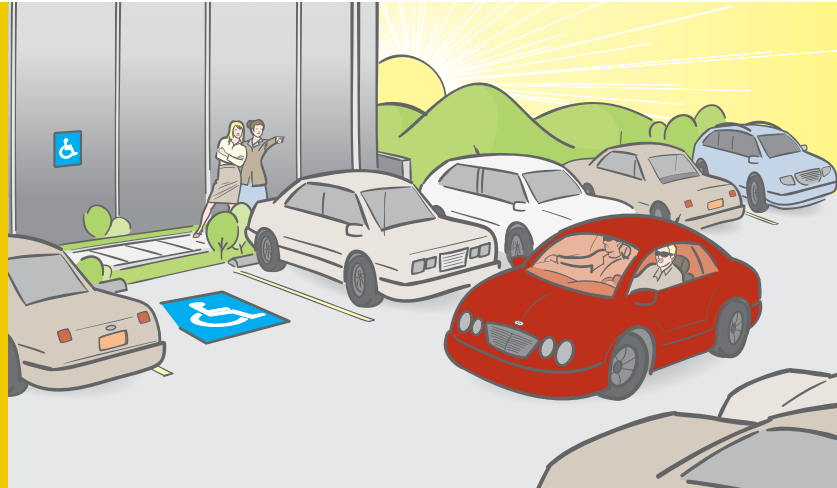




ETHICS IN ACTION

Shining examples at Sun Microsystems

// BY JONATHAN SCHWARTZ



SCENARIO

Before joining Sun Microsystems, I was the CEO of a small software company called Lighthouse Design. Early in our history we had a few dozen employees, and during one of our internal All-Hands meetings, someone pointedly asked me about the state of the company. The truth was that, at the time, our company was facing financial challenges. I had to decide whether to say anything and how much to tell everyone. But I expected people to be honest with me, and I knew we were a company of smart people who also deserved the same from me. So I opted for transparency and gave them the facts.

Fast forward, and we'd been acquired by Sun. Shortly thereafter, Scott McNealy, founder and CEO for 22 years, took me to lunch. Upon our arrival back to the office, the parking lot was full with the exception of three spaces in the front—a handicapped spot, one for customers and another for security. Scott took one look and said, "If I park there today, those spaces won't be available tomorrow." It seems like a very small incident, but in a single moment, it set the tone for how ethically the company is run. It also aligned with my personal beliefs that employees take their cues from the example set by a company's leaders. It's important not to break character on the small issues because it could signify a tolerance for cutting corners on the significant ones.

I've often said that it's this approach to business that is the reason Sun is not embroiled in options accounting scandals or any of the ethical business issues facing many of our competitors. Whether or not there were explicit rules on the issue, our team understood that putting a misleading date on stock options just wasn't right.

WHAT ACTUALLY HAPPENED

Jonathan was candid about the state of Lighthouse Design's business and used the opportunity to also outline expectations and what was needed for the company to succeed. This honesty and leadership tone quickly presented itself as an important issue at Sun. Jonathan observed the importance of ethical leadership in Scott's seemingly small choice. This example shows that every interaction sets the symbolic expectation for everyone in the business.

WHY THIS WAS IMPORTANT

One of the foremost roles of the CEO is to set the moral compass for the organization. While it's important for CEOs to voice the expectation to act ethically, they also need to model ethical behavior themselves. Daily decisions and everyday behaviors—on the big issues and the small ones—make a company. "I often remind my staff and all the leaders at Sun: it's hard to build a reputation and easy to lose it. And that doesn't mean we aren't risk takers. I just expect us to make intelligent, legal and ethical choices."

Everything stems from leadership, and leadership can't be grafted in at the top. It's grown throughout the organization and around the world. "Weighing risks as Sun's CEO is easier because the company has invested 25 years in building a culture based on ethics, integrity, and respect for the law." ◀

About Jonathan Schwartz

Jonathan Schwartz is Chief Executive Officer and President of Sun Microsystems and a member of Sun's board of directors. He became Sun's CEO in 2006, succeeding the company's co-founder and current chairman of the board, Scott McNealy.

Prior to his position as COO, Schwartz served as Sun's Executive Vice President for software, its Chief Strategy Officer, and held a variety of leadership positions across product and corporate development. He joined Sun in 1996 after the company acquired Lighthouse Design, where he was CEO and co-founder. Prior to that, Schwartz was with McKinsey & Co.

Reach Jonathan Schwartz at www.blogs.sun.com/jonathan

About Leaders on Ethics

Leaders on Ethics is an ongoing project involving CEOs and other leaders providing insights into challenging ethical situations they've faced, decisions they've made, and lessons they've learned. Curriculum is being developed for use in the classroom to help future leaders consider the role that character will play in career success.

TWO WAYS TO GET INVOLVED IN LEADERS ON ETHICS

- Nominate a leader
- Become an organizational sponsor for Leaders on Ethics

Contact Matthew Blake at (800) 369-7583 or email mblake@ethisphere.com for more information.