

When Selling the Dream Turns Into a Nightmare (and What to Do When It Happens)



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I caught up with a founder recently, and we were talking about the obsession with real-life TV dramas focused on startups and founders that highlight the epic collapses of their empires. My friend mentioned that she was a friend of a friend of Elizabeth Holmes, former co-founder and CEO of Theranos, so naturally, we discussed *The Dropout* and the insanity of Theranos' downfall. As we wrapped up the discussion, she said, "You know, despite the whole defrauding investors and almost costing people their lives 'thing,' Elizabeth Holmes was pretty badass."

She was clearly joking, but it got me thinking more about

ethics in business. As entrepreneurs or sales professionals, we're conditioned to "sell the dream." However, there's clearly a line where dreams turn into nightmares for the people they impact.

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So, where is that line?

Thinking back to my business ethics and philosophy courses, there's a pretty clear spectrum that's anchored on the amount of harm that one's actions cause to others. Physical pain or loss of life is on one extreme. Telling your kids about "elf on the shelf" feels like the other extreme. But in the middle, there is quite a lot of grey that is dependent on the motives and the awareness that a person has when "selling ahead."

If Holmes genuinely felt that she was going to help more people and save more lives in the long run by cutting corners in the earliest stages to get Theranos off the ground, does that change our perspective of her? And how does our perspective change if her motives were purely monetary? What if she didn't have all of the information, or if it was someone on her executive team who acted recklessly? What if she was using this as a growth opportunity (hilarious to think about)?

In any of these cases, I think it's pretty clear to see that we'd still consider her actions legally and morally wrong. When you're running a company, ignorance isn't an excuse, nor are good intentions. But to make matters even worse, Holmes really screwed up, because she: 1) put people's physical lives in jeopardy, 2) caused financial pain by lying and defrauding investors, 3) emotionally and mentally abused her employees and 4) did all of it for monetary gain. That checks a lot of "go to jail" boxes.

But what about co-founders, like Adam Neumann from WeWork, and

the false reality that he sold employees and investors? What gives him the right to have a second chance? More importantly, what can we learn from them about selling the dream?

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The fish rots from the head down

As founders, it starts with us, the culture we create, the values we establish, and more importantly, the behaviors we want our teams to model.

Your actions and your language matter. When we founded Disco, we wanted to help companies reinforce their core values to help foster a sense of culture and connection. However, even company values can be used as weapons. As Ben Horowitz notes in his book, *What You Do Is Who You Are*, values like “win at all costs” can create an environment where it’s acceptable to do whatever needs to be done to achieve success.

Yet, we’re conditioned to pitch big, bold visions to get our investors and employees excited about the impact our company or product can have on the world. We’re encouraged to stay strong and optimistic and oftentimes shield the truth from employees when things look dire to preserve production and stability. However, when we do this, there’s a trickle-down effect on our employees – and that, in turn, trickles down to our customers.

As a personal story, I remember doing a deal with one of the largest commercial real estate providers in the world. I was blindly assuming the product was at least 80% of the way there, or at least telling myself that it was, because I knew how badly we needed the business to raise our Series A. After deploying, I learned that it was really 65% of the way there. A week later, I got a call from a subcontractor who completed the installation. He told me that one of the hardware

applications fell off the ceiling in a shopping mall and almost hit a customer. Yikes. I've never been able to step foot in that shopping center ever again.

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So, what do you do?

Be honest with them:

- You turn away the business that you're not ready to earn. Your customers trust you to be their advocate and empathize with their pain. Do that.
- You wait to pitch until you generate your first \$100,000 in ARR, so that you don't have to fluff.
- You share your cash balance with your employees, so that everyone knows what the stakes are and what you're working toward.
- You share the state of your business venture with your partner/spouse, so that they have clarity into your future cash position and set proper expectations around potential outcomes and timelines for those scenarios. And then you buy them something really nice when it works out. Wait, what were we talking about?

So, is it okay to sell the dream? My general rule of thumb with all of this is to think about how my Grandmother Helen would react if she saw me selling a concept at YC Demo Day and knew the product didn't work. Imagine you're selling this product, this concept, this opportunity to the people you love most, and let that be your guide. Fear often conceals the truth, but the truth will set you free. I'm still telling my kids the elf moves during Christmas. Go call Theranos' corporate lawyers and sue me!

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