
2007 Compensation & Entrepreneurship Reports for Information Technology and Health Sciences Industries Released

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The 2007 *Compensation & Entrepreneurship Report in Information Technology* and the 2007 *Compensation & Entrepreneurship Report in Life Sciences* have been released. The reports—co-sponsored by Ernst & Young LLP Strategic Growth Markets Practice, J. Robert Scott Executive Search and WilmerHale—collect data on the top executive positions in privately held, primarily venture-backed companies and presents a correlation between executive compensation and a number of other variables including financing stage, company size in terms of revenue and headcount, founder/non-founder status, industry segment, product stage and geography.

These studies are valuable tools in helping businesses and executives understand today's ever-changing compensation trends for senior executives within private technology companies in the software, communications, hardware/ semiconductors/electronics, IT services/consulting/system integration, and content/ information providers market segments, as well as privately-held therapeutic, diagnostic, medical device, instrumentation and platform companies.

Key findings for the IT sector in this year's survey include:

- *Executive Compensation:* Average base salaries rose by 4.6% across the executive positions surveyed from 2006 to 2007, and executives earned approximately two-thirds of their target bonus in 2006.
- *Equity Holdings:* Average equity holdings for CEOs were 5.7% of total fully diluted equity. The combined average equity holdings for the CEO, CFO, CTO, head of engineering, head of sales and head of marketing was 11.82%, up from 10.86% in 2006.
- *Recruiting and Retention:* As companies evolve from the early stage, with one or fewer rounds of funding, to becoming more mature companies with four or more rounds of funding, the number of Founders remaining in the CEO position declines dramatically from two-thirds to one-third.
- *Severance Packages:* Approximately two-thirds of non-founding CEOs have some form of a severance package. Of those with severance packages, the average severance period is seven months, up from six months in last year's survey. Approximately 25-30% of the

remaining team has a severance package.

- *Board Compensation:* Very few private companies offer cash grants to board members. Typically, board members are granted between 0.25-0.5% of fully diluted equity to join the board. Very few outside board members of private companies receive cash compensation.

Key findings identified for the Life Sciences sector in this year's survey include:

- *Salary and Bonus:* Total target cash for the CEO rose 2% year over year, most notably in base salary, an increase of \$11,000. Average base salary rose by 5.9% across the executive positions surveyed from 2006 to 2007. Average target bonus remained largely unchanged year over year.
- *Equity Holdings:* Option grants continue to dominate as vehicles used for the executive team. Incentive stock options account for just over half of the equity grants to the management team in 2007, down from 62% from our 2006 report.
- *Recruiting and Retention:* As companies evolve from the early stage, with one or fewer rounds of funding, to becoming more mature companies with four or more rounds of funding, the number of Founders remaining in the CEO position declines dramatically from over one-half to under one-third.
- *Severance Packages:* 72% of non-founding CEOs have some form of a severance package. Of those with severance packages, the average severance period is 12 months.
- *Board Compensation:* On average, board members are granted 0.45% of fully diluted equity to join the board. Very few outside board members of private companies receive cash compensation.

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J. Robert Scott is a retainer-based executive search firm specializing in the recruitment and selection of senior executives across a broad range of selected industries.

[Click here](#) to read the abridged version of the 2007 *Compensation & Entrepreneurship Report in Information Technology*.

[Click here](#) to read the abridged version of the 2007 *Compensation & Entrepreneurship Report in Life Sciences*.