Startup Management and Talent Compensation:

A framework for startups and small companies interested in talent planning and compensation.

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Introduction

The purpose of this paper is to provide a framework for startups and small companies for talent planning and compensation. Preparing for this document has been thought provoking as I reflect on the 650+ searches that my Human Resources outsourcing and recruiting firm has done over the past five years, where compensation is always a key point in terms of attracting and retaining the right person.

Thus, I have organized this document in the following manner:

1. Organizational Framework: A framework for organizational stages, so that founders and investors can have a general idea of what types of skill sets are generally added, and when.
2. Compensation Expectations at Different Stages
3. Positions by Stage: Typical positions and the salary ranges for these positions, so that founders and investors can build the talent model into financial and strategic planning.
4. Market Compensation by Position:
5. Beyond Compensation: Information about what matters to employees beyond compensation.

1. Organizational Framework

Over the years, I have also noticed different stages of startup growth - from the "coffee shop stage" where 1-2 people in a lab, garage or coffee shop are trying to create something commercially viable - to the mature company stage, where the company is a category leader and focused on success maintenance.

Each of these stages has different skill and experience needs, and different tools in terms of how to compensate the key talent that is needed to move from one stage to the next. Some people can come in and grow with the company through the various stages, while other people are best at a particular level of the startup journey.

Here are the stages that I come across through our work with startups. Okay, so yes, every startup is unique, but I am trying to come up with a general and understandable framework that can be used for talent planning. Here goes:

Organizational Framework for Talent Planning

Stage	What is it?	Key issues facing the team:	Skills needed to move to the next level:
Coffee Shop (Idea)	An inventor or small team think that they are onto something!	Does this solution address a need in the market? Is there a viable business model?	Making the MVP. Finding potential customers.
Incubator (Early Startup)	There is a small team and equity/ownership interests are formalized.	How can we find customers and grow? How can we fund our plans? How can we make an MVP?	Selling the product. Raising money.
Foosball Table (Later Startup)	The team has grown and there is revenue - *yeah!*	How to commercialize the product? How to sell more and/or increase market share? How to scale manufacturing? How to improve product and make good decisions regarding product features?	Sales growth and customer retention. Product development and production refinement.
Bureaucracy (2nd Stage, Growth)	You are starting to put resources into support functions like project management, HR, finance, purchasing, etc.	How to understand and manage supply chain issues? How do we increase market share? How to retain customers and decrease customer acquisition costs? How to build an organization beyond the founders? How to put in place HR/People processes, systems?	Process documentation and development. Project management. Building an organization beyond the founders. Caring about, and influencing culture.
Stable (Mature)	You are the dominant player in your target product and geographic category.	How do you reduce costs? What are the trends/competitive factors that could disrupt our position? How do you plan for leadership transitions? How to build a pipeline of talent? How to expand geographically? How to develop career pathways and succession plans? How to improve quality? How to optimize product development? How to launch additional products or related services? Should acquisitions be considered?	N/A

2. Compensation at Different Stages

Organization Stage	Typical Compensation Structures
Coffee Shop	Founders are working for future equity.
Incubator	Founders are working for defined equity. Contractors, advisors, consultants and employees are working for equity, deferred compensation.
Foosball Table	In addition to equity, founders are earning a low salary. Contractors may have converted to employees. Employees usually have equity and below market salaries.
Bureaucracy	Employees have market salaries and equity. Bonus plans are beneficial.
Stable	Employees have market salaries. Bonus plans are typical.

3. Positions by Stage

Positions/ Stage	Coffee Shop (1-3)	Incubator (2-10)	Foosball (10-20)	Bureaucracy (20-100) Stable (100+ employees)
Leadership	Co-founder Co-founder	CEO CTO	CEO CTO VP Sales	CEO COO CTO CFO VP Sales VP Marketing VP Human Resources VP Manufacturing
Product Development	(Done by Co-founders)	CTO	CTO VP Engineering Engineer (2)	CTO VP Engineering Director Engineering Manager Engineering Engineer
Sales/ Business Development/ Customer Success	(Done by Co-founders)	(Done by CEO)	VP Sales	VP Sales Sales Manager Sales Representative Customer Service Manager Customer Service Representative
Marketing	(Done by Co-founders)	Contractor/ Consultant	Marketing Leader	VP Marketing Director Marketing Marketing Manager

				Marketing Specialist
Finance	Not Applicable	Contractor/ Consultant	Finance Leader Bookkeeper	CFO Finance Director Controller Accountant
Manufacturing/ Production	Not Applicable	Contractor/ Consultant	Plant Manager Production Operators	COO VP Manufacturing Plant Manager Production Supervisor Production Operators
HR	Not Applicable	Usually Ignored	Outsourced, Done by Office Manager	VP HR HR Manager
Operations (IT, Purchasing, Office, Building)	Not Applicable	Usually Ignored	Office Manager	COO Director of Operations Office Manager Administrative Assistant

4. Market Compensation by Position

Position	Compensation Range
CEO (for venture backed startups)	$125,000-275,000
CFO	$125,000-175,000
COO	$100,000-150,000
CTO	$125,000-225,000
VP Engineering	$110,000-200,000
Director Engineering	$100,000-175,000
Manager Engineering	$90,000-150,000
Engineering Associate	$60,000-110,000
VP Sales	$125,000-300,000
Sales Manager	$70,000-110,000
Sales Representative	$50,000-90,000
Customer Service Manager	$75,000-90,000

Customer Service Representative	$30,000-50,000
VP Marketing	$100,000-150,000
Director Marketing	$80,000-110,000
Marketing Manager	$70,000-100,000
Marketing Specialist	$45,000-60,000
Finance Director	$105,000-140,000
Controller	$80,000-120,000
Accountant	$60,000-75,000
Bookkeeper	$35,000-45,000
VP Manufacturing	$100,000-150,000
Plant Manager	$80,000-105,000
Production Supervisor	$50,000-75,000
Production Operators	$30,000-40,000
VP HR	$110,000-150,000
HR Manager	$80,000-110,000
Director of Operations	$95,000-110,000
Office Manager	$50,000-70,000
Administrative Assistant	$35,000-55,000

5. Beyond Compensation - *What else do employees care about?*

Culture - Startups don't pay enough attention to this - often technical people, especially technical founders that might be light on people management and development. In an organization, a culture will occur regardless of whether you pay attention to it or not. Thus, I recommend that founders are intentional about culture. *What are the values or characteristics that are important to you, or will be important to the success of the startup?* Document these, and use them to hire, reward and promote team members.

Structure - As discussed above, structure needs to evolve as the company grows. During times of growth, it can be easy for an organization to approach structure as one-off issues when you need to hire. Sometimes a founder might think, okay, here are five things that aren't getting

done, let's create a job description and bolt it onto the organization somewhere. My recommendation is to periodically invest time thinking through the organization and how things are supposed to fit together. The process that I like to follow is:

- Principles - What are the key strategic differentiators or areas of focus?
- Processes - What are the processes that drive those goals?
- Roles & Responsibilities - What are the tasks and activities associated with these processes? Use lots of sticky notes to capture what people are doing. Then, group the activities if they are related. These "buckets" of similar activities can then become job descriptions, or departments, depending on the size of the organization.
- Structure - Connect the activity buckets into departments and reporting relationships.

Development - There are great growth opportunities in startups! Millenials in particular care about variety and challenge. The level of visibility into business strategy is unprecedented for recent college graduates looking for growth. Also, the ability to take on more responsibility as the organization grows can be highly appealing. Ensuring that you are paying attention to the training needs of team members can be challenging for busy startup founders, however.

Internal Equity - Most people will find out what others are making. Having a fair and strategic plan for determining compensation and equity grants is important. Ranking or weighting the value of each position across the organization is important so that there is consistency. It is also good to periodically compare salaries to the market, and to make necessary adjustments. Usually salary bands are used to provide a range that takes into account the internal value of the position, external market compensation, and the performance and experience level of the incumbent.

Good Managers - People leave managers, not companies. As a startup grows, individual contributors sometimes become managers out of necessity, but lack the skills or training to be successful in the new role. It is important that managers have good project management and interpersonal skills so that they can delegate, monitor, reward and recognize and effectively develop team members.

Conflict Management - Creating an environment where issues are raised and discussed openly, and are resolved with respect and directness. All teams have conflict, and creative conflict appropriately managed leads to innovation and overcoming obstacles. However, doing this effectively is challenging. When people feel threatened, they can disengage or result in negative behaviors.vCreating a safe environment where people can openly discuss and resolve issues is critical.

Flexibility - Work life balance matters to people. An ounce of flexibility can provide a pound of productivity. Some founders believe that everyone needs to have the same level of dedication as they do. However, this can burn people out, or drive them away. Many people value flexibility over the highest salary.