

Presentation to New Ventures BC

Recruiting for Early Stage Technology
Companies

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The Challenge

- How do you recruit tier one talent in a sellers market?
- How do you keep valuable employees?
- How do you reward and motivate people who can easily move elsewhere?

Corporate Valuations

- 1980 – 20% of corporate value from intangible assets.
- 2007 – 70% of corporate value from intangible assets

Agenda

- Market Conditions
- Recruitment Process
- Retention
- Compensation

Market Conditions

- Strong Economy- demand and supply.

Unemployment Stats

- 4.1% - Overall Unemployment
- 2.2% - Professional, Scientific and Technical
- 1.6% - Natural and Applied Sciences

*BC stats: June 2007

Market Conditions

- Strong Economy- demand and supply.
- The early 1990's
 - Massive layoffs leading to today's shortage of execs
 - The end of lifetime employment for loyalty

Macro Market Conditions

- Strong Economy- demand and supply.
- The early 1990's
- Hangover from tech meltdown
- Demographics
- Not enough grads

Key Local Issues

- Demographics
 - 6% Veterans(1922 – 1945)
 - 46% Baby Boomers (1946 – 1964)
 - 31% Gen X (1965 – 1980)
 - 17% Gen Y (1981 – 2000)
- Not enough grads
- Technology education lacks strategy

Impacts of Skill Shortages

- 65% hiring under-qualified workers
- 45% having to improve salary/benefits
- 41% having to pass responsibilities to others
- 40% functioning with fewer employees
- 35% having to hire temporary help
- 35% Having to use overtime/longer shifts

**Canadian Federation of Independent Business: 2006*

Solutions

- Upgrade skills and knowledge of existing work force
- More appropriately trained graduates
- Immigration

The Future

It will become more and more difficult to recruit talent needed to make a company successful

Agenda

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- Recruitment Process
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Recruitment- Our Process

- New Assignment – Retained or Contingency
- Fee Agreement
- Recruitment Plan

Recruitment Plan Overview

- What are we looking for?
- Where are we going to find them?
- How are we going to find them?

Recruitment Plan Overview

- What are we looking for?
 - Understand the business
 - Create a detailed position description
 - Build criteria for the search

Key Criteria – Sales Example

- Product Knowledge
- Industry Knowledge
- Sales Experience
- Cultural Fit

clear
↓
murky

Recruitment Plan Overview

- Where are we going to find them?
 - Create target lists
 - Sectors
 - Individual companies
 - Individuals
 - Use Database – 28 years
 - Research – Where to look
 - Web research
 - Target company web sites
 - Specialty web sites

Recruitment Plan Overview

- How are we going to find them?
 - Passive versus Active candidates
 - Web Posting
 - Our own web site
 - Other web sites
 - ExecuNet
 - The Ladders
 - Networking web sites
 - Professional groups
 - Industry associations

Interview Process Example

- Create long list
 - Fluid, always adding to it
- Contact with potential candidates
 - Open with information
 - Meet in person if a new candidate
 - Challenge candidate
- Cull long list to a short list
 - Rely on client feedback

Recruitment- What you can do

- If new territory use a trusted advisor who has hired before
- Keep the opportunity to advance your thinking as you talk to people and learn
- Use a recruitment plan- start early

Recruitment – What you can do

- Recruitment Plan
 - What are you looking for?
 - Where are you going to find them?
 - How are you going to find them?

Recruitment – What you can do

- Recruitment Plan
 - What are you looking for?
 - Must haves.
 - Nice to haves
 - Cultural fit

Key Criteria – Sales Example

- Cultural Fit
- Sales Experience
- Industry Knowledge
- Product Knowledge

Cultural Fit

- Entrepreneurial
- Stage of growth
- Small company
- Founder experience
- Location
- Ego
- Team Player
- Attitude
- Past success. Do they need to work?
- Customer Orientation
- Pace
- Intelligence

Recruitment – What you can do

- Where are you going to find them?
 - Local versus North American
 - Existing industry experience
 - Or functional experience
 - Competitors
 - Similar companies

Recruitment – What you can do

- How are you going to find them?
 - Peers and Colleagues
 - Advisor/ Investor Network
 - Job Posting
 - Your own site
 - Industry specific sites
 - Professional Organizations
 - Networking Sites
 - Schools
 - Graduates
 - Co-op

Other Tips

- Hire someone who can bring a team
- Multiple Interviews, different people, different settings
- Ask candidate to make a presentation
- Sell the opportunity (sizzle or secret sauce)
- Have a sense of urgency
- Testing, especially at the senior level
- Detailed referencing

Summary - Best Practices

- Get a plan
 - Define what you are looking for
- Do:
 - Right hire for stage of the company
 - Do careful background reference checks
- Don't:
 - Under-hire. Don't hire on availability. Hire on excellence
 - Over-hire. Right person, wrong time
 - Hire based on personality
 - Hire in your own likeness
 - Be afraid to cut your losses

Retention

- Lots of choices for good candidates.
- Don't get complacent.
- Keep compensation at market
- Equity
- Frequent reviews
- Have board or advisors involved
- Create culture

Compensation

- Comparing Companies
- Compensation Data Sources
- The Numbers
- Examples
- Trends

Company Size and Ranking

Revenue \$Millions

Ranking	BC	Canada
1	8000	11000
2	800	10000
10	120	1000
20	45	400
40	21	100
60	12	48
80	10	30
100	6	20

Compensation data Sources

- Public Companies
- Salary Surveys
- Investors
- CRL data

Salary Surveys

- Mercer / WM / HR Tech Group
- All types of companies
- Tends to relate to larger companies
- Tend to be companies with an HR function
- Most data on cash component of compensation
- Not always up to date, only done once a year

Venture Capital

- Individually their sample size can be small
- Different Industry focus
- Different stages of company life
- Guard their salary information

VC #1

- Early stage investor . "A" @ \$250k – a few \$million
- CEO cash \$120- 180k
- Non Founder CEO. 7-12% of equity
- Hire successful entrepreneurs who have been successful before and not as interested in just the cash.
- Hire CEO who has had an equity hit before and understands leverage from it
- US candidates – more cash and more negotiation
- VP's. Cash at 70-80% of CEO
- VP's. 1.5 – 2.5% equity

VC #2

- Seed level
- "Cash is always too high"
- CEO less than \$150k base. Most @ ~ \$120k
- 30-50% bonus based on milestones, like raising more money
- 10% equity
- ESOP @ 20%

VC #3

- Bigger investment
- A & B round
- Revenues usually less than \$5M
- Executives @ 10% of the equity
- Higher for biotech companies
- Higher for imported candidates
- High equity for CTO (because of # of founders)

CEO Example

- Software company
- Private
- <\$5M in revenue
- CEO replacing a founder
- New CEO had previous success
- Had a 5 year goal for total income
- Base \$180k
- Bonus 30k
- Equity 7%

Corporate Recruiters Data

Income in \$1000's (Average)

	Base Median	Base Average	Base Range	Bonus Range	Equity Range
CEO	200	204	180-240	0-60% (40-50%)	3-10% (6-7%)
CTO	160	155	125-185	20—30%	0.5-1.5%
CFO	180	174	150-200	0-40% (30%)	0.5-1.5%
VPS	150	163	120-240	0-100% (40-50%)	1%

Salary Summary

- Wide range. Need to make relative comparison
- Hire ahead of the curve
- Investors/owners want "skin in the game"
- Company momentum and positioning has a bearing on compensation
- Early Stage
 - CEO 120-180/bonus?/5-12%
 - VP's 100-150/bonus?/1.5-2.5%
- Later Stage
 - CEO 180-240/50%/5-8%
 - VP's 120-180/30-50%/0.5-1.5%
- Equity as options, mostly on hire. Sometimes annual allocation also

Compensation Trends

- Incomes are rising (~20% in last 2-3 years)
- Sustainable
- Talent shortage
- Looking for right fit, prepared to wait
- More emphasis on pay for performance
- More interest in equity
- More interest in private companies
- Longer term thinking
- More out of town recruitment
- The future?

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