

URL: <https://stvp.stanford.edu/clips/dont-compromise-your-ethics>

Heidi Roizen, operating partner at Threshold (formerly DFJ), stresses the importance of ethical behavior in business, sharing a moment from her startup days when an unethical decision proved tempting. She explains how ethical behavior permeates a company's culture.



Transcript

Don't compromise your ethics.. This one is really, really difficult.. I actually just wrote a blog post about something this morning that I'll use as an example.. We were in a really dark period of time at T/Maker and there was this sprinkler malfunction and the sprinklers like ruined all of our inventory in our stock room.. So we walked in, they went off at like six in the morning, all the inventory was ruined.. Now the reality is we were about to ship a new product and that inventory was technically worthless.. But our landlord didn't know that.. So we had a long conversation, because the landlord - actually even the landlord said I don't care what it was worth, I'm insured, just tell me what it was worth and my insurance company will write you a check.. And we thought long and hard about that.. It was really tempting, we could have collected about \$150,000 and this is when we were bootstrapped and this was 20 something years ago..

So you can imagine how tempting that was.. We thought about it and we decided that we were going to tell the truth, because not only did we know that that inventory wasn't worth anything, but our employees knew that inventory wasn't worth anything.. And we felt that ethically if we were willing to cheat on an insurance form, then what does that tell our employees? It tells our employees we condone cheating.. It's okay to cheat.. File an expense report that's not true, take home an extra piece of equipment if you want to, because hey we cheat you should cheat too.. So this is one of those things, it's so hard to learn and I can just tell you again from my lessons of being out there in the world for a long time, when you do it you will end up regretting it.. And I don't know how else to describe it, you'll know the feeling, you'll be sitting there and you will think I can take this easy road, I can say this thing, I can tell the customer something that isn't really true about our product to make the sale.. And sometimes you will get away with it, but sometimes you won't and a lot of times you won't.. And it sets the tone; it sets the culture for the whole company that you're building.. What you do when you are faced with these ethical decisions..

So I will just encourage you the older I get, the more important this becomes to me.. And part of this is just I like to sleep at night, I like to feel like I'm a good contributor to the people that I work with, to the relationships that I build, and it's easier to do when you hold yourself to some standards..