu did the hard thing which was to listen and take critique."

#### THE FOUR E'S

Exceed customer expectations. Explore what is possible. Execute with quality. Elevate the team. Das recalls, "That's what Lip-Bu says, and then it trickles down to my VP and to my manager. My manager tells me at my level, when I'm working with my customers, it's 'Always exceed what they're expecting out of you.'"

#### WIN WITH THE WINNERS

"Which were the customers we wanted to engage with? This was defined each year. Lip-Bu said I want you to engage with these customers," says Ahuja. As Das explains, "We have to make sure that we're always looking forward to what they're doing and make sure we're ready in enabling them. Why? Because they are working towards the future."



# A CULTURE OF IDEAS AND ACCOUNT- ABILITY

Another shift from the numbers-led perspective was refreshing Cadence's R&D function.

**OVER THE YEARS,** Cadence made several mergers and acquisitions, which came to a halt with Cadence's financial troubles. The process of building credibility by creating new products internally began in 2009. The role of R&D became even more important as the EDA industry matured and there were fewer innovative startups available for acquisition.

Returning to a business model of organic growth also required redefining success, whether with existing products or new ones. "Can it be more accurate than the competition? Or give better quality of results? Can you shave off 10 percent of the silicon off something that's going to sell 400 million units," says Ahuja. Given that Cadence must provide customers with solutions four to five years before their product is meant to go to market, Cadence had to pursue a very

different relationship with its employees and talent.

To do so, Cadence created focus teams of 3-5 people who were given 18-24 months to create new products from scratch. Some focus team members already worked at Cadence, some were brought in from startups and others were brought back out of retirement. Once the teams were effective, Cadence replicated that model.

When Sanjana Das joined Cadence after her master's degree, she was thrust into an application engineer role typically held by people with more than ten years of experience. She met directly with customers to help them figure out how to use Cadence's software to speed up their chip development process. She works hand in hand with R&D to translate customer demands for denser circuits, lower

power usage or faster development time into Cadence software improvements.

Cadence also changed its organizational model and gave P&L responsibility to the people who had been R&D leaders for the primary product lines. They now were fully connected to the customer, rather than being in the background and were now accountable for financial results. R&D employees also began to view their jobs as more interesting because they had a lot more direct exposure to customers.

Great Place to Work research supports this connection between Cadence's cultural evolution and high workplace engagement. Among Cadence employees who have a lot of meaningful innovation opportunities, nearly 93 percent say Cadence celebrates people who try new and better ways of doing things, regardless of the outcome. To Cadence's credit, long-term

employees view Cadence just as positively as fresh, new employees. Among employees with less than five years' experience, 92 percent agree that people are given a lot of responsibility, the same level as employees with more than ten years' experience.

Experienced engineer David White headed the implementation of a new component in Cadence's signature Virtuoso design software suite. That new product was an industry first, using machine learning to even better automate the design of faster, more efficient chips. As importantly, White then used his visibility and seniority to create a forum For All employees to collaborate on machine learning throughout the company.

In 2017, White rallied colleagues in R&D, HR, Marketing, IT and various country offices to start a company-wide Machine Learning Task Force to facilitate Cadence's innovation and collaboration on machine

learning and artificial intelligence that works across business units. White observed, "We have an executive team that really listens to employees. Recently, they put Machine Learning at the front of our corporate vision and strategy. When I first began putting together a proposal to trying something new in the Machine Learning space, I was pretty confident that our proposal would be well received." Senior management supported the employee-driven initiative to support what they were hearing from employees through internal surveys, feedback from forums like Wave of Change and results of Great Place to Work surveys.

White also became the lead on a large government research project with industry and university partners. That increased innovation around machine learning led to new opportunities for existing employees and growth in job openings for new employees at all levels.

To address the increased demand for machine learning talent, Cadence used initiatives within the Machine Learning Task Force to further train and motivate its already skilled workforce. Almost half of all Cadence employees attended or watched the Machine Learning Forum workshop day in 2017. In 2018, the Machine Learning Global Hackathon attracted 148 teams of employees from 17 countries. Created by employees for employees, Cadence's Machine Learning Task Force allows Cadence to anticipate semiconductor industry trends, work with important industry partners, move in the direction of new markets like defense and most importantly, create the conditions for Innovation By All.





# A HEALTHY CULTURE

Lip-Bu Tan's focus on culture, listening to employees, creating pathways to inclusive innovation, and working on closer relations with key customers has made Cadence a great place to work and a formidable competitor.

“We’ve worked very hard to rebuild the culture and establish long-term trust with our customers. Today, we see that the market-shaping customers and critical ecosystem partners relying on us to deliver their most critical technology.”

Neil Zaman, Senior Vice President, Worldwide Field Operations

**IN 2015, THE COMPANY EARNED ITS** first-ever spot on *Fortune’s* list of the 100 Best Companies to Work For, which is published in partnership with Great Place to Work. Cadence repeated the feat in 2016, 2017 and again in 2018—when it hit its highest ranking, at No. 38.

What’s more it earned a variety of other honors along the way. These include ranking as a Best Workplace for Diversity, for Millennials, and for Giving Back. And in 2018, Cadence’s global culture also earned it a spot on the World’s 25 Best Workplaces.

Cadence has focused on building a culture that fosters inclusion and embraces diverse backgrounds. They’ve become a desired destination for early career and female talent working in the EDA industry which has a more tenured, male population. Not only do they have strong internal support for female and junior employees with additional opportunities for mentorship, networking, and focused development, but they are helping build the future pipeline in tech with partners like Girls Who Code and the Anita Borg Institute.

Other highlights in the company’s culture today are fairness, psychological safety, and the pride employees take in their work. Nine out of 10 Cadence employees say they “make a difference” in their jobs and say they are treated as a full member of the company regardless of their position. These levels surpass the benchmark scores for the 100 Best overall. In addition, 93 percent of Cadence staffers say they can take time off work when necessary, supported with programs like Flexible Vacation and Volunteer Time Office—again beating the 100 Best benchmark.

Employees’ sense that they can leave work as needed is a key factor in the company’s innovation success. Great Place to Work research has found that a hidden barrier to innovation is “everyday fear”—the perception that employees cannot take time off suddenly to attend to family emergencies or handle other pressing personal issues.

The fact that Cadence employees feel included at work and purposeful goes hand in hand with the company’s increased attention to clients. In essence, the empathy Lip-Bu Tan and his leadership team are showing employees is paid forward as Cadence employees put themselves in customer shoes and look to serve them amid changing market conditions.

In fact, Cadence employees report much higher levels of extra effort and adaptability than their peers throughout the industry (See Chart: Agility and Extra Effort at Cadence).

Having cured its culture, Cadence is now enjoying healthy financial results.

Revenue more than doubled between 2009 and 2017, to \$1.9 billion. And in sharp contrast to a net loss of \$150 million in 2009, Cadence reported net income of \$204 million in 2017, which are GAAP figures after tax.

Cadence’s share price grew steadily from its 2008 low of \$2.42, surpassing its pre-recession peak of \$24 in 2016, and accelerating after that to a new high of \$47 in 2018. The stock is far out-pacing its rivals in the technology sector. The tech-heavy Nasdaq composite stock index has climbed 62 percent in value over the past five years, while Cadence shares have soared more

than 200 percent, to more than \$50 per share in February 2019.

If investors and analysts were curious about the secret to the turnaround at Cadence, Tan spelled out his remedy in a conference call in April of 2018:

“I want to talk about the culture we are building at Cadence that underlines all our success. We are committed to driving an innovative and inclusive culture that embraces the diversity of our global workforce. The strength of our culture is highlighted by the recognition we received from *Fortune*. We earned the number 38 spot on the list of *Fortune’s* 100 Best Companies to Work For and are proud to make the list for the fourth year in the row. Our commitment to innovation can be seen in more than 20 significant new products that Cadence team has developed in the past three years. We are also focused on supporting employees through our Volunteer Time Off and Matching Gifts programs, and have been recognized by the *Fortune* as a Best Workplace for Giving Back.”

**AGILITY AND EXTRA EFFORT AT CADENCE**





## Life at Cadence: An Employee Perspective



**SUPRIYA ANANTHRAM** is a 20-year veteran engineer who works on Cadence's signature Virtuoso system design platform product. Before Cadence, she worked for industry leaders who used Cadence tools, including Texas Instruments and Teradyne. After 16 years with Cadence and sticking through the company's most challenging time, Ananthram left Cadence for a rival firm in 2015, returning within a year because she wanted the "one team" culture. Her perspective on the changing times at Cadence:

"As an engineer, 2008 was not a great time. The leadership had gone pretty aggressively on short-term goals. That had eroded customer credibility in the sense that customers had gotten a little bit antsy on that end. It seemed like there was not a lot of listening and things had gotten kind of bureaucratic. Not to mention that the stock price was practically in free fall, so there was a lot of uncertainty at that time. We didn't know what was really going on."

Ananthram was on a special project at the time and she and her teammates were waiting to see what would happen. They really believed in their product and the difficult times made them closer. Yet they were con-

cerned that Cadence had lost its credibility and that customers were worried. She saw Lip-Bu Tan building confidence by emphasizing customer focus, praising the engineering talent, communicating how to rebuild trust and emphasizing the values. "We would see it everywhere, 'One Cadence, one team.'"

"I'm part of R&D, and usually R&D doesn't speak to customers. But during that time things started changing where R&D got into more proactive roles: speaking to customers, getting their feedback."

"The reason I came back was to work in an atmosphere where there's a strong team, and culturally, you've got some kind of value system, and the technology that you're working on is also great. I've known people for so long, it's like my second family over here. When I come to work, I come and meet my friends here. I felt like, "I wanna come back, and I wanna work with people I like, and people I trust them. We are all motivated, we all want the same thing." So, I came back. And I haven't regretted it."



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# A CULTURE THAT KEEPS GIVING

**THE LIST ACHIEVEMENTS TAN RATTLED OFF** underscore one of the main benefits of the culture he and Cadence have built. A great culture, especially one that is recognized as a best workplace, acts as a talent magnet.

And attracting sharp minds is essential to the long-term success of tech companies. “The vast majority of our employees are in Silicon Valley, India and China,” Jones says. “Those are three of the hottest talent markets there are. We are nothing without the Cadence talent.”

But Cadence is looking to recruit and retain excellent employees in ways that

buck industry norms. While Cadence offers competitive compensation and employee perks and benefits, Tan is skeptical of these as being the reason for employees giving their best. He thinks a better approach involves intrinsic motivators such as fairness and equal pay and the opportunity to invent, contribute ideas, and engage in meaningful work.

Great Place to Work research backs up his view. At Cadence, 96 percent of employees who report they have a lot of chances to innovate also say they want to work at the company a long time. What’s more, 95 percent of the employees who feel very

included in innovation activities say they would strongly endorse Cadence as a great place to work to friends and family.

In general, there is a close link between participating in innovation and being happy on the job. Great Place to Work has found that when people are excluded from innovating, fewer than half call their workplace great. But when employees have a lot of opportunities to be creative, nearly 100 percent say their company culture is great.





## Looking to the Future

**THE BRIGHT FUTURE AT CADENCE** is a far cry from the dark day the company weathered in Oct. 2008.

The recovery is even better than some imagined possible. Long-time employee Ananthram reflects, “What surprises me is Cadence’s resilience and adaptability. We’ve come a long way since 2008. I believed in the work that we were doing, but I also did not expect we could reach this level and have such major opportunities in the future.”

Indeed, the company’s progress is remarkable. Cadence is a case study in the power of For All Leadership, an Innovation By All culture, and the kind of customer-focus that can come from engaged, inspired employees.

Customer, investors, and other observers are no longer wondering if Cadence will survive. Instead, they are seeking out the company as leader when it comes to both technology and tapping employees’ full potential.

Tan is clear that culture cured Cadence. And, he told investors last year, he plans to keep taking that people-first medicine.

“Since I joined the company, one of my top priorities had been building a culture that differentiates Cadence. We can be proud of how we have accomplished. I am encouraged by the progress we are making, and we will continue to make our culture central to our business strategy.”

## Key Takeaways

### **CULTURE IS BUSINESS STRATEGY.**

Culture is a competitive advantage. Even in crises. Even in very numbers driven, publicly held organizations.

### **TURNAROUND LEADERSHIP TAKES RISKS.**

For All leaders' vulnerability can be an advantage. Lip-Bu Tan turned Cadence around primarily with EXISTING employees. Performance issues weren't due to the workforce itself and didn't require a clean sweep.

### **CULTURAL DRIVERS OF INNOVATION ARE A CRITICAL HEALTH METRIC FOR ORGANIZATIONS.**

Organizations with an inclusive approach to innovation see 5.5x revenue outperformance. In addition, there is a virtuous cycle. More innovation means more committed employees who are advocates for talent in their network, which means better talent, and in turn more innovation.

### **FOR ALL LEADERSHIP**

For All Leadership is based on a willingness to listen to employees, focusing on value, connecting people throughout the organization, instilling a sense of purpose, and acting out of a sense of service. By leading with transparency and vulnerability, Lip-Bu Tan encouraged a turnaround based on a people-first culture for both employees and customers.

### **THE ONLY WAY OUT IS THROUGH**

Cadence employees persisted through layoffs and radical industry shifts under an accomplished, but unlikely leader. Cadence management took pay cuts, courted harsh but necessary feedback and held up under fire and public ridicule from multiple directions.

### **CHOOSING CULTURE AND CASH FLOW**

The emphasis on cultural change was backstopped by Cadence's return to organic growth and internal innovation. The 'Customer First' ethos was backed up by deep reciprocal engagement and honesty in customer relationships.

### **THE LONG-TERM IS A REALLY LONG TIME**

Despite its success, Cadence continues on its Innovation By All journey as it considers the next set of industry challenges. Cadence spent a decade refreshing its culture and relationships and only began to reap exponential gains after eight years in. Lip-Bu Tan's personal yardstick is a 15-year time horizon.

