

URL: <https://ecorner.stanford.edu/in-brief/vc-case-study-a-pay-equity-complaint/>

What interactions should VCs have with the staff of a startup they've funded, and to what extent should they leave those conversations to the CEO? In this brief case study, Stanford professor of the practice Tina Seelig and Redpoint Ventures managing director Annie Kadavy discuss a situation in which a board member receives a complaint about pay inequity.



Transcript

- So I'd love to do the final little case here that we have.. This is a bit of an ethical case.. And here's what it is, an employee of a company, that you're on the board of, sends you an email saying that they believe they are not being paid equally or equitably.. Do you one, call the CEO to share the context of the email and let them take it from there, say hey listen, I got this, figure it out.. Do you respond immediately saying, you're sure they're mistaken, but you'll call the CEO promptly to talk about it? Or do you request that the CEO provide all the salary information across the company, so that you can do an audit and follow up with the employee directly? So what do you do? Give it ah, five more seconds.. This is an interesting dilemma.. This is again, sort of like how involved are you in the company? And, what sort of role do you play in these very important decisions? All right, let's see what people have to say.. And while we're waiting for the poll numbers to come up, Annie oh, look at here we go.. So how interesting? So just the best the smallest group says, respond immediately and say that, you know, the CEO, say that they were mistaken and talk to the CEO.. So 16% say that, but 39% say, request the CEO give you all this information, so that you can look at it directly, and 45%, so almost half, say you should call the CEO to tell them and essentially let them take it from there..

What do you do? - Um, okay, so the answer I give here is one, this is an example where you respect the role of the CEO, you call the CEO and you say, hey, I just received this email from this employee, and this is their concern that they have, you need to address it with them directly.. The caveat that I will add to that is, number three is something that should have already been done.. And it doesn't necessarily need to be done in the form of an audit, but a conversation early on with, how are we hiring? Do we have salary bands? Are we sure that the people that are doing the same jobs at the company are being paid the same? This is ah, you know, we should have started with Tina too.. All five of these are real examples that I have lived through, including this one both as an investor, as a manager and as an individual.. Not that I sent an email to a board member, I chose not to do that, which I would also recommend not doing but, the knowledge that you are not being paid, in the same way as your peer, and what do you do about that? And the answer is that, the leadership of a company is responsible for that, and as a board member we're responsible for ensuring that that's happening.. This is something that historically has not, I think Ben talked about as openly as it should have been, but is increasingly a topic that, I would like to say certainly at my companies, but I would like to say more generally is, certainly a topic that people care a lot about...