

Worth It



HAVE YOU EVER HAD a moment in your life when someone or something forced you to rethink the way you saw yourself and the world around you? That's exactly what happened to me in early 2015.

Based on the conventional definition of success, my life at that point was going extremely well. I was thirty years old and a millionaire, having started a credit card processing company with my brother a decade earlier and grown it into a multimillion-dollar business with more than a hundred full-time employees. I felt good about the work we, as a team, were doing and the culture we'd created at the company. We were profitable but had gained a reputation for excellent customer service and transparency (two things our industry sorely lacked). I worked hard, but my executive-level salary allowed me to play hard as well. Plus, I was still young and healthy, with plenty of time left to enjoy the fruits of what I believed was my well-earned success. The possibilities laid out before me seemed limitless.

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Then, in late March of that year, I met up with my friend Valerie for a hike in the Cascade Mountains outside of Seattle, where I live. I had met Valerie three years earlier and considered her one of my most cherished friends. She was in her thirties, but her life up to that point had been very different from mine. At fifteen, she got pregnant. At sixteen, she married the father and gave birth to her son. At eighteen, she enlisted in the army and went on to complete two tours in Iraq during her twenties. After serving in the military for eleven years, she left active duty and began her reentry into civilian life. She had been living in the greater Seattle area during her last years in the military and enjoyed it so much that she stayed. But making a life for herself proved complicated. On the day we hiked that trail together, she was working fifty hours or more per week at Banya 5, a Russian-style spa in the heart of Seattle, and managing residential properties on the side in an effort to pay her bills and child support.

As we began our climb, I asked Valerie how things were going. “Not great,” she said. “My landlord is about to raise my rent two hundred dollars a month, and I’m not sure how I’m going to afford it.” I could hear the pain in her voice as she told me she didn’t know which expenses she could cut in order to afford the increase. She had considered selling her car, but that would mean giving up her property-management income, which was not an option. She thought about moving to a cheaper apartment, but that would mean moving even farther away from work than she already was. Despite making

more than \$40,000 per year, she had no room to sacrifice, and the booming, unforgiving Seattle economy kept depressing the value of her salary. Like an unsolvable Rubik's Cube, every spending cut she made led to a new set of problems.

I'll admit I had long been confused by Valerie's financial struggles. "Plenty of people live on much less than forty thousand dollars a year," I told myself. "If she's having so much trouble, she must be mismanaging her finances. There must be some expenses she can cut."

In fact, several months earlier, I had offered to help Valerie review her budget. I was convinced I would be able to help her develop a better financial plan, but as I examined her expenses, it was clear that every single line item was essential. This was not a woman who was blowing her paycheck frivolously every week. This was a woman who was doing everything in her power to improve her financial situation—living on a budget, working two jobs, and cutting as many corners as she could. Yet she could never get ahead due to forces outside of her control. I asked her if she'd considered transitioning to another industry where she could make more money, but the costs associated with switching jobs—paying for courses or training, taking time off work, etc.—were too high. She was stuck, trapped in a negative feedback loop that kept holding her back financially. She couldn't afford to stay where she was, but she couldn't afford to leave either. After our sit-down, I felt terrible. I didn't know how to help her, and it angered me that she was in this situation. It didn't seem fair.

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Given the severity of her circumstances, I had assumed Valerie's was an isolated case and that her financial woes were the result of years of unique hardships that made her situation more complicated than most. But as I racked my brain on that hike, trying to come up with a way to help her, a troubling thought occurred to me: about one-third of the people I employed at my company were earning less than what Valerie was making. If she was struggling, so were the people for whom I was responsible. If her rent was going up, it was likely a lot of my team was facing the same predicament. I was also keenly aware of another, much smaller, group of employees, including me, who were taking home huge amounts of money. I, like most business owners, had been setting pay based on the market value of each employee—what I could get away with paying someone based on their particular job and experience. But were the highest-paid employees really adding that much more value than the lowest-paid ones? Just because the market said a sales rep was worth more than a support rep, did that absolve me of any responsibility to pay the latter a living wage?

Mental dominoes began to fall. I remembered a study I had read, by psychologists Daniel Kahneman and Angus Deaton, which found that a person's well-being continues to increase up until they earn a salary of around \$75,000 a year. At that point, the study suggested, people are able to cover their basic needs and a little extra and thus feel financially secure enough that their lives are stable. Beyond that number, any extra dollar has marginally less value because it doesn't significantly improve a

person's welfare.¹

How could I justify paying an employee less than what Valerie was making when those people were willing to cancel a Friday-night date or work through a holiday to help our clients? Every day that I paid them less than they needed to be financially secure—even though I could have afforded to pay them more—I was actively chipping away at the well-being of my team. How was that productive? How could I let this stand? I knew I had to do something. I wasn't sure exactly what it would be, but the change had to be bold. There had to be a new floor, a new minimum wage for our team.

In April 2015, just after that hike with Valerie, I announced my decision to implement a \$70,000 minimum annual wage at our company, Gravity Payments. The announcement created a media frenzy I had no way of anticipating, and I suddenly found myself at the center of a larger conversation about whether businesses have a responsibility to pay their workers a living wage. I received praise, criticism, and outright scorn from journalists, pundits, businesspeople, and ordinary folks who were either inspired or horrified by the decision. Profiles were written, letters were sent, and comment sections were filled by observers trying to unpack my motivations. Was I a bold entrepreneur trying to make a statement about income

1. Daniel Kahneman and Angus Deaton, "High Income Improves Evaluation of Life but Not Emotional Well-being," *Proceedings of the National Academy of Sciences* 107, no. 38 (September 2010): 16489–16493, <https://doi.org/10.1073/pnas.1011492107>.

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inequality in America? Was I a militant socialist out to destroy capitalism by redistributing wealth? Was I a philanthropist trying to give back? Or maybe I was just pulling a publicity stunt designed to drum up attention for my small but growing company.

It's true that at the time of the announcement, I was concerned about increasing income inequality in the United States, and that is still something I worry about every day. As of today, a CEO at one of America's largest companies earns 271 times more than the typical worker.² And in 2017, 82 percent of all new wealth created worldwide went to the top 1 percent of earners.³ Study after study reveals that over the last fifty years, the rich have gotten richer while the average American's wages have stagnated and, in some cases, gone down in terms of real-dollar value.

Traditional business wisdom would say that companies don't need to concern themselves with this issue; as long as companies are paying people what the market deems they're worth based on their skills and contributions, they are paying fairly. Although I'd previously questioned this approach, I didn't see the true failure of this system until I heard about Valerie's

2. Lawrence Mishel and Jessica Schieder, "CEO pay remains high relative to the pay of typical workers and high-wage earners," Economic Policy Institute, July 20, 2017, <https://www.epi.org/files/pdf/130354.pdf>.

3. Oxfam, "Richest 1 Percent Captured 82 Percent of Wealth Created Last Year While Poorest Half of the World Got Nothing," press release, January 21, 2018, <https://www.oxfamamerica.org/press/richest-1-percent-captured-82-percent-of-wealth-created-last-year-while-poorest-half-of-the-world-got-nothing/>.

financial struggles. My income was a lot higher than Valerie's, but had I really contributed more to society than she had? Did creating a successful company mean I deserved to have a better life than a young single mom who had served her country for most of her adulthood? I didn't think so.

The decision to increase Gravity's minimum wage also represented something deeper and more fundamental than a desire to prevent my employees from dealing with the challenges Valerie was facing: it represented my commitment to running a company driven by its values instead of the dollars it earns. It represented the moment when I decided to ignore conventional wisdom and do something I felt, deep down, was the right thing to do. It represented my belief that who you are at work reflects who you are in life; true leadership requires you to uphold both your personal and professional values.

It took me years to figure out what kind of leader I wanted to be, and even longer to translate that desire into action. Growing up in Idaho, I had internalized a simple business philosophy based on a rural American worldview: a company exists to help the people it calls clients. Period. I originally started Gravity because I saw a need in the market I could fill. Although I always wanted the company to succeed, I based every decision on whether it benefited my clients, not on how much money I could make.

As Gravity continued to grow, however, I was thrust into corporate America. I felt the pull from financiers, consultants, and others who wanted to plop Gravity on the standard

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conveyer belt to success by reducing expenses and maximizing revenue, with little regard for how this strategy would affect anything but the bottom line. In some cases, I was able to resist this pull, but other times I gave in.

My drift toward conventional business thinking was especially prominent when it came to employee pay. By essentially letting the market determine salaries, I could get away with paying the lowest amount necessary to retain the people on our team. For years, I didn't consider the negative impact this had on my employees. It never occurred to me that I should be responsible for making sure they could pay their bills, start a family, or save for retirement. As long as I was paying competitively, I thought I was being fair.

My philosophy on pay was further supported by the fact that the vast majority of people at Gravity seemed happy in their jobs. They were smart, creative, and full of energy. I prided myself on having created such a dynamic company that attracted high-performing people. (As I write this, fifteen years after I founded Gravity, we still have people on staff who have been with us since the beginning—including our first-ever full-time salaried employee.) Surely, if I weren't compensating my employees fairly, they would have left by now, right?

Prevailing business wisdom justified my compensation policy. The most efficient businesses were those that produced the greatest amount of revenue while keeping costs as low as possible, so why pay someone one dollar more than what you can get away with? Ever since the 1970s, when economist

Milton Friedman put forth the idea that a company exists to maximize shareholder value, executives have adopted this philosophy as gospel. Walmart became the country's largest retail chain by micromanaging costs, most notably payroll. The company continued to thrive even though many of its frontline employees were living hand-to-mouth. After taking the helm at General Electric in the 1980s, Jack Welch instituted his "rank and yank" strategy of firing the bottom-performing 10 percent of his employees every year—a strategy he used to generate unprecedented growth and profitability. More recently, a handful of Wall Street executives were rewarded with huge bonuses despite having caused the worst economic crisis in the United States since the Great Depression. While some hemmed and hawed at the unfairness of it all, the vast majority of those in charge accepted the status quo and continued doing what they had always done—making money at any cost. This was the direction I was headed—and I hadn't even paused to question it.

I could have continued to pay people the exact amount the market determined they were "worth." I could have continued to collect a seven-figure paycheck until cashing out my shares and selling Gravity to the highest bidder. I could have retired early, bought myself a yacht, and traveled the world, all while patting myself on the back for the jobs I had created and the wealth I had generated for myself and a handful of others. I could have done all that and called myself a "success," and no one would have argued otherwise.

After hiking with Valerie, however, I realized that success,

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for me, meant something vastly different. Beginning when I was a child, my parents had taught me what it meant to lead a fulfilling and meaningful life. For them, both devout Christians, this meant dedicating your life to God and letting Him guide your actions and decisions. You didn't do things because they were fun or easy or because everyone else was doing them; you did them because they were the Christian things to do and they brought you closer to God. Although I no longer share my parents' religious zeal, I have never given up this drive to find purpose in my life and act in accordance with that purpose. On that hike with Valerie, I realized I had a huge opportunity to close the gap between my beliefs and my actions, even though conventional wisdom would tell me—and did tell me—I was crazy.

It's become something of a cliché in business to say that in order to get ahead you need to take risks, but rarely do we turn this philosophy inward. We make bold investments. We launch a product the world has never seen or start a company when we know that statistically it's likely to fail. In other words, we are willing to take risks—to a certain point. Faced with the decision to risk our reputations, our wealth, or our standing in certain spheres of power, we often balk. When asked to take a stand, question assumptions, or act on our values, we look for ways to justify inaction or we cite others' behavior as an excuse for our own. As a result, we often end up as part of a system and adopt a philosophy we don't believe in.

In order to make progress, each and every one of us, especially those of us in positions of influence, needs to take these types of

risks. The idea that “It’s not personal; it’s business” is no longer valid. Business *is* personal. It is a human invention that along the way has lost its humanity. When we separate our personal values from our professional ones, we give up one of the most powerful tools at our disposal to effect real change. Whether you’re an entrepreneur, an individual contributor, or a CEO, every decision you make about how to run your organization or execute your job affects the lives of those around you and therefore can have a profound impact on society.

My decision to pay a base salary of \$70,000 a year at Gravity resulted from my lifelong journey to understand my purpose in the world. Thanks to my upbringing, I learned early on what it means to have a strong sense of purpose and values, but it took firsthand experience in the business world to understand how difficult—yet how important—it is to translate these principles into action. As my company became more successful and I became responsible for more people, I realized that my opportunity to make an impact had increased dramatically. Eventually I understood that squandering this opportunity would be just as wasteful as a wealthy person blowing his fortune at the poker table. From that point forward, there was no turning back. I had to act.

I was willing to take this risk even if it meant losing everything. And even though it hasn’t been a smooth ride—I almost lost my company, a few employees and clients left, I had a very personal and very public falling out with my brother, and multiple people attacked me online and in the press—overall,

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the risk paid off. Since the year before the policy took effect, Gravity has tripled its revenue and employees have reported changes to their lifestyles consistent with those proven to increase well-being. Meanwhile, I've received calls from dozens of other entrepreneurs and executives asking for advice on how to institute similar compensation programs at their own companies. Some of them aren't yet in a position to pay a full \$70,000 a year, but they're committed to doing what they can for their people.

I wrote this book not as a manual on how to institute a \$70k minimum wage at your company but as a defense of doing business your way and thinking for yourself instead of letting others think for you. My best advice for leaders who want to be more effective is to never take advice. Yes, it's important to gather information and facts in order to make responsible decisions, and there is often great value in hearing the opinions and experiences of others. But true leaders need to follow their instincts and do what they think is right, even if it flies in the face of the well-intentioned advice of others.

Plus, not taking advice might actually make you *more* successful. It's easy to find examples of business "truths" that have been proven wrong over the years. Research is already showing that the old ways of doing business—pandering to shareholders, motivating employees through the promise of financial rewards, measuring success through profit—are no longer working (if they ever really did). My guess is if you really stopped to question the status quo, you would come to these

conclusions without the assistance of brilliant economists or psychology PhDs. Employees are drawn to leaders who hold values compatible with their own and are willing to bring these values to bear in their businesses. The time is ripe for experimentation.

What follows is the story of my journey as an entrepreneur and CEO. I share the events and experiences that helped shape who I am as a person and a leader and made me realize I had a responsibility to act in line with what I felt was most important. For me, this culminated in a decision to raise salaries, but you may reach a different conclusion, depending on your own values and circumstances. I hope that in reading my story you will come to appreciate the opportunities you have to improve society through the work that you do and will be inspired to reject conventional business thinking in favor of humanity. Whether you're a CEO, a business owner, a board member, a manager, a politician, a volunteer, an activist, an employee, or any other member of society, I hope you will take the time to reflect on your purpose and, most importantly, translate that purpose into action. If you are willing to take risks, make sacrifices, reject greed, injustice, and ego, I promise you will look back and say the words I now say all the time: *worth it*.