

Mixed feelings about Sun setting in Silicon Valley

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(AP) -- If IBM Corp. had managed to buy longtime rival Sun Microsystems Inc., it might have been as incongruous as waking up to a big blue sun.

But even though Sun now plans to sell itself instead to Silicon Valley neighbor Oracle Corp. the computer server and [software maker](#) still could be in for a rude awakening.

"It all comes down to who would you rather have as your parent," said Paul Saffo, a Silicon Valley forecaster who has followed high-tech's ebb and flow for 30 years. "There are quite a few people in Silicon Valley who see Oracle as a wicked stepmother, so I am sure there is going to be some trepidation about this deal too."

Oracle, a leading maker of business software, has fattened its profits by ruthlessly cutting costs while buying dozens of companies during the past four years.

Santa Clara, Calif.-based Sun became Oracle's latest conquest with Monday's surprise announcement of a \$7.4 billion deal between the longtime business partners. Oracle outbid IBM for Sun.

Now it's widely assumed Oracle will lay off thousands of employees and wring other savings from Sun as it tries to boost its [operating profit](#) by \$1.5 billion within the first year of the takeover.

Redwood Shores, Calif.-based Oracle didn't estimate how many of Sun's 33,500 employees will lose their jobs, but insisted the cuts won't be as deep as they would have been had IBM had been the buyer.

If Sun had to sell, its employees will probably feel more comfortable working for Oracle instead of Armonk, N.Y.-based IBM, said Pat Sueltz, a former executive at Sun and IBM.

"It's just a better cultural fit," said Sueltz, who worked at IBM for 20 years before moving to Sun from 1999 through 2004. "It was always difficult bridging the gap between Silicon Valley and New York when I was at IBM."

Silicon Valley's concerns about Sun extend beyond employee relations and the extent of the looming layoffs.

The deal also would give Oracle control of Sun's stable of open-source software products that have become inexpensive building blocks for startups. Scores of Web companies rely on Sun's MySQL database, an open-source product that could become a lower priority as Oracle tries to boost sales of its own market-leading software.

"This the kind of event that makes you think about Silicon Valley's direction and what it might look like after it all shakes out," said Palo Alto lawyer Gary Reback. He represented Sun in a patent dispute with IBM during the 1980s and represented PeopleSoft Inc. in 2004 when it unsuccessfully tried to avoid being sold to Oracle.

"What Oracle has been able to do with its (acquisition) strategy has been very good for its own shareholders, but how good has it been for innovation? How good has it been for customers?" Reback said.

Ed Zander, Sun's former chief operating officer, believes the company is

bound to be better off under a company rooted in the valley. Still, he is sorry to see Sun lose its independence after 27 years.

"It's the end of an era," said Zander, who resigned as Sun's chief operating officer in 2002 to end a 15-year stint with the company and then headed Motorola Inc. "Sun was a great company with a history of producing lots of intellectual capital and disruptive technology. No matter who bought Sun, this can't be seen as a great day for the industry."

Despite his misgivings about Oracle, Saffo agrees Sun made the right move by selling to a deep-pocketed owner to lessen the chances of the company collapsing altogether.

"People have been preparing for Sun's demise for such a long time that there was a real fear it would end up getting broken up into little pieces," Saffo said. "This seems like a lot happier result than what might have happened."

Sun looms large in Silicon Valley's rearview mirror.

This is the company that hatched its own operating system, Solaris, for corporate servers and cooked up Java, the computer language of the Internet that wound up being Sun's last ticker symbol on the stock market.

It had the audacity to mock and defy Microsoft Corp., helping to spur a government investigation that forced the world's largest software maker to loosen its controls on how people interact with computers.

"We always had the courage to break glass and be disruptive," Zander said. "There was always an incredible passion and sense of urgency. You just wanted to get up every morning and kick some butt."

Sun's derring-do dissipated after the dot-com bust of 2000 pushed the company into a downward spiral that triggered thousands of layoffs. Other bellwethers, including Oracle and Hewlett-Packard Co., also were hard hit then, but bounced back by trimming their costs and expanding into new markets.

Sun never found a way to climb out of its hole, even after co-founder Scott McNealy stepped aside as chief executive in 2006 and handed over the reins to Jonathan Schwartz.

"At some level, they brought this upon themselves," said Zach Nelson, a former Sun marketing executive who is now CEO of NetSuite Inc., an online software service whose largest shareholder is [Oracle](#) CEO Larry Ellison.

Sun's pool of talent ran so deep that McNealy might not even be its most influential character.

The company's other co-founders were Andy Bechtolsheim, whose \$100,000 investment in a new Internet search engine launched Google Inc.; Vinod Khosla, who remains a prominent venture capitalist specializing in alternative energy; and Bill Joy, a revered computer scientist who became a venture capitalist.

Sun also produced Eric Schmidt, who has been Google's CEO for 7 1/2 years, and Carol Bartz, who is trying to revive another slumping [Silicon Valley](#) icon as Yahoo Inc.'s CEO.

It's difficult to believe a company that incubated so many visionary and savvy leaders could be reduced to selling itself to the highest bidder, said Shernaz Daver, a former Sun marketing executive in the 1990s.

"It really is bittersweet," she said. "I wish my grandchildren could have

known Sun as a standalone company. At least I don't think Sun will be remembered as just a footnote in history. It will be a full note."

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