

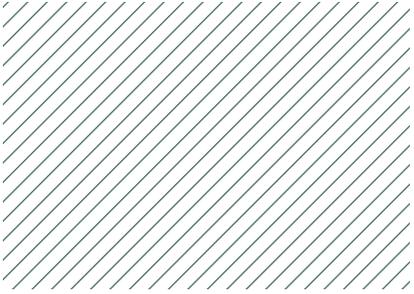


FINDING A VOICE

Microsoft's Brad Smith on Staying True to Values and Speaking Out

Interview by Tim Erblich

As an eight-time World's Most Ethical Companies® honoree, Microsoft has been a mainstay of the list for quite a while. As a mature multinational with diverse business interests, that's no easy task. To find out how Microsoft had kept their record so spotless for so long, Ethisphere CEO Tim Erblich recently visited Microsoft headquarters in Redmond, WA for a wide-ranging conversation with President and Chief Legal Officer Brad Smith about Microsoft's values, their recent stance on immigration, and the importance of companies finding their voice on difficult issues in the modern world.



Tim Erblich: So what we've seen over the last several years is that there are situations where Microsoft weighs in on really pressing and important societal issues. For example, you came up very strongly about DACA (Deferred Action for Childhood Arrivals), and you've been a leader in diversity and inclusion for a long time, and immigration, and so on. Some would say this is not a natural place for corporations to have such a loud and powerful voice. What makes you do this? What's the driver behind these stances?

Brad Smith: I think we live in a fascinating time. There is more hunger, I think hunger is the right word, for companies to address broad issues. I think it naturally, and rightly, it is mostly focused on the connection between companies and the issues they touch, because of the products that they create, the services they provide and the needs of their employees. A decade ago we would have been much quieter, and yet what we're seeing in the marketplace, from the public and from our employees, is frankly a desire to see companies address societal challenges more broadly and boldly than before.

TE When you think about the rule of law and how it operates in Microsoft, operates around the globe, you know, in the sense of fair play, a sense of decency – how does this really connect to values-based leadership?

BS Well, the first question is, what are our values? It certainly has caused us to step back and ask, what are the values that are timeless? What are the values that are core to our mission? You know, among them is a commitment to the broad protection of human rights. It's an easy thing to say. It's actually a complicated thing to do. I think it starts with a commitment to do no harm, that we manage our own business in a way that is sensitive to and protective of other people's human rights. But it ultimately extends to questions like, can we use technology to protect human rights?

TE You saw the Larry Fink letter. Larry Fink runs Blackrock, which is the biggest asset manager in the world, and he was calling on companies like yours to in a sense be social activists, or to be lead-

ers on social issues around the globe, and he was saying that is the recipe for long-term sustained performance in the world in which we operate today. Can you talk a little bit about that for a second?

BS I think you have to first start with the why. Why should companies do this, or more precisely, why are people asking companies to do this? And there's a few data points that all sort of push us forward. The first is that companies that are thinking about something bigger than themselves, and are thinking about their broad societal mission and contribution, are likely to create more value for customers and shareholders over the long term. Right? So that's the first point. I think coming from the other end is really employees. Employees today are asking their employers to take on issues that matter to them, to speak out and especially to address these issues when they relate to their needs, and they have high expectations.

TE **We collect a lot of data, and our thesis at Ethisphere is that companies that are better citizens outperform over the long term, but what's underneath is that they attract and retain the best employees.**

BS You raised an incredibly important point about employees in our business. Indeed, in so many businesses today, you are nothing without attracting and retaining great employees. When you think about trust, for example, you have to retain the trust of so many different groups of stakeholders, but I actually think you have to start by retaining the trust of your employees. I think that's a healthy thing, because employees these days have such high expectations that if you do well in sustaining their trust, especially with a large organization and a large number of employees, a global workforce, you're probably going to be pretty well-positioned to retain other people's trust too.

TE **Then the next step is, how do you be a really good corporate citizen in the communities in which you operate around the globe? You were talking little bit about DACA. It's a humanitarian issue. It's an economic issue. Talk a little bit more about that.**

BS We found our voice quickly on DACA. There were a few of us who talked the weekend when we saw that the White

House decision was looming, and we decided that we would put a stake in the ground. We felt it was a business imperative for the company because we have 45 employees who are registered under DACA, and we wanted to them to know that we had their back.

We used pretty strong language. We would put the weight of the company behind them. We would ensure they had their own legal representation and we would go to court and stand by their side. I also think it's a humanitarian imperative. The numbers are large, 800,000 or so, but I think it's more than that.

There's an aspect about DACA that is fairly unique. So many of these people have never lived in their memory anywhere outside the United States, so to deport them is not to deport them to their home. It is to deport them away from their home. Any time you're facing that kind of issue, I think one does need to address it with more urgency than others.

TE **So how have all of these things connected into really a high performing company? Diversity, inclusion, CSR, taking a stand on things that are important. What's the secret sauce here for companies?**

BS Well, one of the reasons that we are so enthusiastic about the work that Ethisphere does is, in my opinion, you help companies find their voice. I think finding your voice really requires two things. One is that you have to know the values for which you stand. And the other is that you have to have some courage. I think that you remind us that there are values that transcend individual companies, or even the private sector as a whole. But the other thing that I have found so interesting in talking with people who do CSR work at other companies is that oftentimes it's the first step that's the hardest. They have to persuade the leaders of the company, or others, to have the courage to speak out.

TE **I have always found myself that it's not a bad thing to have somebody else you can point to as a model, or as an example. I think Ethisphere provides some of that. It's what we've tried to do. And that's what I've tried to do as we've had more years of experience doing this.**

BS I think back to the first time we took a position on immigration, that was not an

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easy decision necessarily to make as a company or to overcome internal debate. But you find your voice and you know, frankly, you see how it goes. And if it goes well, then you're prepared to take the next step. We live at a time where I do think companies need to find their voice and summon their courage and the more that we can do to help others do that, I think the better off we all are.

TE **Do you believe, or does Microsoft the company believe, that this leads to greater business success? Because you are a publicly traded company. Does all of this link to business success?**

BS I believe that a strong ethical commitment, and even the use of a corporate voice in an appropriate way, is linked to business success. It's certainly linked in our business.

With the advent of cloud computing, people are entrusting us oftentimes with their most precious data, which is being stored in our data centers. They have to trust us, or we will not be successful. We won't continue to obtain their business. It really calls on us to think about how to internalize that in a broad array of ways. But as we do that, as we speak out, we take the steps that hopefully sustain people's

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trust. I think it does help us because then people say yes, I feel comfortable relying on this company for technology that is so important to me or to my business.

TE Microsoft is a middle-aged company. You're 50, a little bit more.

BS We're under 50! I want you to know that we're only about 43 years old.

TE Oh, OK. What characteristics would you say, if you're going to be here for the next 43, 50, a hundred years, what characteristics would you say that a company would have to have as a foundation?

BS I think right now at Microsoft, we're focused fundamentally on two things and I think that they serve us well and they hopefully will continue to serve us well.

The first is what Satya Nadella, the CEO, has talked about as a growth mindset. You know, this comes from Carol Dweck at Stanford, and some great research and thinking in the social sciences. The basic thesis is that we all benefit from constantly challenging ourselves, recognizing that most of our abilities are not fixed. We have more we can learn every day. It's OK to try and fail and learn and grow, and then reward that constant learning.

Now, the key, I think especially when you think about the kinds of issues that Ethisphere deals with, is to combine a growth mindset with a clear understanding that there are some risks that you should not take. There are some values that are so steadfast that you must never sacrifice them. As we like to say inside Microsoft, there are lots of risks that are inherent in being in business, but don't take integrity risk. Don't put your integrity at risk. Don't do it as an individual. Don't do it for your team or your department or your company.

Then, you need to work with people. It's one of the things that David Howard has been really championing here in Microsoft. Integrity is both a set of values, but it's a skill. It's a skill that we need to invest in helping people learn because that to actually often requires the ability to spot an issue, to have judgment and how to think about it and the courage to know when to raise your voice inside a company and say this would be a problem if we did it. We better think again.

TE How do you stay true to your values in a 24/7, 365 day a year news environment?

BS Well, it's such an interesting question and I think it's such fundamental importance in the world today to be able to move quickly and make decisions and then communicate. At one level it's easier if you know what you stand for, if you know your values. But I do think it requires a couple of other things as well.

It does require this sense of courage that we've been talking about. I think it actually requires a dose of humility because you have to recognize, especially when you're moving fast, you're not going to get everything right. You're going to get some arrows shot back at you. That's OK. We're all going to continue to learn and grow and perfection isn't for this time and place.

I think the third thing that really requires, and in some ways, this is the part that companies may not always think through, is that you need to have clear processes and decision-making set up so things can move fast if necessary. It was literally the Sunday afternoon of Labor Day weekend and I had been on the phone with the White House, trying to dissuade them from taking the step on DACA and recognizing that we were not going to be successful. All right. We then knew we had 24, 36 hours to decide what we wanted to say, to write it up in a blog,

to get it out there. And you have to move fast, and you don't move fast unless you put the groundwork in place beforehand.

TE Right? It was great to watch. You guys have been very engaged with our community of companies and Ethisphere thanks you, and we look forward to another 43 or 50 years, we look forward to you continuing to raise the bar, continuing to have that growth mindset on character and behavior. And so again, from us, thank you.

BS Well thank you. Because you are raising the bar, you're providing perspective in judgment and resources and tools that all of us benefit from. And I think while we're excited about the things we're doing today, I'm sure the only thing that really will keep us at the forefront for any time is a sense of humility, a recognition that the border keeps changing in terms of what we have to accomplish. A new frontier, if you will, and you're going to help us identify where we need to go. So thank you.

Author Biography



Brad Smith is Microsoft's president and chief legal officer.

In this role Smith is responsible for the company's corporate, external, and legal affairs. He leads a team of more than 1,400 business, legal and corporate affairs professionals working in 55 countries. Smith joined Microsoft in 1993, and before becoming general counsel in 2002 he spent three years leading the Legal and Corporate Affairs (LCA) team in Europe, then five years serving as the deputy general counsel responsible for LCA's teams outside the United States.