VIVEK WADHWA: I once needed to negotiate an important deal with potential significance for my products. An official at the company I was dealing with demanded that I give his spouse stock in my firm in return for his support. A stock gift could have led to millions in sales. If I declined, we would lose the business opportunity.

I was totally dumbfounded. In other parts of the world, propositions like this one are common business practice. But this was happening in America.

I decided that I would rather sink my new startup rather than compromise my values. I declined the deal. My team was forced back to the drawing board to develop new technologies. Eventually we built a company with better products for a larger market. And we were able to raise millions in financing from top investment firms.

A key to achieving success is to assemble a strong and stable management team. We did a great job at recruiting the very best. But I also felt we shouldn't compromise our ethics. For instance, we had no tolerance for sexual harassment and our company worked hard to stop it. There were instances when I had to walk managers out the door when they crossed the line. That was hard to do and it hurt morale because I couldn't disclose what happened. But it was the right decision to make for the long term. We survived and if I hadn't if I hadn't made this decision, the fallout would likely have cost me the company-and my reputation.

During the dot-com days, one could take just about any company public and reap fortunes. All you had to do was to make sky-high projections for growth, say you were in the Internet space, and go along with unscrupulous investment bankers and their analysts.

My company's investors wanted me do what many other CEOs had done and go for the IPO. But I worried that I would be misleading the public and filling my
company’s coffers with the savings of unsuspecting grandmothers and struggling families. The analysts and bankers hype stocks and make them seem like certain bets. They rake in big fees, walk away, and disown responsibilities for the company’s projections. The public are the losers.

I chose not to take my company public at nearly a billion-dollar valuation. The dot-com bubble did burst a few months later. It decimated the values of companies. Many families lost their savings. Most of the companies that went public also ceased to exist.

When I think back, I know I could have made tens of millions of dollars and lived the high life. But I would never have felt right about spending this money. I would not have been able to face the people whose money I was spending. I would not have been able to live with myself.

Turning away from the investment bankers was the best decision I ever made.

How can companies do better? Corporate executives and business owners need to realize that there can be no compromise when it comes to ethics and there are no easy shortcuts to success. Ethics need to be carefully sown into the fabric of their companies.

Business executives need to start by spelling out and communicating their values. Then they need to lead by example. This means getting rid of the bad apples and declining opportunities that bring instant wealth at the cost of selling one’s soul.

Corporate culture is built from the top down. Employees embrace the ethics and values of their leaders. You simply can’t have one set of standards for management and another for staff. Every executive and employee needs to be held accountable.

Employees need to be encouraged to speak up when they see wrongdoing — to “speak truth to power.” And when a mistake is made, it is better to deal with the immediate fallout rather than allow it to build its own momentum. A corporate culture that doesn’t allow for mistakes is destined for disaster. The best strategy is to encourage employees to come clean and learn from their errors.

The worst is when employees are pressured to hide information. A company can usually survive short term snags. But covering up a problem is likely to create even bigger problems later on. No truth remains hidden forever.

Ultimately, it is about tying reward to behavior. The best organizations build ethics into their management and compensation systems. They reinforce corporate values by making ethics an integral part of how success is measured and rewarded.

Remember that doing the right thing doesn’t automatically bring success. But compromising ethics almost always leads to failure.

Vivek Wadhwa
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5:52 pm June 28, 2013
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