

# Executive Compensation: Insights from the 2012 CompStudy Survey of Venture-Backed Companies

## Technology Edition

October 11, 2012

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EXECUTIVE SEARCH

## Bryan Pearce

*Partner, Americas Director, Ernst & Young  
Entrepreneur of the Year  
Ernst & Young*



- ▶ CompStudy overview
- ▶ Current *Founder's Dilemmas* research
- ▶ 2012 Survey – company profiles
- ▶ Summary compensation data
- ▶ CEO compensation review
- ▶ Hot topics and current trends



**Aaron Lapat**  
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## CompStudy.com

All reporting now done on our online, fully interactive platform, located at [CompStudy.com](http://CompStudy.com).

Participants in the annual survey receive free, year-long access to the reports. Access is also available for purchase.

New features for 2012:

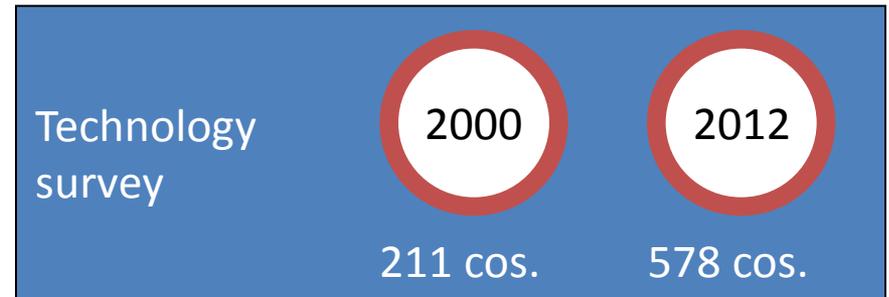
- New options for filtering the data, including company valuation, profitability, CEO experience, and more
- Enhanced Board of Directors reporting
- Additional printable summary-level charts



## The CompStudy.com Survey

Data collected in every survey includes:

- Cash compensation and equity
- Founding team
- Financing history
- Company size
- Products/revenue
- Equity programs
- Executive backgrounds
- Board of directors



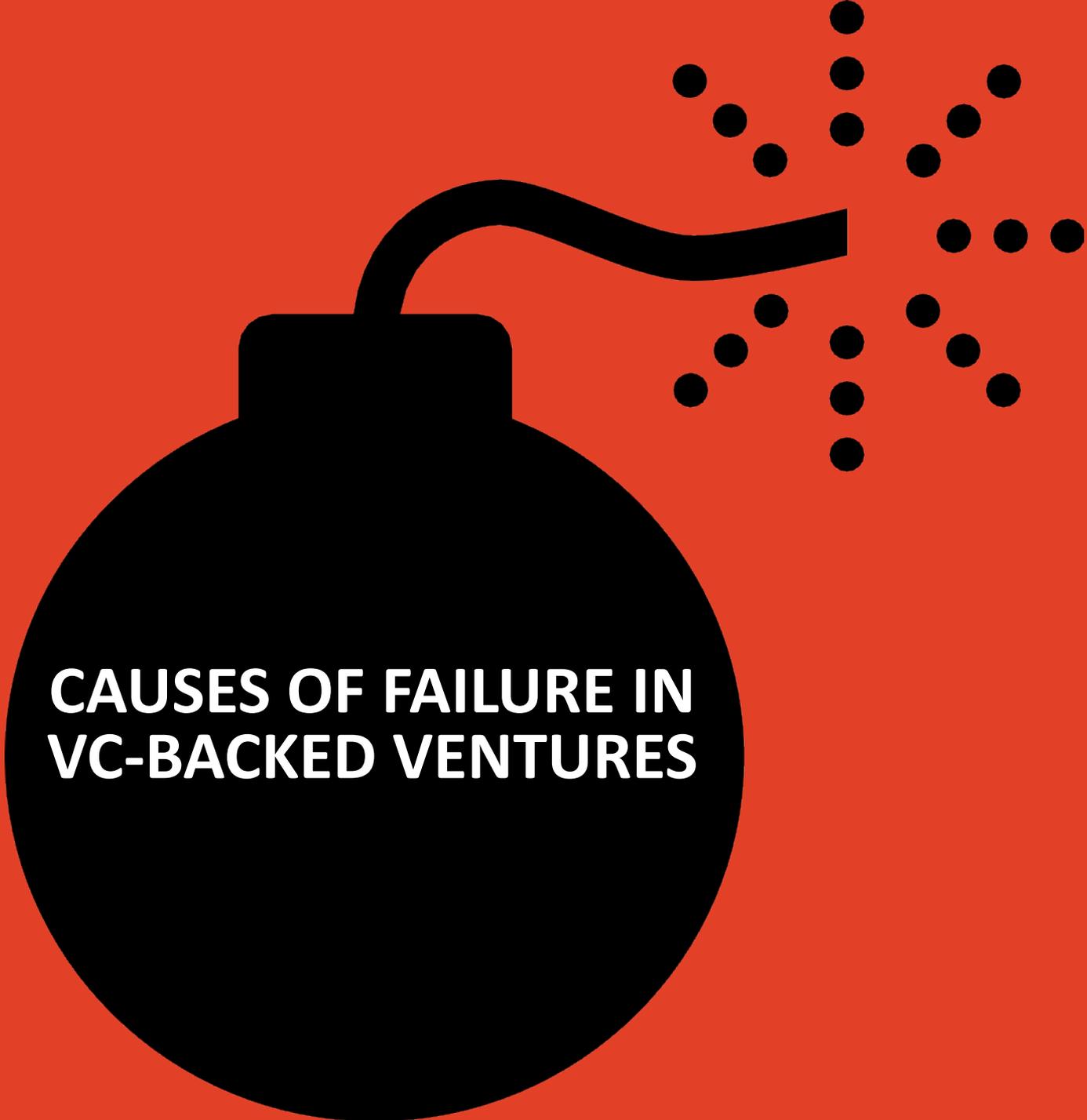
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# THE FOUNDER'S **DILEMMAS**

  
ANTICIPATING AND  
AVOIDING THE  
PITFALLS  
THAT CAN  
**SINK**  
A  
STARTUP 

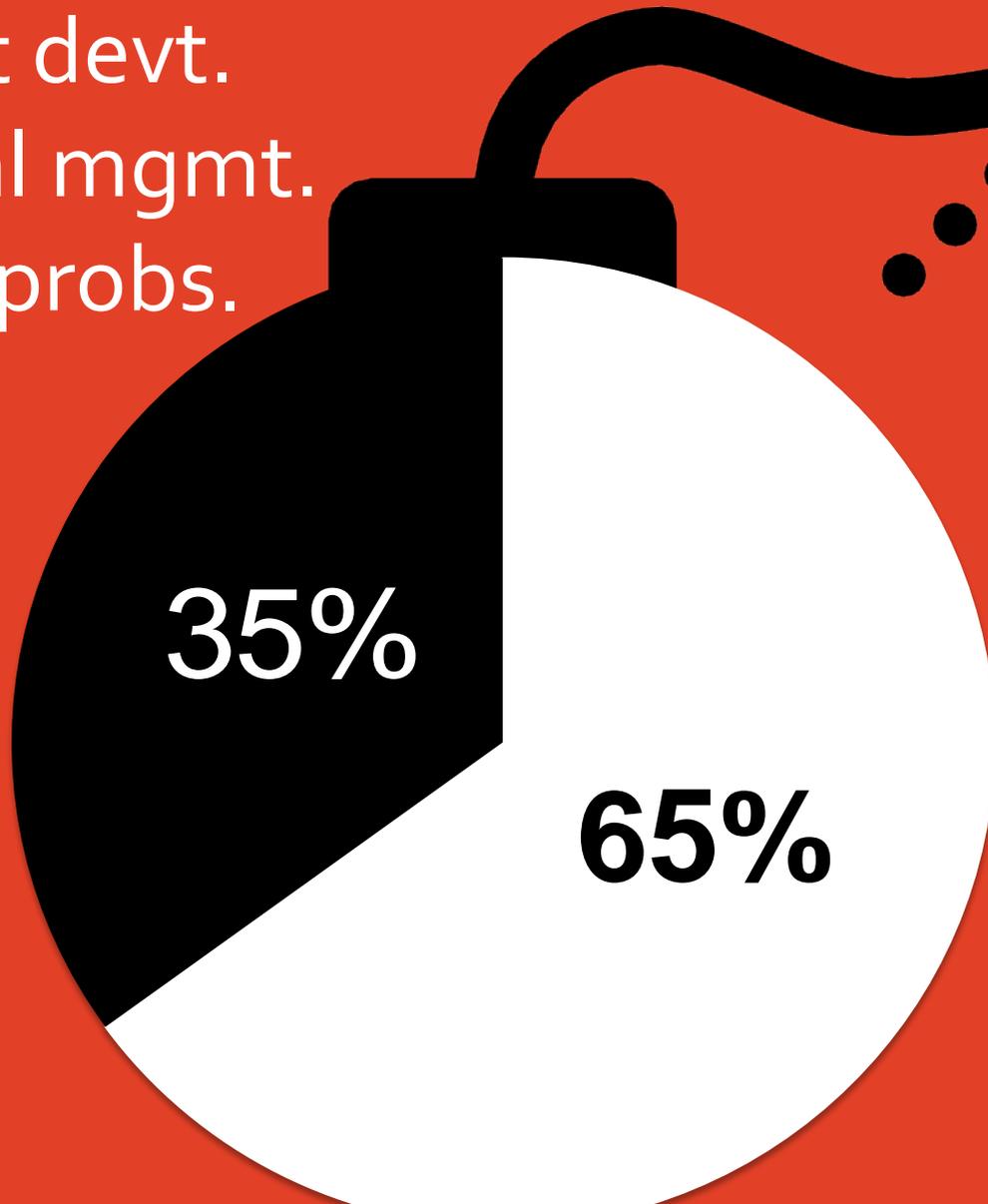


**NOAM WASSERMAN**



**CAUSES OF FAILURE IN  
VC-BACKED VENTURES**

Product devt.  
Functional mgmt.  
Market probs.



PROBLEMS



GOOD LUCK

45  
M.P.H.



Okie's

The Bank

LOTTO LINE





Gut



Passion



Anecdote



Rule  
Of  
Thumb

# THE RESEARCH



H A R V A R D | B U S I N E S S | S C H O O L

9-805-150

REV: JULY 10, 2006

NOAM WASSERMAN

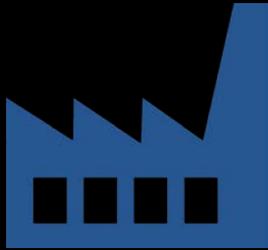
HENRY MCCANCE

## 36 Founder-CEO Succession at Wily Technology

Lew Cirne sat stunned in his chair, digesting what Richard Williams had just proposed. As the founder, CEO, and chairman of Wily Technology, Cirne (pronounced “Ser-nee”) had worked hard to build the skills necessary to lead a start-up, had developed Wily’s early technology single-handedly, had hired 50 employees to help him build the company, and had successfully spearheaded a strategic transformation of the company. He had led the company to the point where he had convinced several important customers to buy Wily’s flagship product and had successfully raised two rounds of financing from top investors.

However, after the last round of financing, at the behest of Wily’s lead venture capitalist, Cirne had agreed to give up his CEO position and step down to CTO and had helped find and recruit

# THE RESEARCH



4,000 startups

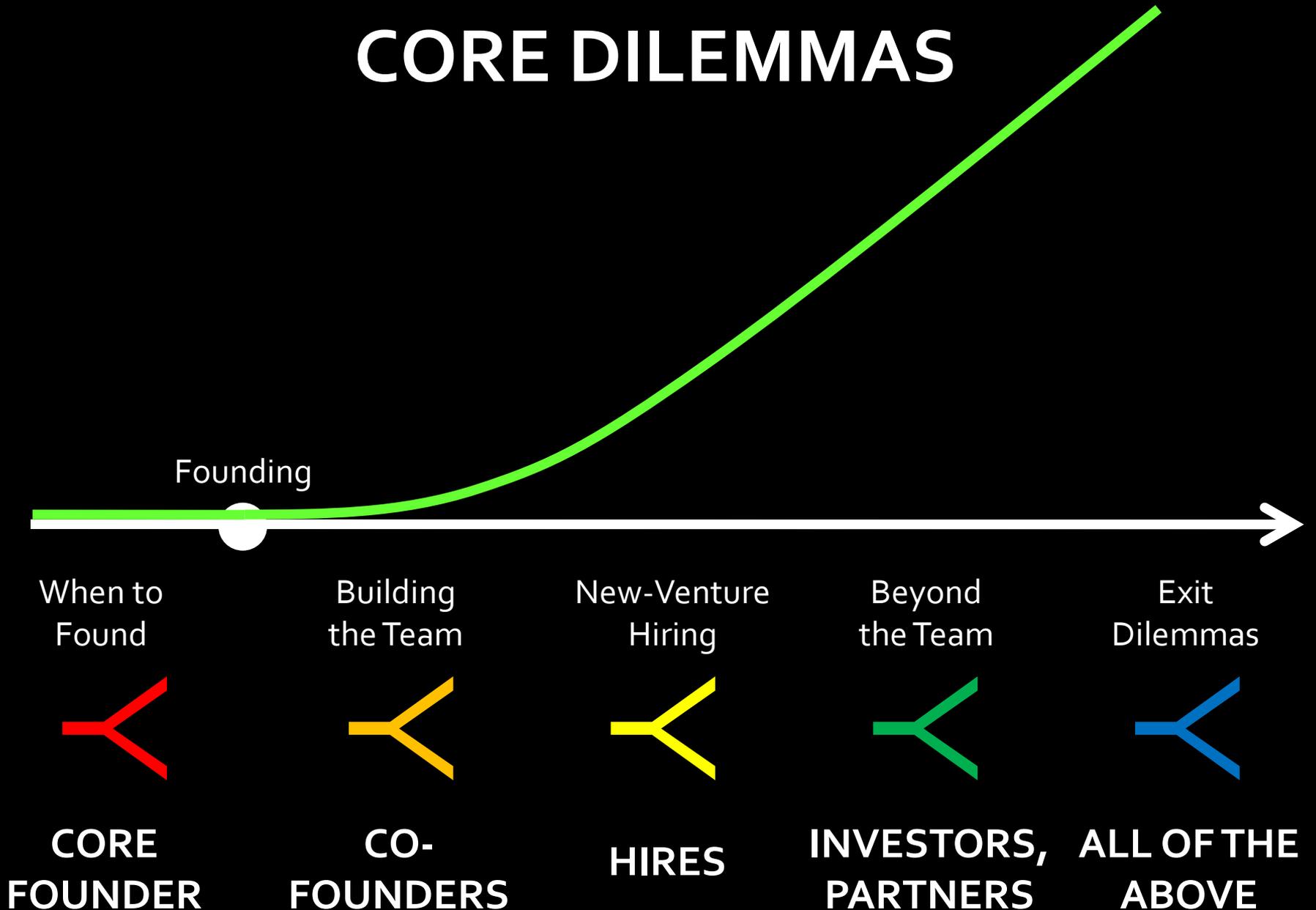


10,000 founders



20,000 executives

# CORE DILEMMAS



# "RICH VS. KING"

		FINANCIAL GAINS	
		Low	High
CONTROL	Small Player	Flop	<b>RICH</b>
	Big Player	<b>KING</b>	Rich & King



# FINANCIAL TRADEOFF



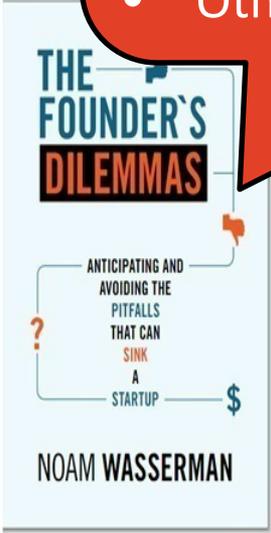
- Detailed table of contents
- Chapter 1
- Self-assessment survey
- “When to Leap” video
- Other awesome stuff 😊



Home Blog Biography

**READ CHAPTER 1**  
from the bestseller  
The Founder's Dilemmas

**ORDER A COPY**



Having seen these dilemmas derail countless startups, I wish every entrepreneur and prospective founder would read this book.” - Eric Ries, author of *The Lean Startup*

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[NoamWasserman.com](http://NoamWasserman.com)

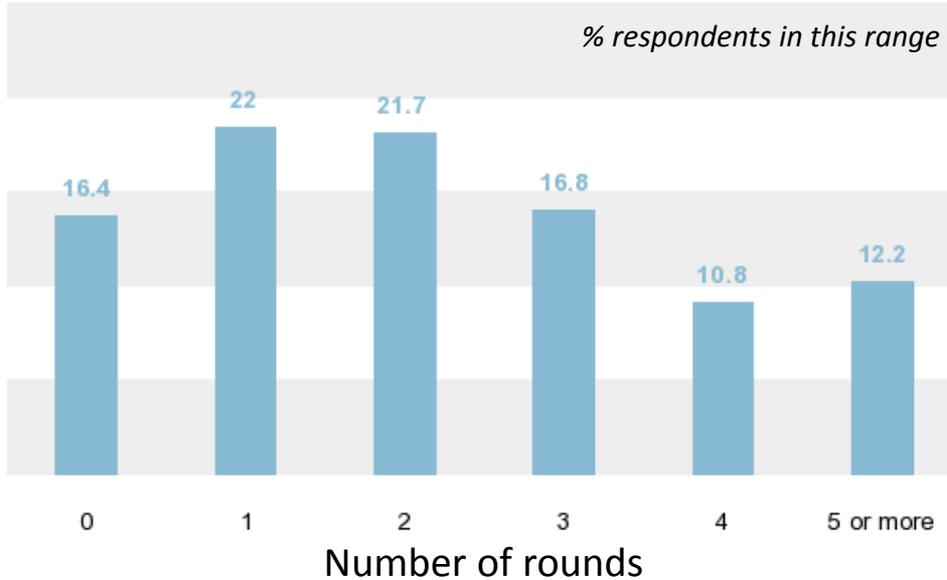
o Top

What is your company's outlook on the economy over the next 12-18 months:

- A. The economy has turned a corner and we are beginning to see expansion opportunities
- B. Still a difficult business environment
- C. Receiving mixed signals from the market

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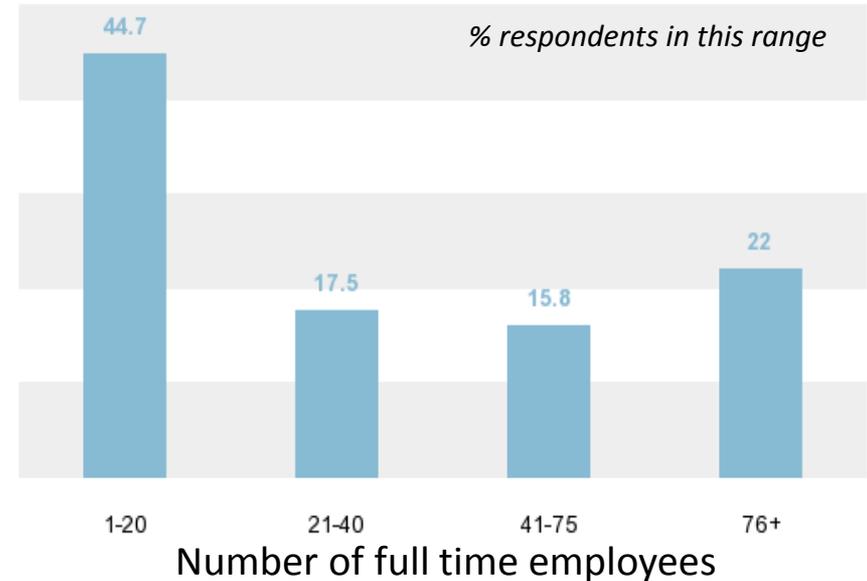
## Institutional rounds raised



Respondent companies were slightly later stage in this year's survey, with fewer companies having raised no institutional money, and more having raised five or more rounds.

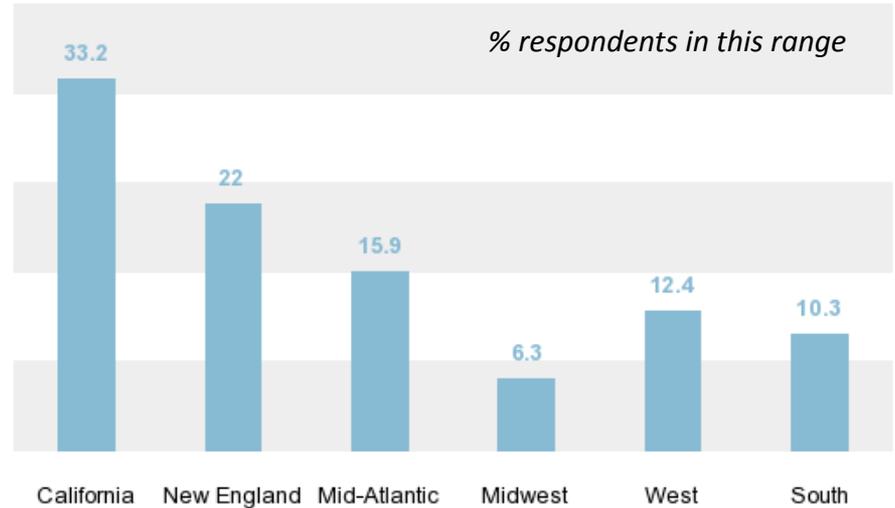
Companies were also slightly larger; 55% had over 20 full time employees, up from 53% in 2011 and 49% in 2010

## Headcount

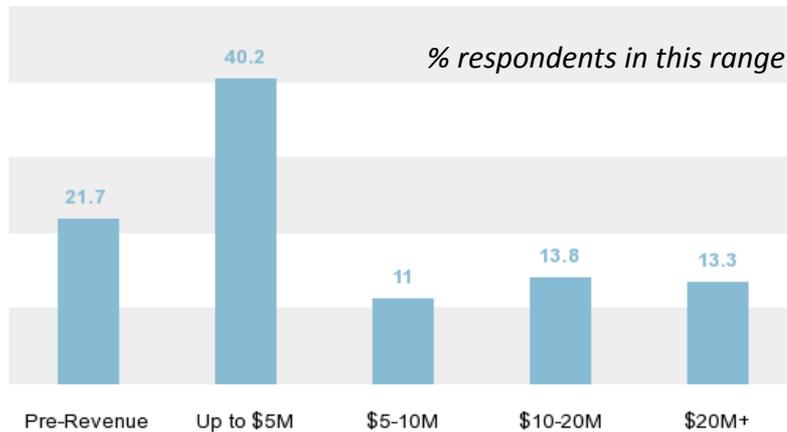




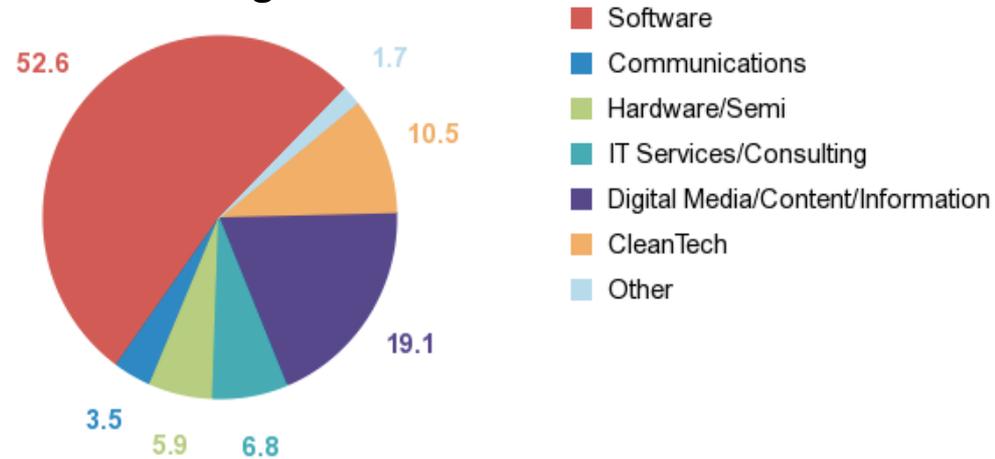
## Geography



## Revenue

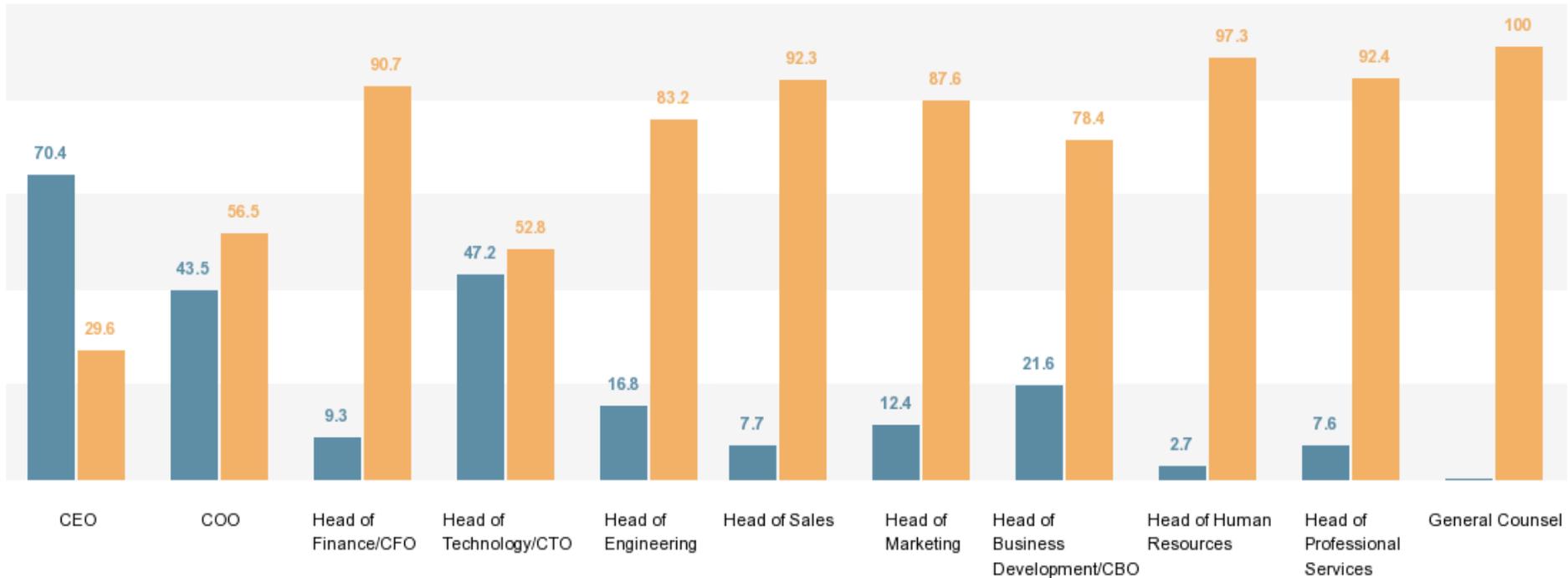


## Business Segments



## Founder status - % of role held by founders vs. non-founders

■ Founder ■ Non-Founder



- Participants had essentially the same founder/non-founder split by position profile as in 2011

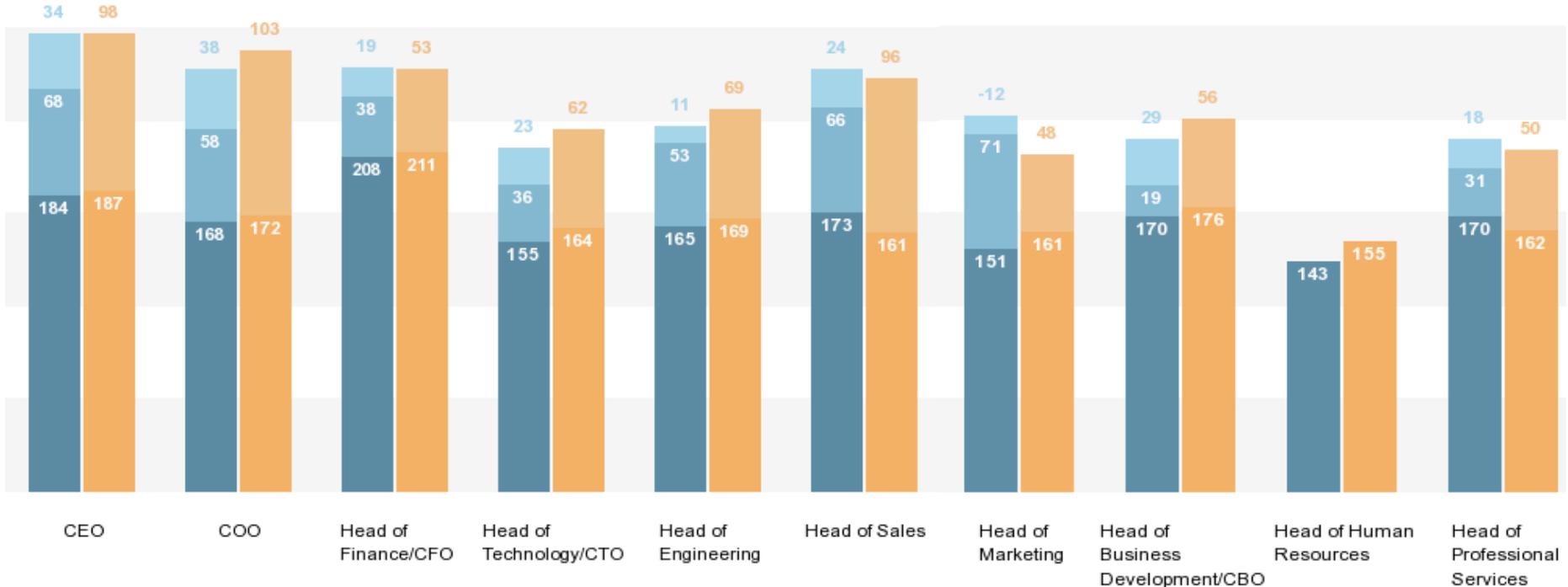
What change do you anticipate for total target cash next year?

- A. Decrease greater than 5%
- B. Decrease up to 5%
- C. No change
- D. Increase up to 5%
- E. Increase over 5%

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## Founder cash compensation

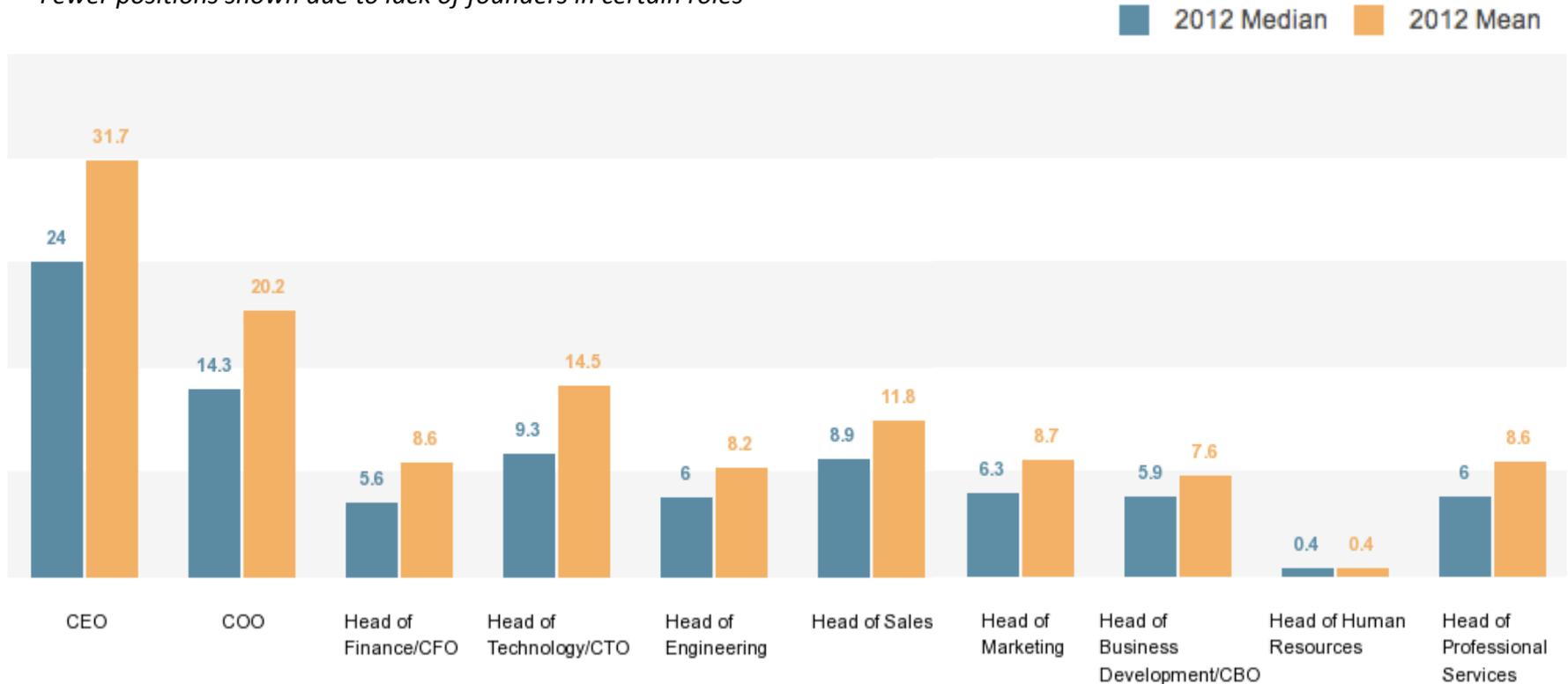
*\*Not all positions shown due to lack of founders in certain roles\**



Founders received a smaller target cash increase than their non-founder peers, receiving a 1.2% increase over 2011, on average.

## Founder current equity holdings, as % of fully diluted shares

*\*Fewer positions shown due to lack of founders in certain roles\**

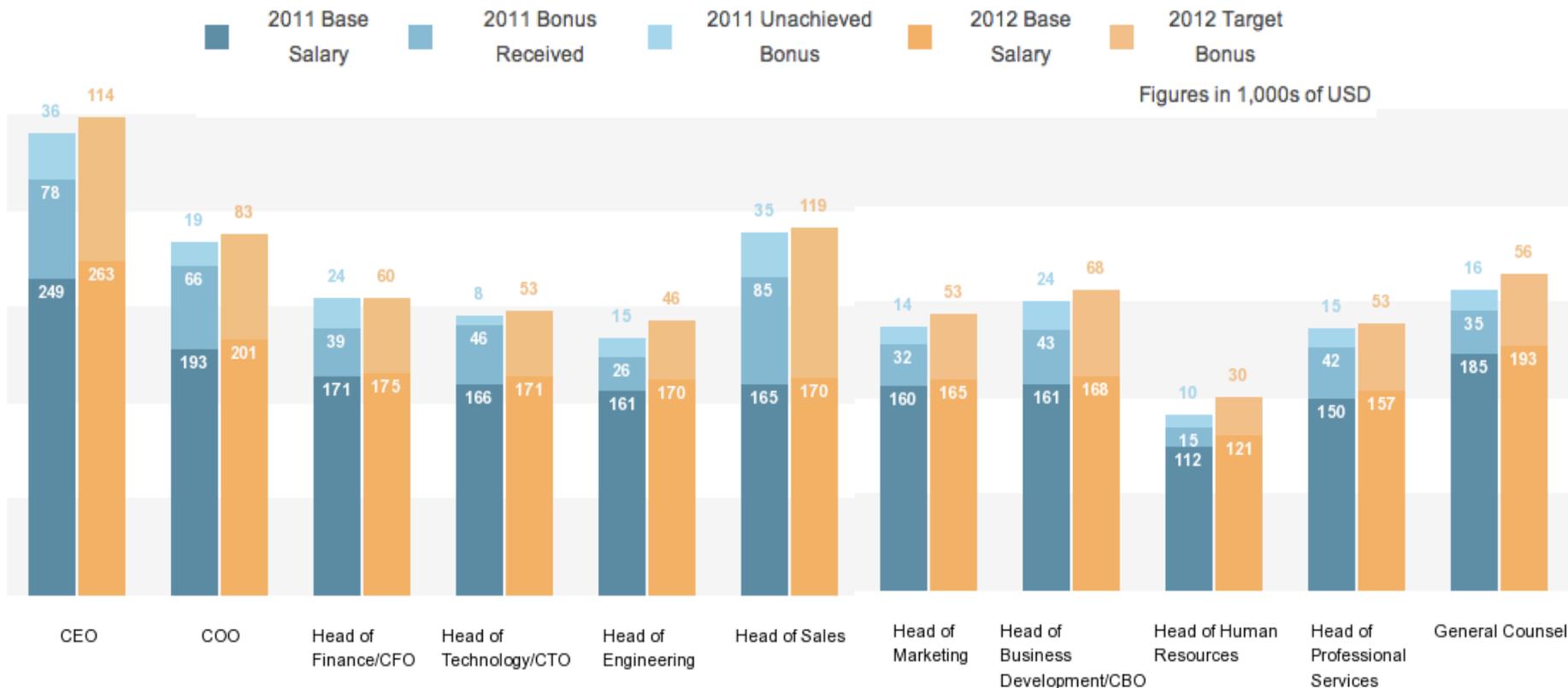


On the average, founders of technology companies hold significantly more equity than their life science peers – largely due to the less capital-intensive nature of most technology start-ups.

## Percentage growth in year-over-year non-founder total target cash compensation



## Cash compensation – non-founders, 2010 and 2011

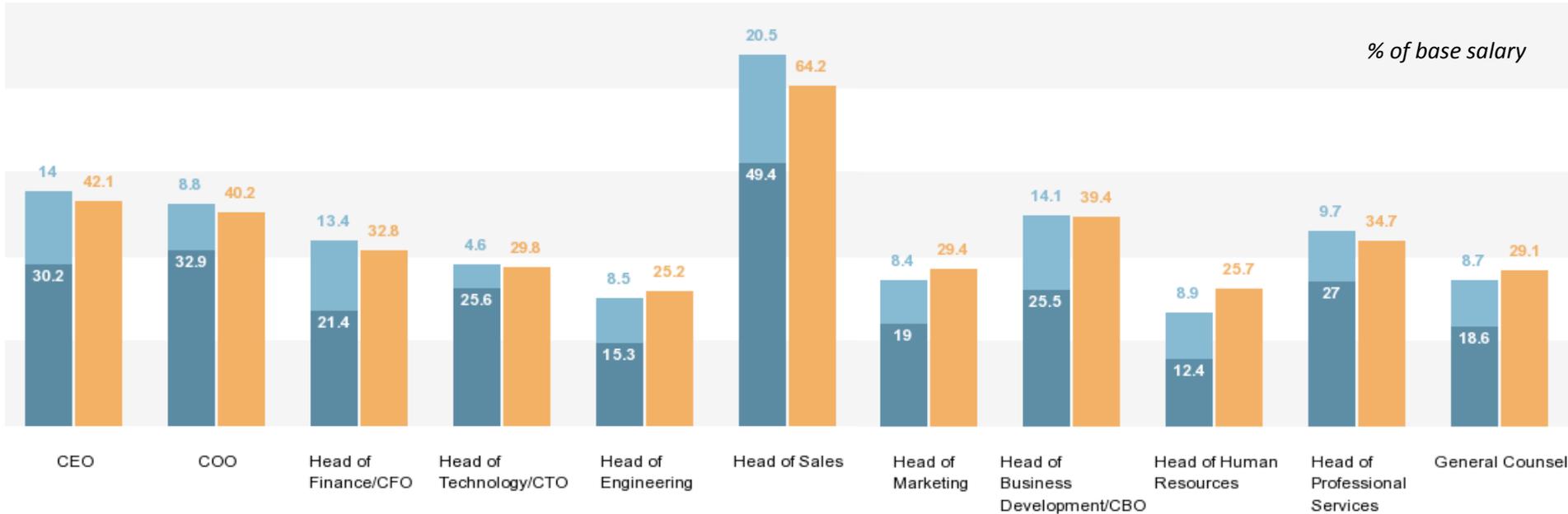


Non-founder total cash targets were up 4.8% in 2012, bettering their 3.7% year-to-year increase in 2011, and 3.3% increase in 2010.

2012 target bonuses were up 6.1% over 2011, on average.

## Bonus as a percentage of base salaries – non-founders

■ 2011 Bonus Received ■ 2011 Unachieved Bonus ■ 2012 Target Bonus



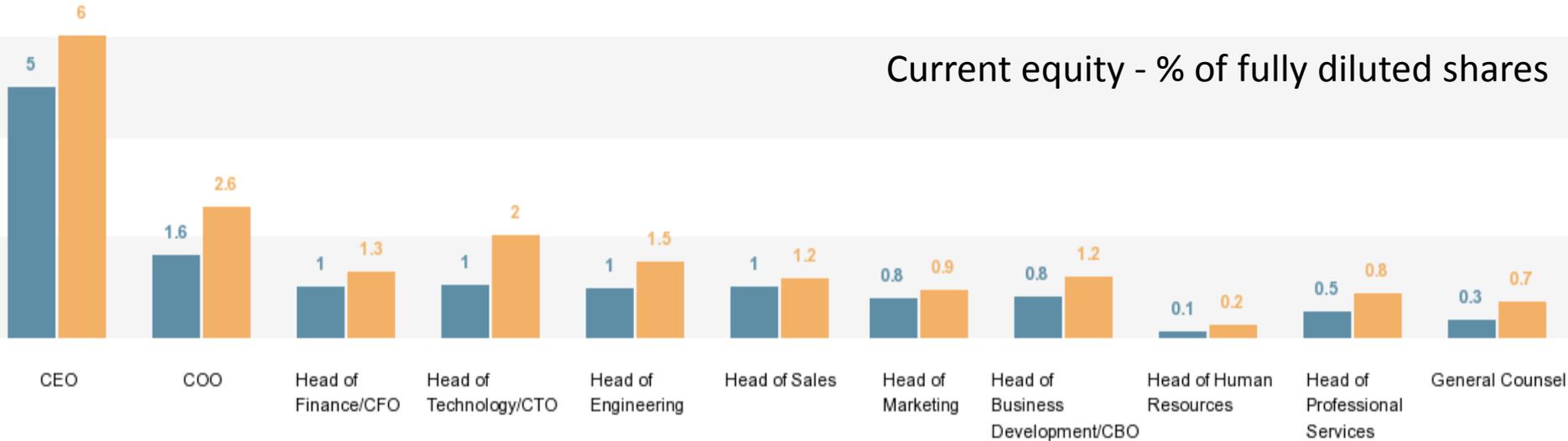
On average in 2011, non-founder executives received 71% of their target bonus.

Target bonuses were up 6.1% on average, but due to increases in base salaries, actually made up a smaller percentage of total cash compensation for a few positions.

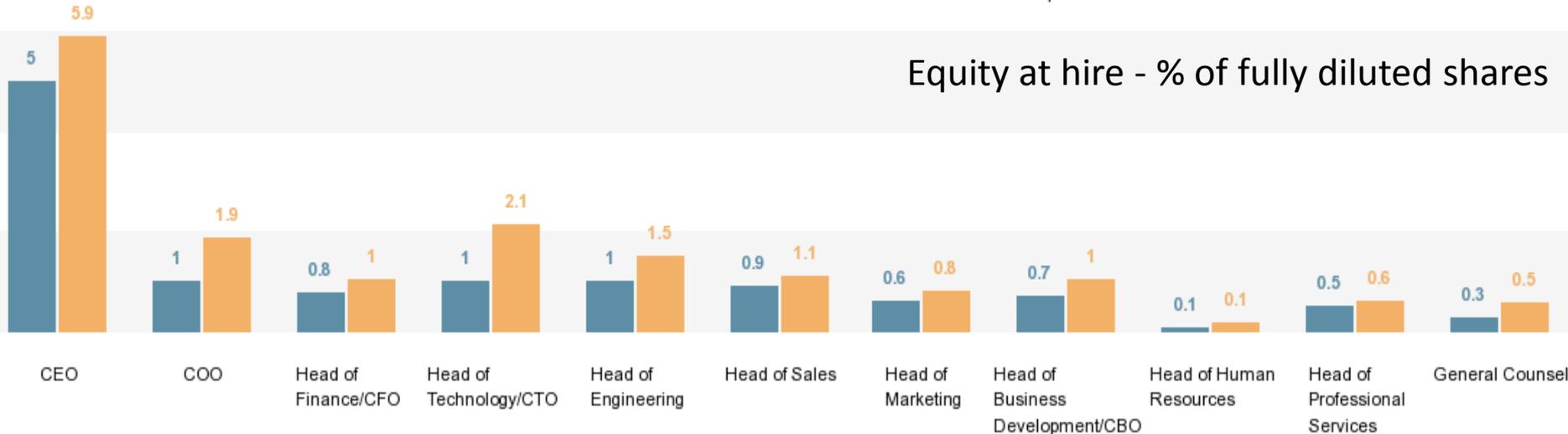
## Equity holdings – non-founder executives

2012 Median 2012 Mean

### Current equity - % of fully diluted shares



### Equity at hire - % of fully diluted shares

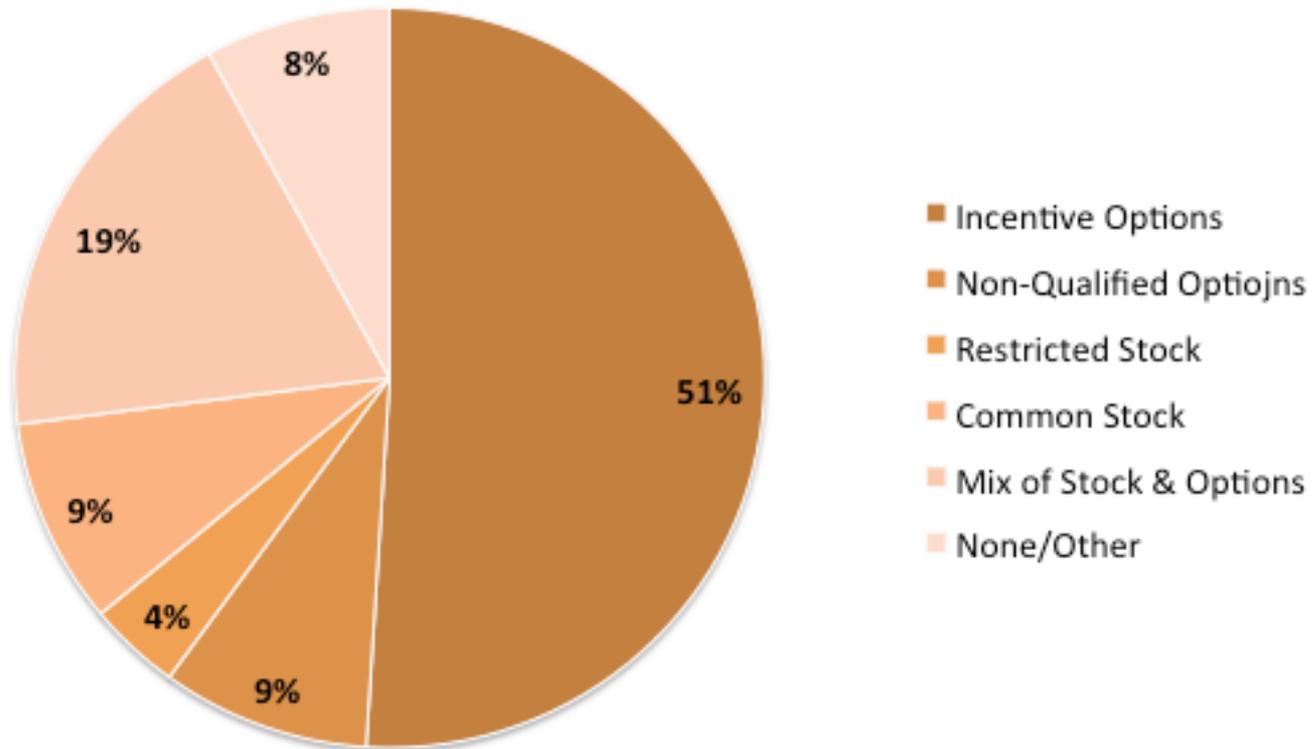


What percentage of the equity in your company is reserved for management, directors and employees?

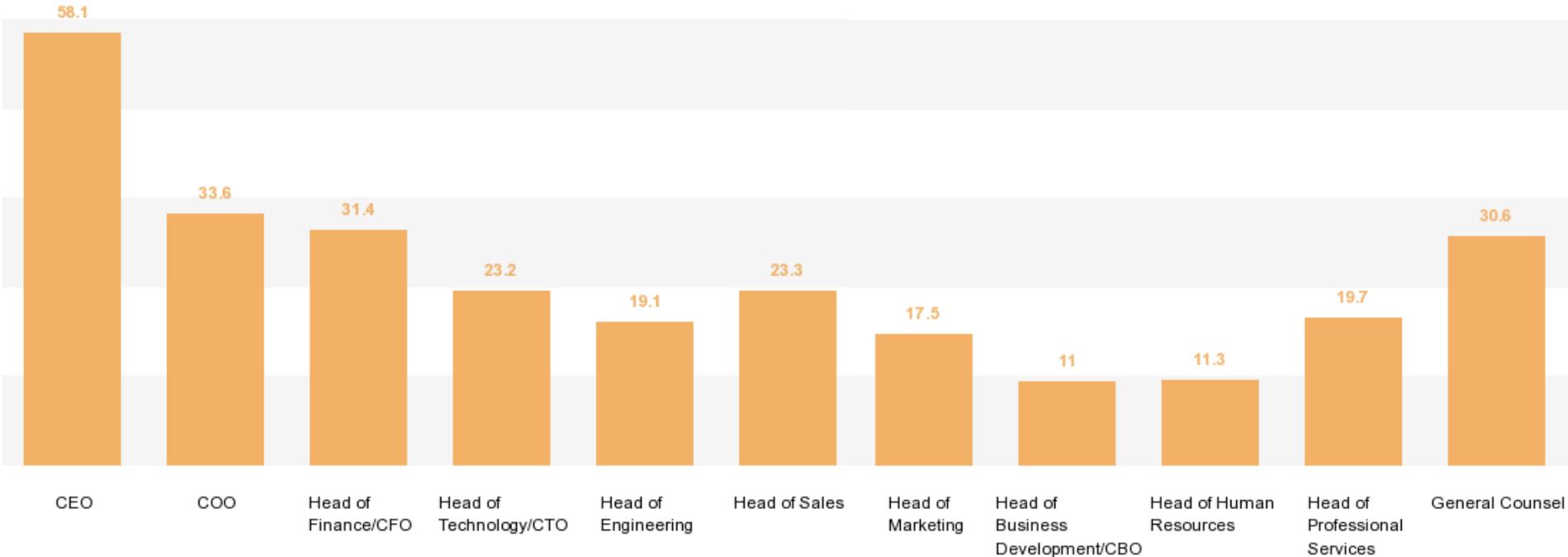
- A. Less than 10%
- B. 11 – 15%
- C. 16 – 20%
- D. 21 – 25%
- E. More than 25%

## Equity holdings – type of equity vehicles used

% of equity grants given by vehicle type



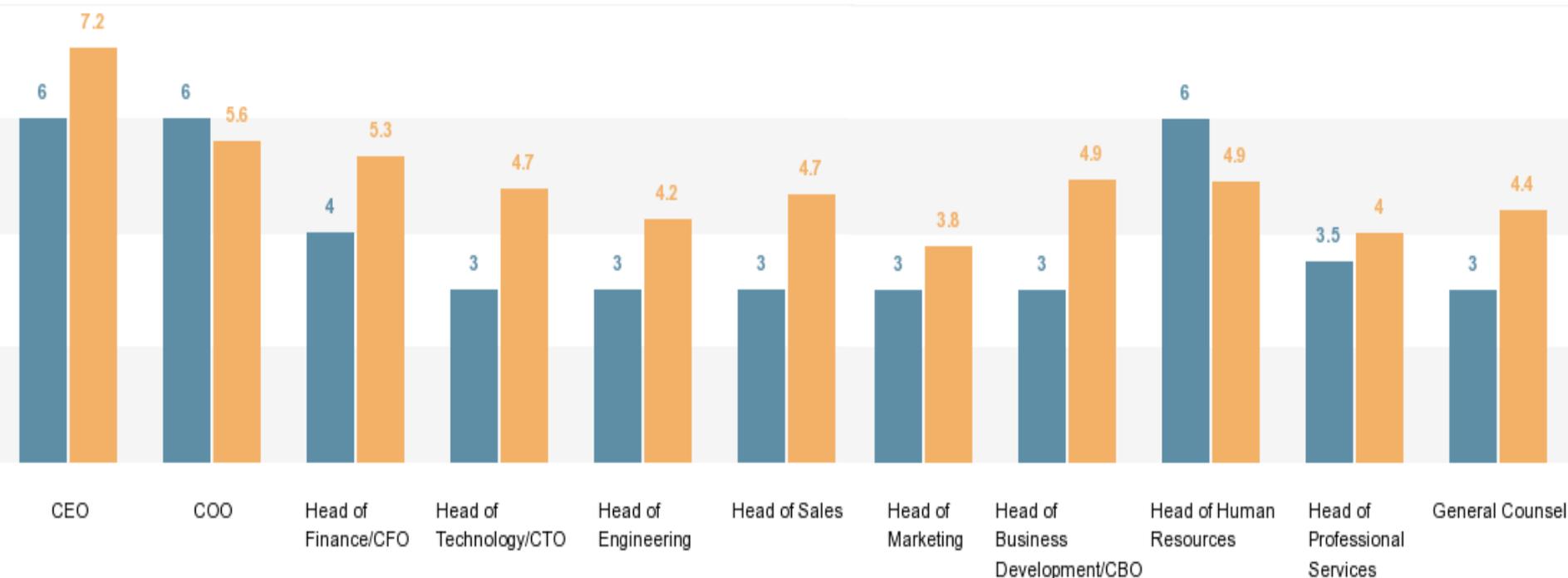
## Percentage of non-founder executives eligible for severance



56.1% of non-founder CEOs surveyed had some sort of severance package, down from the survey's historical average of 60%.

## Length of severance packages granted (months)

■ 2012 Median ■ 2012 Mean

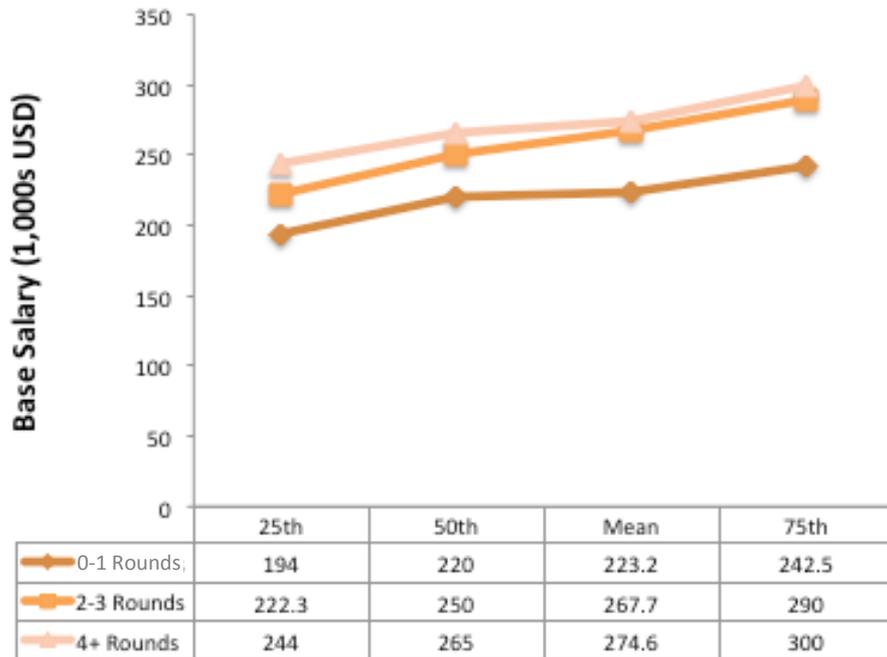


As the median numbers suggest, the length of most severance packages granted is a multiple of three months

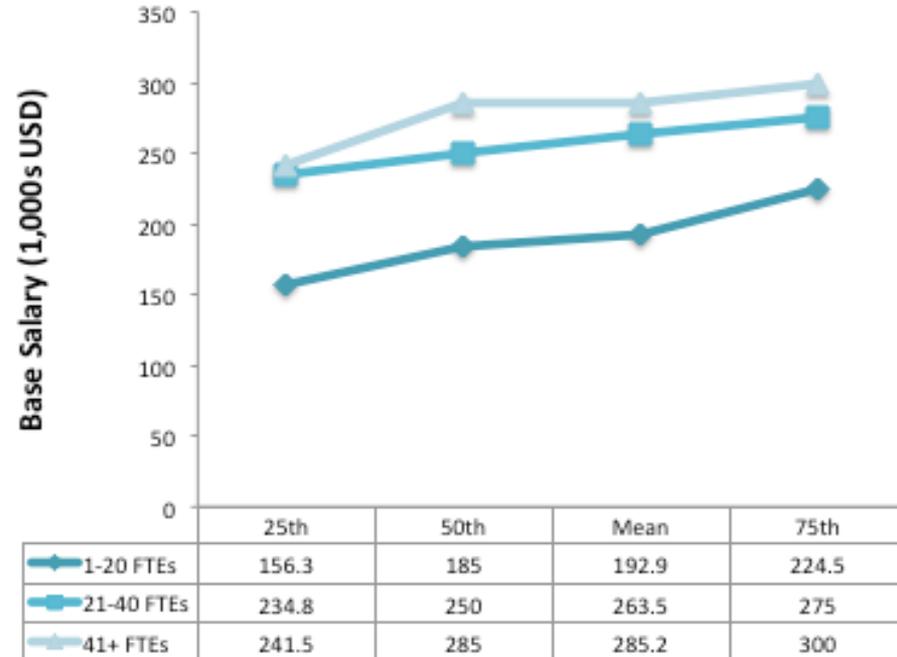
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## Non-founder CEO base (1,000s USD)

### By number of financing rounds raised



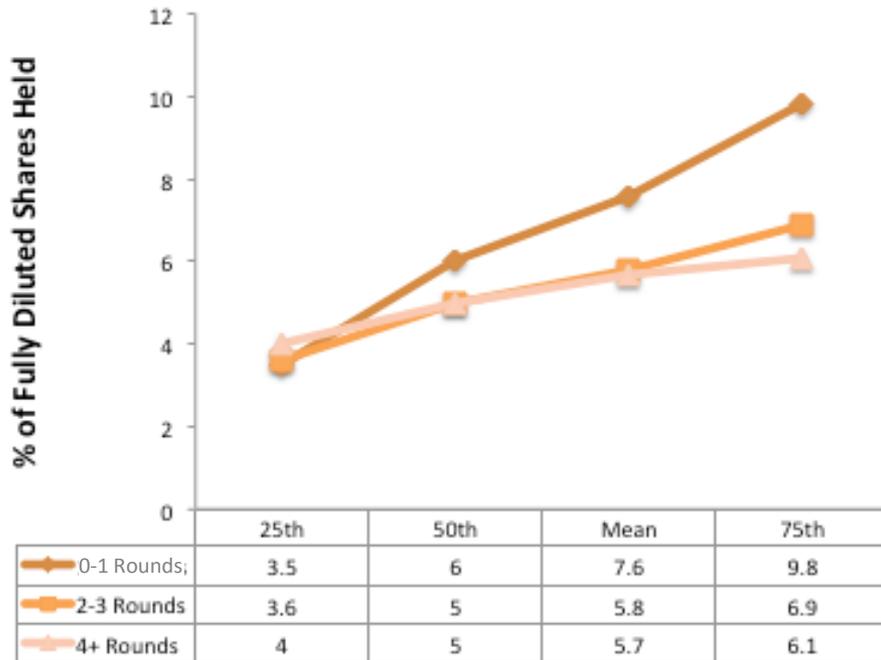
### By number of full time employees



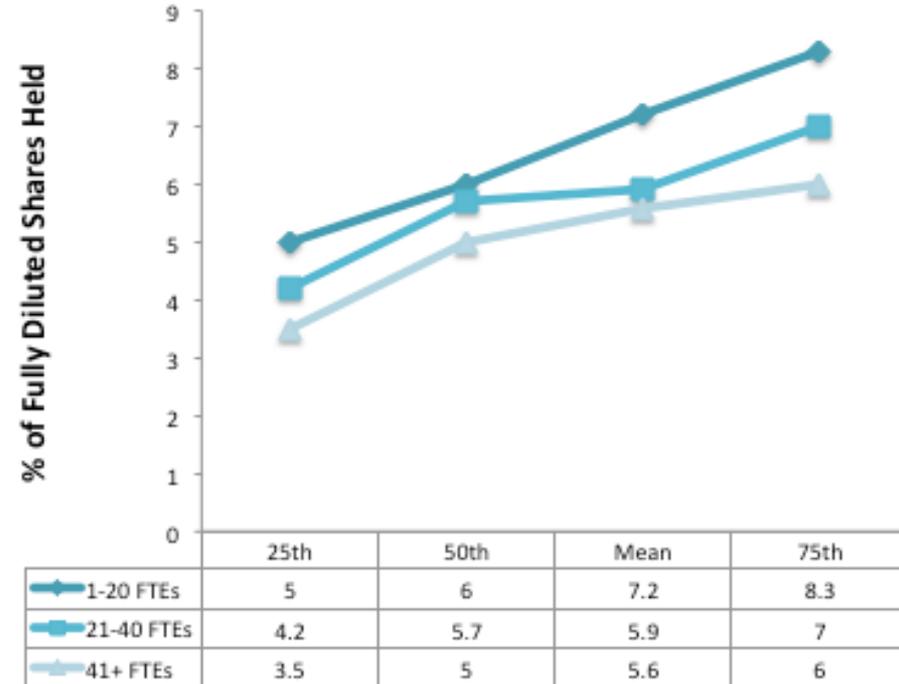
CEO salaries are more highly correlated with company headcount, as evidenced in the chart above by the large gap in pay between CEOs at 1-20 FTE companies and CEOs at 21-40 FTE companies

## Non-founder CEO current equity (% of fully diluted shares)

### By number of financing rounds raised



### By number of full time employees



Both financing rounds and FTEs are fairly good predictors of non-founder CEO equity holdings, though there is slightly more variability among companies that have raised 1 or fewer rounds of funding.

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Recruiting and retaining top talent in an increasingly competitive market

- Founder transitions
- Recruiting dynamics
- Retention issues

The effect of tax law changes on executive compensation

Revisiting the effect of secondary markets for common on compensation planning

Performance based vesting

Thank you for joining us for today's webinar.

For more information, please visit [www.compstudy.com](http://www.compstudy.com).