



Stanford eCorner

Benefits of Transparency Outweigh Risks

Dharmesh Shah, *HubSpot*

February 10, 2016

Video URL: <http://ecorner.stanford.edu/videos/4032/Benefits-of-Transparency-Outweigh-Risks>

HubSpot Co-Founder Dharmesh Shah talks about how the benefits of having a "hyper-transparent" company culture far outweigh the risks. By being so open with employees at the outset, Shah explains that HubSpot ends up hiring individuals of the highest integrity, and that it has never had a breach of trust among its 1,100 employees after almost a decade of being in business.



Transcript

- Most people over-wait the danger involved, the risk involved in being hyper-transparent. So when we started doing this, first off, I'm gonna tell you the (inaudible) because it's an interesting one. When we hired our first employee, so first it was just my co-founder and I. We hired the third person coming into the team. One of the decisions we have to make is, OK, what do we tell this person? That was a decision we have to make. My co-founder and I looked at each other, and, well, the easiest path is tell him everything. That's an easy binary kind of choice. And so we just kept doing that. And as we grew, our board, our advisors, people just like, yeah, that's fine right now. But what happens when you guys are out raising, the funding round, and they can see your cash balance kind of depleting and they know you've been on the road for five weeks.

What happens then? As it turns out, nothing. Even though we've gone through those dark periods. And the funny thing is, yes, there's risk involved. But what ends up happening, when you have a hyper-transparent culture, you know what the rules are. So we have this hyper-transparent culture. You end up hiring people that are way unlikely to take advantage or abuse that trust. OK, if we didn't have that, we can hire people OK, well, is this someone that we feel like we can reveal all of our financials, so we can tell is this, will they use this against us? In nine-and-a-half years, we have 1,100 employees in the company. We have never had a breach of trust. That's crazy, and we've had lots of people, and we grow fast, we've had people leave. I would still highly recommend doing it.

Yes, there are challenges, but the upside is immense. Number one, is as a society, we value transparency a lot, especially early stage, especially in start-up land. I was gonna run this diabolical experiment at HubSpot. I use the word diabolical because that's the word to use. That's what it is. I was gonna go ask people when they were hired, OK, we have this thing, we have this very transparent culture. Here's this kind of server, we have this Wiki, that we have these documents and all this information. You can have access to that, or you can get 10% more in comp if you just don't care about that. What's the actual economic value that people would place on the accessed information? Do you really want it that badly? I didn't run the experiment. My thesis is, if we had run the experiment, just about everyone would have said I want access to the information because it gives you a level of security that you know what's going on.

Not that you need to contribute to every decision, but once again this is like, OK, like in start-up land, it's a very crazy thing. This is one thing when you're recruiting, which is what you're going to do when you start building the company. You're convincing the overall goal of an early-stage start-up is to convince exceptionally smart people to do this very stupid thing, which is joining in this crazy thing doesn't make any sense. If you objectively looked at it, why would they do that? What transparency has allowed you to do is at least make some convincing argument. OK, this is completely crazy. At least you'll know what's going on. And it gives you lots of leverage in terms of recruiting and things like that.