

Building Your Startup Team

(Typical Silicon Valley
Issues & Topics)

Building your Startup Team

Content

- 1| **Intros** – Daniel Zimmermann & E.J. Dieterle
- 2| **Trends, A/B Prod/Team, Challenges, ideal Team**
- 3| **Responsibilities, Structuring a team, Skills**
- 4| **How to recruit, Levels, Cand-Pool, Sources**
- 5| **Different Stage/CEO, Contracts, non-compete**
- 6| **Compensation, Salary, Equity**
- 7| **Immigrant founders, interviewing (Do's/Don'ts)**

1| WilmerHale

International Law Firm

- We are 1,000 lawyers strong, with offices in 12 cities in the United States, Europe and Asia. Our practice includes more than 300 seasoned corporate transactional lawyers and business counselors and lawyers who focus on labor and employment matters.
- The firm's Palo Alto office represents clients in the technology, cleantech and life sciences sectors and has developed a notable practice within the startup community.
- The firm's lawyers have represented hundreds of entrepreneurs and offer top quality legal counsel and business guidance to early-stage companies through the firm's involvement in several incubators, university entrepreneurship programs and startup organizations.

<http://www.wilmerhale.com/>

Building your Startup Team

1 | Daniel Zimmermann

Daniel Zimmermann is a partner in the Corporate and Transactional Department, and a member of the Corporate, Emerging Company and Venture Capital Practice Groups. He joined the firm in 2011.

Practice

Mr. Zimmermann's practice draws on his extensive experience in complex corporate transactions and venture technology issues.

His experience includes advising emerging growth companies and technology startups on a variety of corporate governance and finance matters, as well as exit transactions such as public offerings and mergers and acquisitions. Mr. Zimmermann further counsels Silicon Valley-based venture capital firms, as well as global venture and private equity funds in their portfolio investments in the US and abroad.

Daniel's practice also has an international focus that involves the regular representation of clients in global expansions and off-shore acquisitions by US companies. From 2007 to 2008 he was seconded to a European law firm where he worked on private equity, capital markets and venture capital transactions in both London and Munich.

Professional Activities

Mr. Zimmermann is a member of the California and New York Bar Associations and the International Law Sections of the American, California and New York Bar Associations.














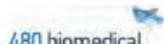







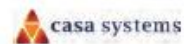





He has served as Chair of the Executive Committee of the International Law Section of the State Bar of California for the 2009-2010 term and currently serves as Chairman of the Board of the German American Business Association. Mr. Zimmermann also previously served as vice president and board member of the German-American International School in Menlo Park and serves as primary pro bono counsel to the School.

Honors and Awards

Recognized as "Up and Coming" in the 2011 and 2012 editions of [*Chambers USA*](#) for his corporate/M&A: venture capital practice

Building your Startup Team

1 | Selected Clients (WilmerHale)

 \$15,000,000 <i>First Round</i> September 2011	 \$15,000,000 <i>Second Round</i> May 2011	 \$77,000,000 <i>Late Stage</i> April 2011	 \$18,000,000 <i>Second Round</i> December 2010	 \$15,000,000 <i>Second Round</i> August 2011	 \$47,600,000 <i>First Round</i> December 2011		
 \$15,000,000 <i>Second Round</i> June 2011	 \$7,000,000 <i>Third Round</i> September 2010	 \$36,000,000 <i>Late Stage</i> February 2010	 \$22,000,000 <i>Second Round</i> July 2010	 \$55,000,000 <i>Third Round</i> April 2011	 \$16,000,000 <i>Fourth Round</i> June 2011	 \$78,000,000 <i>Third Round</i> November 2011	
 \$13,000,000 <i>Second Round</i> September 2010	 \$15,000,000 <i>Second Round</i> September 2011	 \$17,200,000 <i>First Round</i> December 2010	 \$45,000,000 <i>Third Round</i> April 2010	 \$40,000,000 <i>Second Round</i> January 2010	 \$25,000,000 <i>Fourth Round</i> May 2010	 \$6,000,000 <i>First Round</i> July 2011	 \$28,400,000 <i>Second Round</i> October 2010
 \$15,000,000 <i>Fourth Round</i> December 2011	 \$96,000,000 <i>Late Stage</i> April 2010	 \$13,300,000 <i>Late Stage</i> August 2011	 \$45,000,000 <i>Third Round</i> May 2010	 \$23,000,000 <i>Fourth Round</i> September 2011	 \$10,000,000 <i>Second Round</i> December 2011	 \$15,000,000 <i>Fourth Round</i> May 2011	

<http://www.wilmerhale.com/>

Building your Startup Team

1| YES Partners, Inc.

International Executive Search

(retained Recruiting Firm / “Headhunting”)

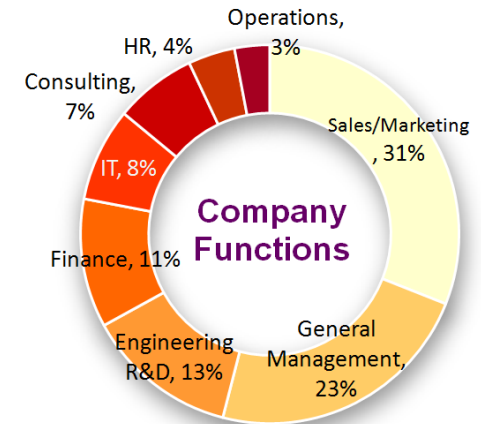
- est. 1994 (Japan)

Recruiting Primarily Executives (Management Staff)

- CEO, CFO, COO, CMO, Country-Manager, President, Managing Director, V-level (VP, EVP, SVP & Director-level)
- All Industries & Company-Functions

Clients

- Early Stage (prefunding) Startups to Fortune-50 Companies



Searches carried out in



Source: <http://yespartners.com>

Building your Startup Team

1| **E.J. Dieterle** CEO & Co-Founder YES Partners, Inc

Country-Manager (President & Managing Director)

UK, Japan, Korea, **USA** (270 staff, NY & NJ – now CA)

Alumni at IMD (Switzerland)

Chair for HR @ GABA (German American Business Association)

Member AHK/German Chamber USA (San Francisco/New York)

Board of Directors @ Medical Device Company (CO)

Mentor @ GSVA (German Silicon Valley Accelerator) 

Member SVAngel (Tech Angel) Group – Silicon Valley

Speaker (International Business) Keller/DeVry University & Haas/UC Berkley

NACD (National Association of Corporate Directors)

Rotary Club (Club President 2009-10) 

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1 | References (YES Partners)



Source: <http://yespartners.com/AboutUs/ReferencesandTestimonials/index.html>

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Building your Startup Team

2| General Trends (VC view)

Past

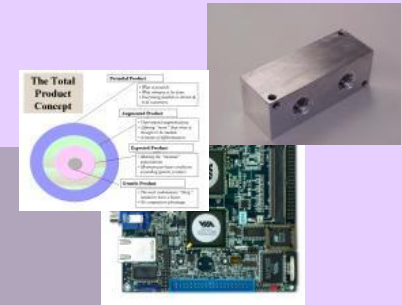
10 Powerpoint-Slides

“Take the \$\$\$” &
“do something with it”

Last few years

Show me your ..

Product, (IP),
Prototype



Clients, (Traction),
LOI/letter of intent



‘the TEAM’



Building your Startup Team

2| A-Prod & B-Team or B-Prod & A-Team

People always trump ideas
It's all about 'people'!



Building your Startup Team

2| Typical Challenges (prefunding)



Founders usually technical
= need Management Experience (Team & Execution)

No funds to hire people or Management

No funds for help to hire the right people (expl: Executive Search)

Should I build a team before funding?

Post-funding it is easier – due to available funds, however

pre-funding a founder has more control of the own team
& the **investor** at the end invests in the **confidence in “the team”**

Building your Startup Team

2| The Ideal Startup-Team (VC View)

“No one can do it alone, i.e. no entrepreneur is expert in engineering, marketing, sales, finance, etc. all at the same time.

Build a dream team by recruiting top flight professionals who bring track records, credibility, complementary skills and good chemistry to the team”

a VC wants to see ..

Quality & capability of a Management Team

(nearly) complete team of “A” Players

previously started & built successful companies

Know & are known in the industry

previously backed by VC’s

made money (ROI) for VC’s



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Building your Startup Team

3| Whom am I looking for?

... recruiting is one of the most exciting parts of a startup ...

look for



a Shared vision/passion

Can they do what you need?

Do they have the strengths (skills) that you need?
(not just a lack of weaknesses to avoid)

Hire people “better than yourself”!

Hire a “diverse team”
(different opinions & background - do not simply duplicate yourself)

Building your Startup Team

3| Responsibilities (start backwards ...)



8. Have clear Goals (measureable!)

7. Start “building the Team”

6. Find the person(s) with those capabilities

5. Define Capabilities the people must have (JD)

4. Define Activities of those Functional Areas

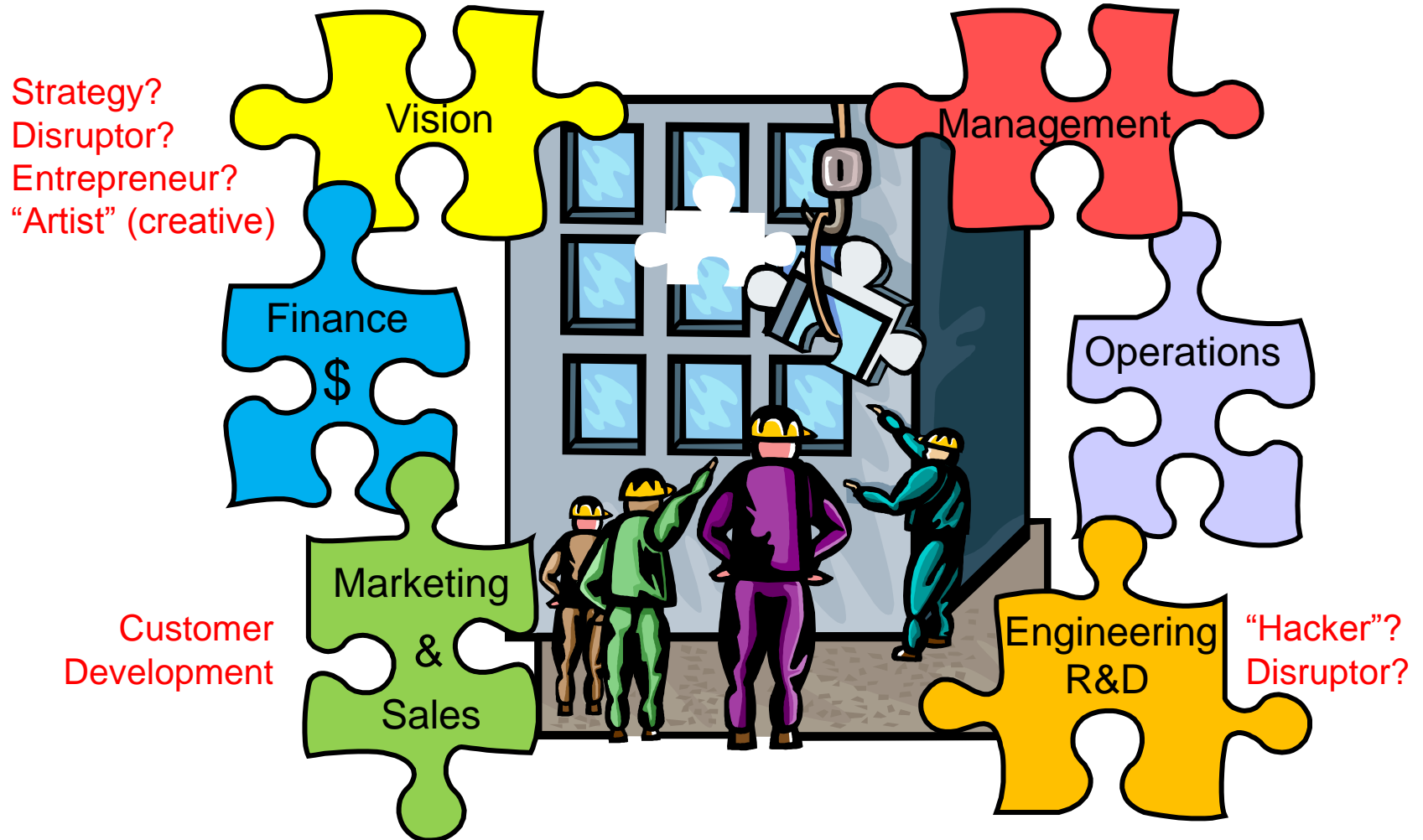
3. Group the Results into Functions (R&D, Sales s.o.)

2. Define Responsibilities for those results (& Empower)

1. Define Results needed for the company to be successful

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3| Structuring a Team – Any Skill Missing?



Building your Startup Team

3| Whom should I hire first?

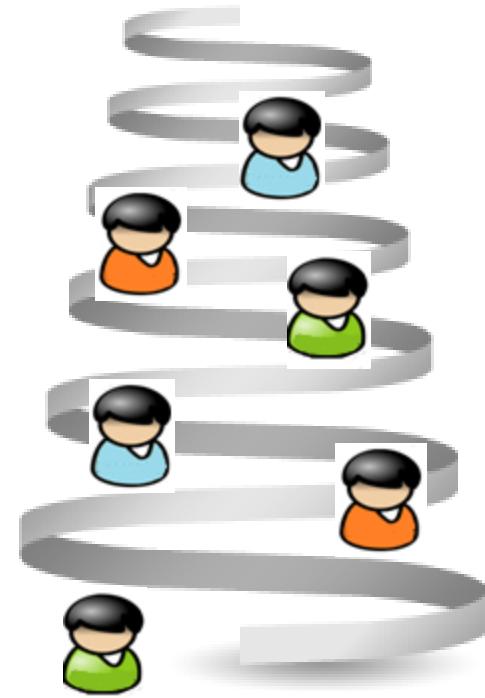
... it depends ...

**What skill is missing @ a time to
bring you to the next step?**

**Sales? – or better start with
someone doing Marketing?**

**Is a ‘large company’ person really
suitable in a Startup situation?**

**Growing a company is an
Evolution ...**



**Scaling a company =
(operation & execution increasing)**

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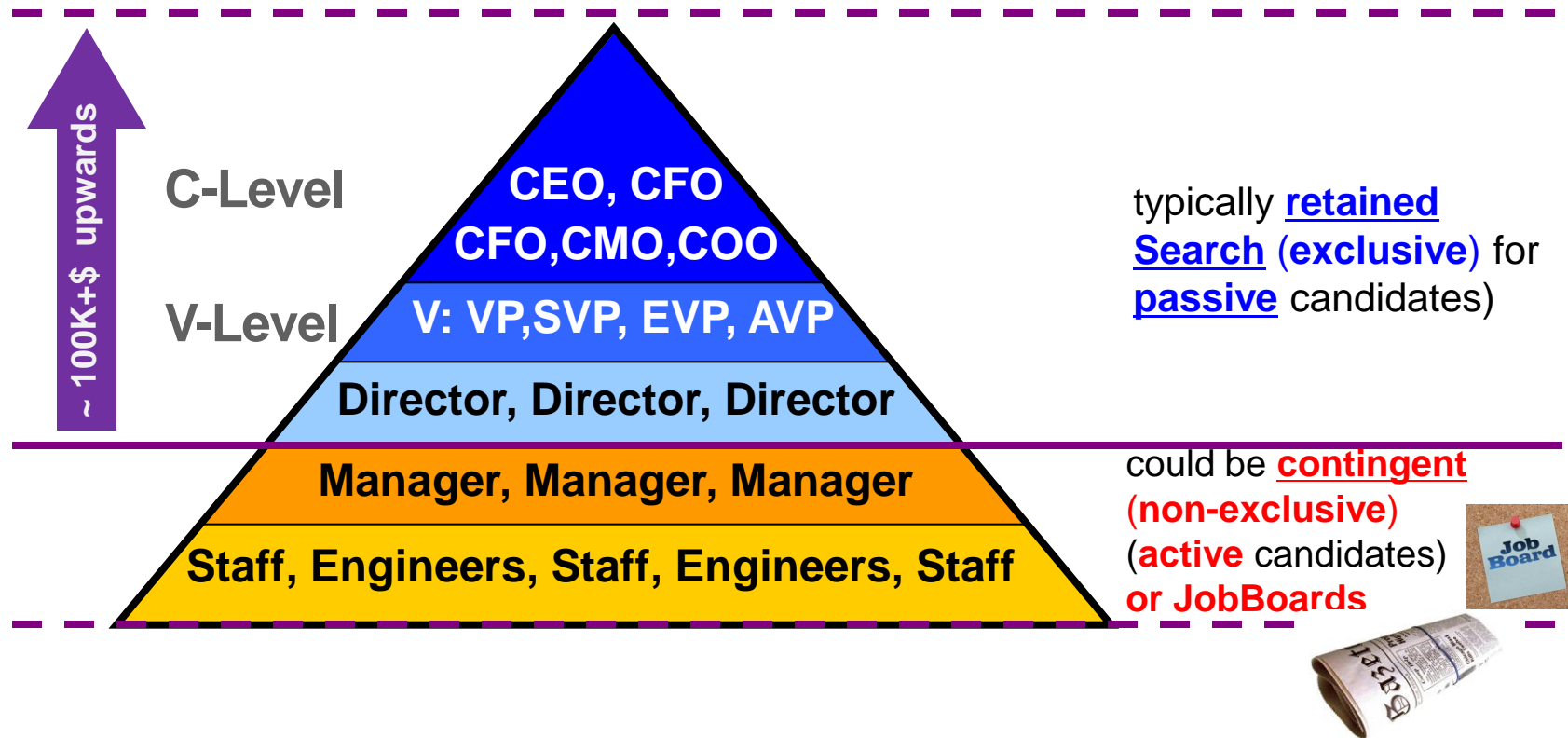
4| Finding people is EASY ...



... but finding the **RIGHT** people is not easy!
However having the **RIGHT** people often determines the success (or failure) of a company.

Building your Startup Team

4| Typical Recruiting Methods by Level



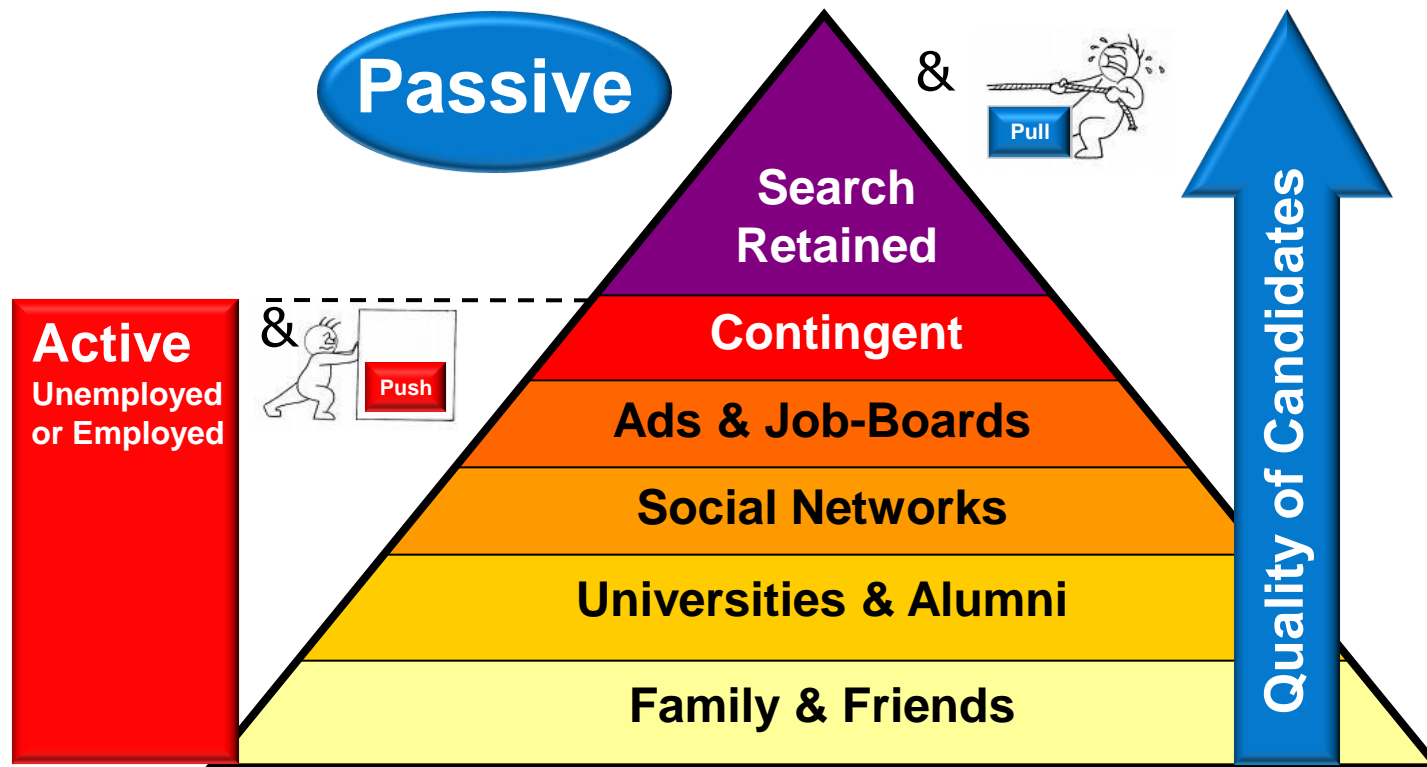
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4| Candidate-Pool



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4| PROs & CONs by Source of Candidates



Building your Startup Team



CON

- ✓ Potentially getting inundated with over- or under-qualified resumes
- ✓ Do Candidates really have required qualifications?
- ✓ 'Active' candidates only (Push-Principal)

PRO

- ✓ Easy Administration
- ✓ Minor Cost
- ✓ Typically junior-, low- to mid-level positions

Contingent

Ads & Job-Boards

Canc

CON

- ✓ Does the person really have the required Qualifications?
- ✓ Potential big problem if the person doesn't work out

Social Networks

Universities & Alumni

Family & Friends

PRO

- ✓ Known risk factor (Trusted)
- ✓ No or low cost
- ✓ Suitable often for low- to mid-level positions

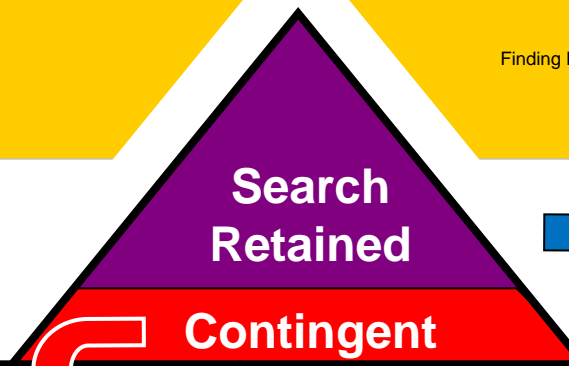
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Finding People is Easy, finding the Right People is not.

YES Partners



Active



Candidates

Passive

Contingent (firm)

- ✓ Work for candidates (not company)
- ✓ Due to level of positions, usually lower contacts at Companies
- ✓ Typically junior, low+ mid-level positions
- ✓ Not really 'Search', Sourcing from resume-banks
- ✓ passive search for active candidates
- ✓ Motivation low (due to difficulty of position often try to fill "easy" positions first)
- ✓ Candidates offered to other Companies also
- ✓ Resumes submitted once received
(seldom interviews/vetting – have qualifications?)
30day Guarantee
- ✓ Typically ~ 20% of first years' total CC
(CC = Cash Compensation).



Retained (firm)

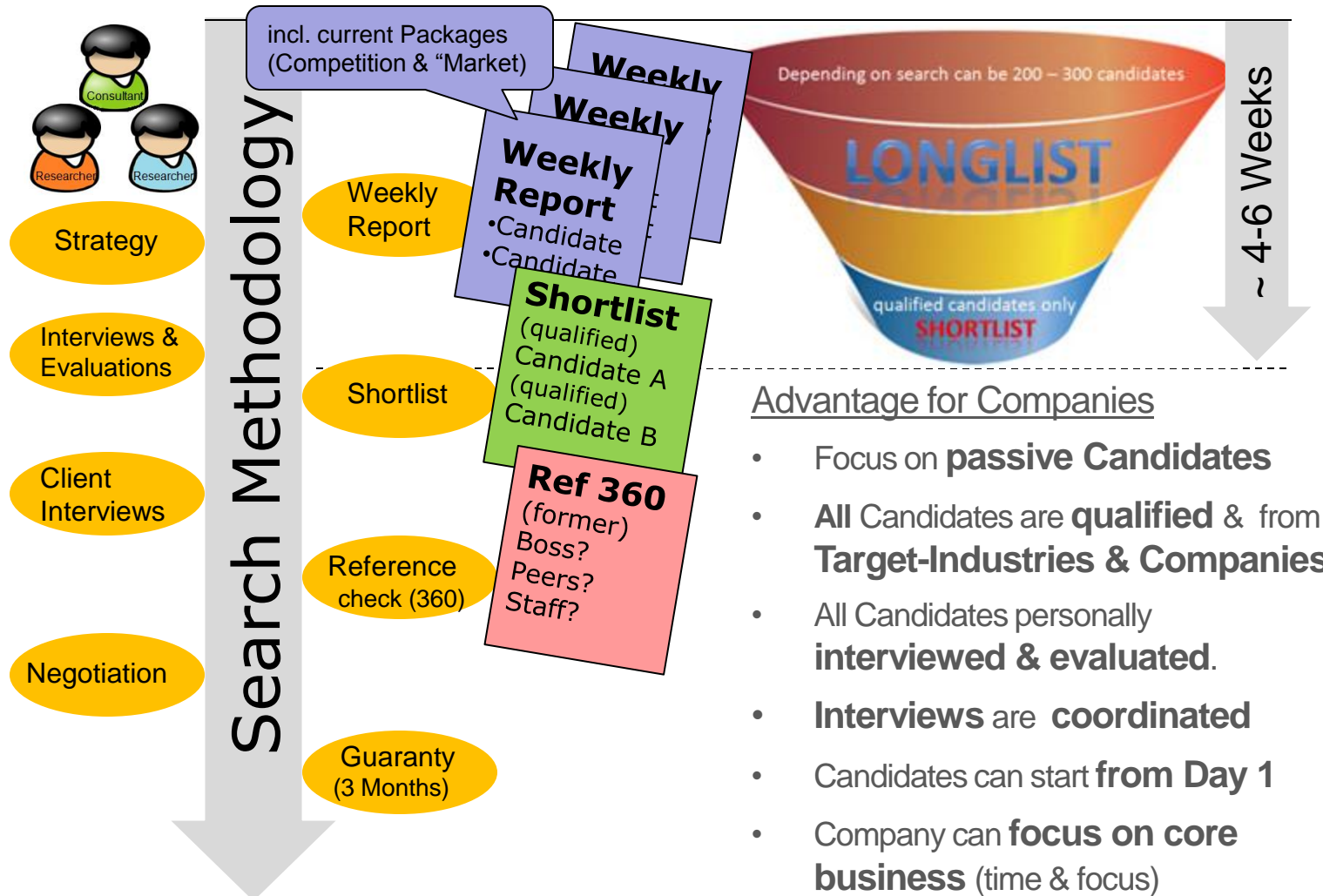
- ✓ Works exclusively for company
- ✓ Due to level positions, usually higher contacts at Companies
- ✓ Typically C (CEO, CFO, COO ..), VP-positions & Directors, + 'difficult to fill'-positions
- ✓ Active Search for passive candidates
(targeted Search)
- ✓ Motivation high (exclusive contract)
- ✓ Candidates exclusive, interviewed face-to-face
- ✓ Only high calibre & matching candidates
(Guarantee period min 90 days)
- ✓ Global Offices (YES Partners specific)
- ✓ * Typically ~ 25-33% of first years CC
- ✓ Searches managed by Lead office (YES Partners)
- ✓ * No upfront payment (YES Partners specific)



*YES Partners has also a Equity/Cash option for early Startups – please inquiry for details

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4| How Does a Retained Search Work?



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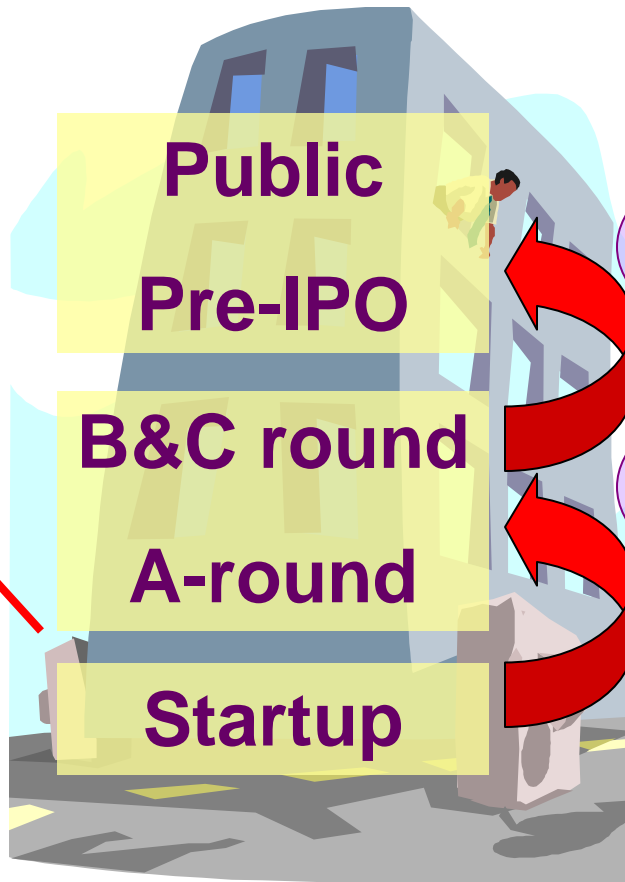
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5| Different Stage ... Different CEO/Manager



Founder could become (example)

- Chairman?
- Chief Strategy
- ?



Major CEO-Skillsets required

**“Public Co” issues
SOX, quarterly reports**

**Expansion, Admin
Setup System, Execution**

**Company-formation,
Fundraising, form a “team”**

5| **Employment Arrangements** (Founder, Equity s.o..)

- How should I structure early-stage employment contracts so I can "get-out" if it doesn't work out?
- At-Will Relationship
- Voluntary or Involuntary Termination
- For Cause Termination
- Good Leaver Provisions
- Severance; Continuation of Benefits
- Non-Competition; non-solicitation (> see next slide)
- Ownership of Proprietary Information; Confidentiality

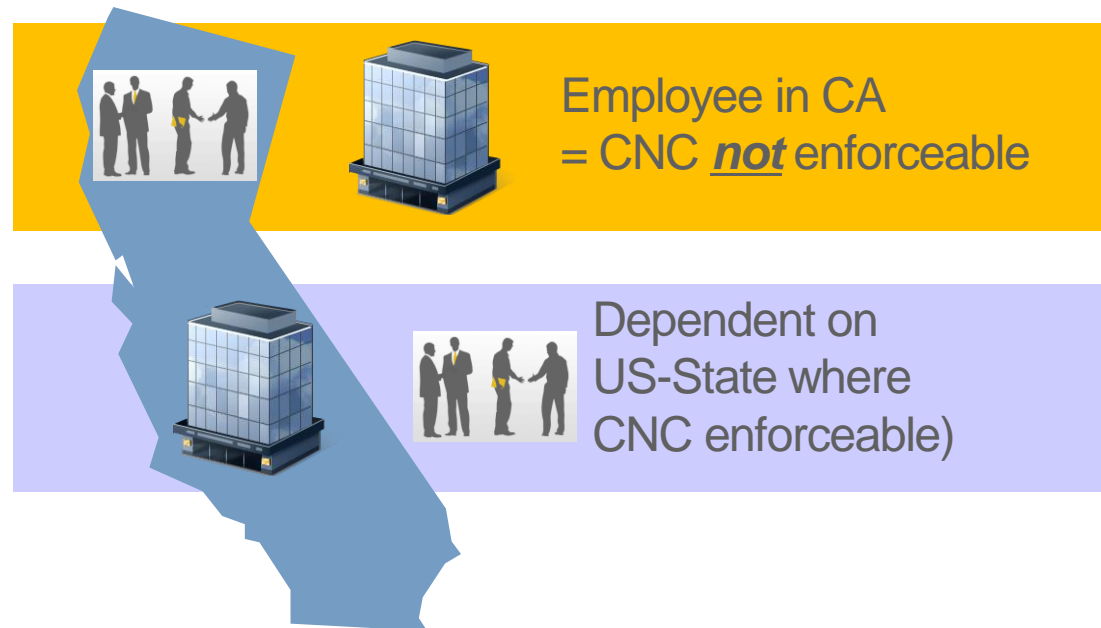
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5| Non-Compete Clause (CNC) (example “CA”)

CNC (non-compete clause = “covenant-not-to-compete”) refers to a Clause in the Employment-Contract (Offer-Letter?) saying that an employee cannot join the competition.

CNC is **dependent on the US-State the employee works in** (not in which US-State the Employer is located)

Example California:



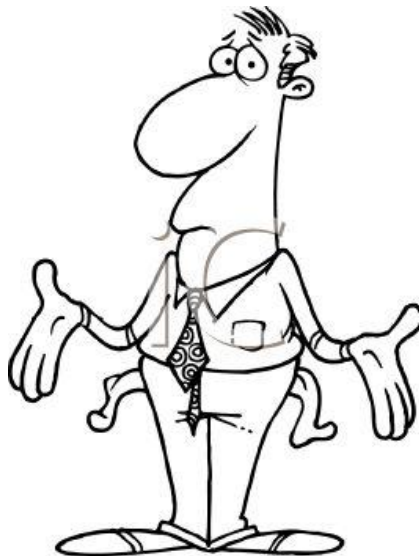
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Building your Startup Team

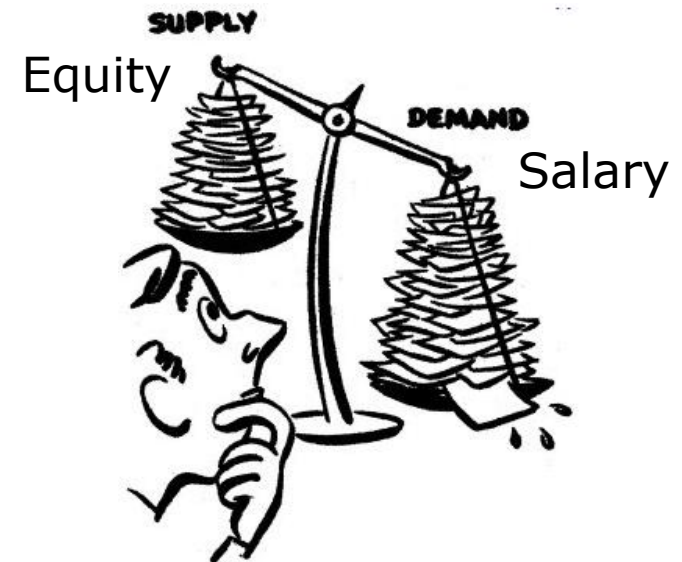
6| Compensation @ an Early Startup



Typically
cash-poor!



but
Equity-Rich



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6| Do people work for (sweat) Equity only?

Yes!

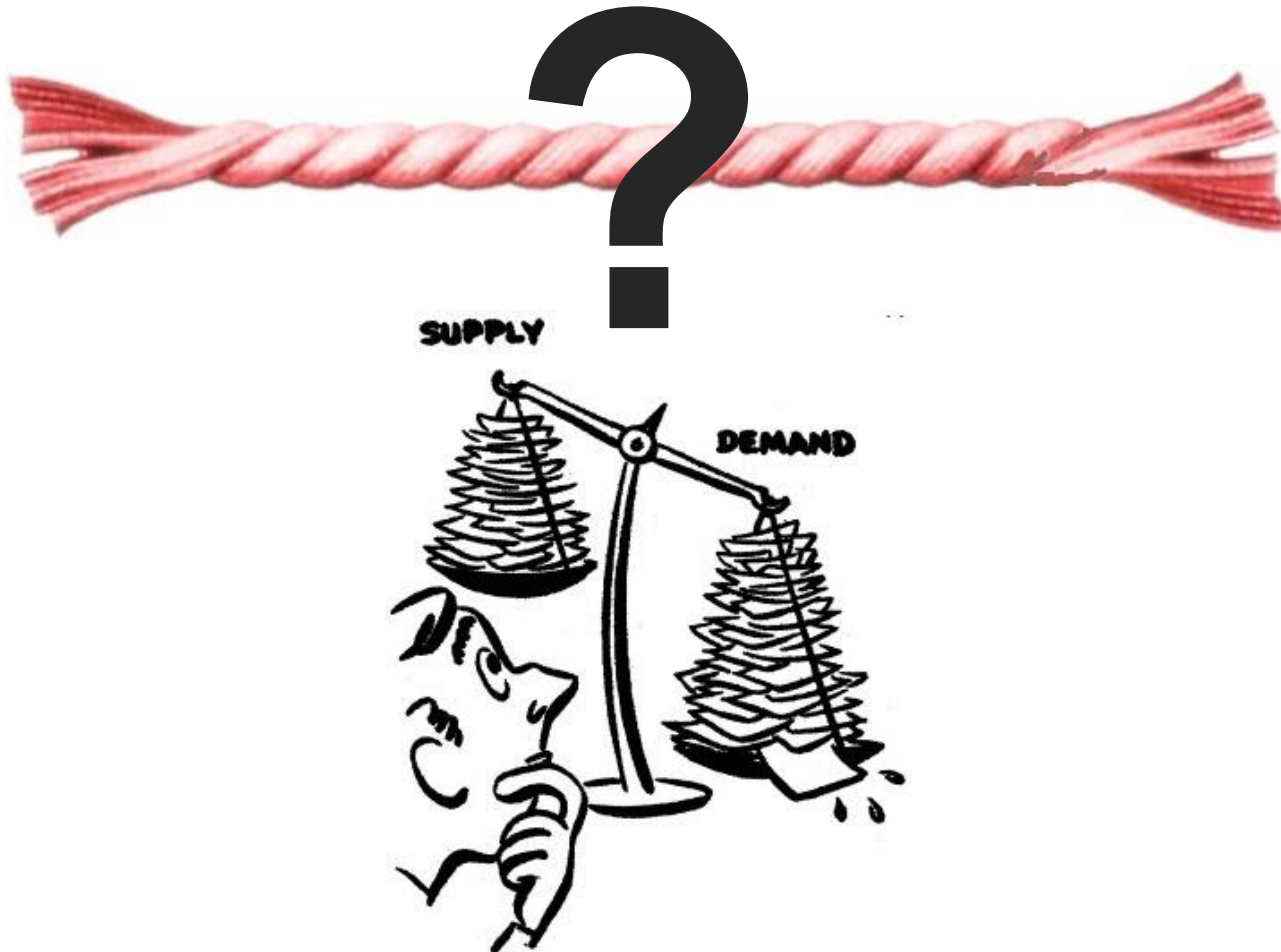


Remark:

with (small) cash ~5K\$/mon = more options

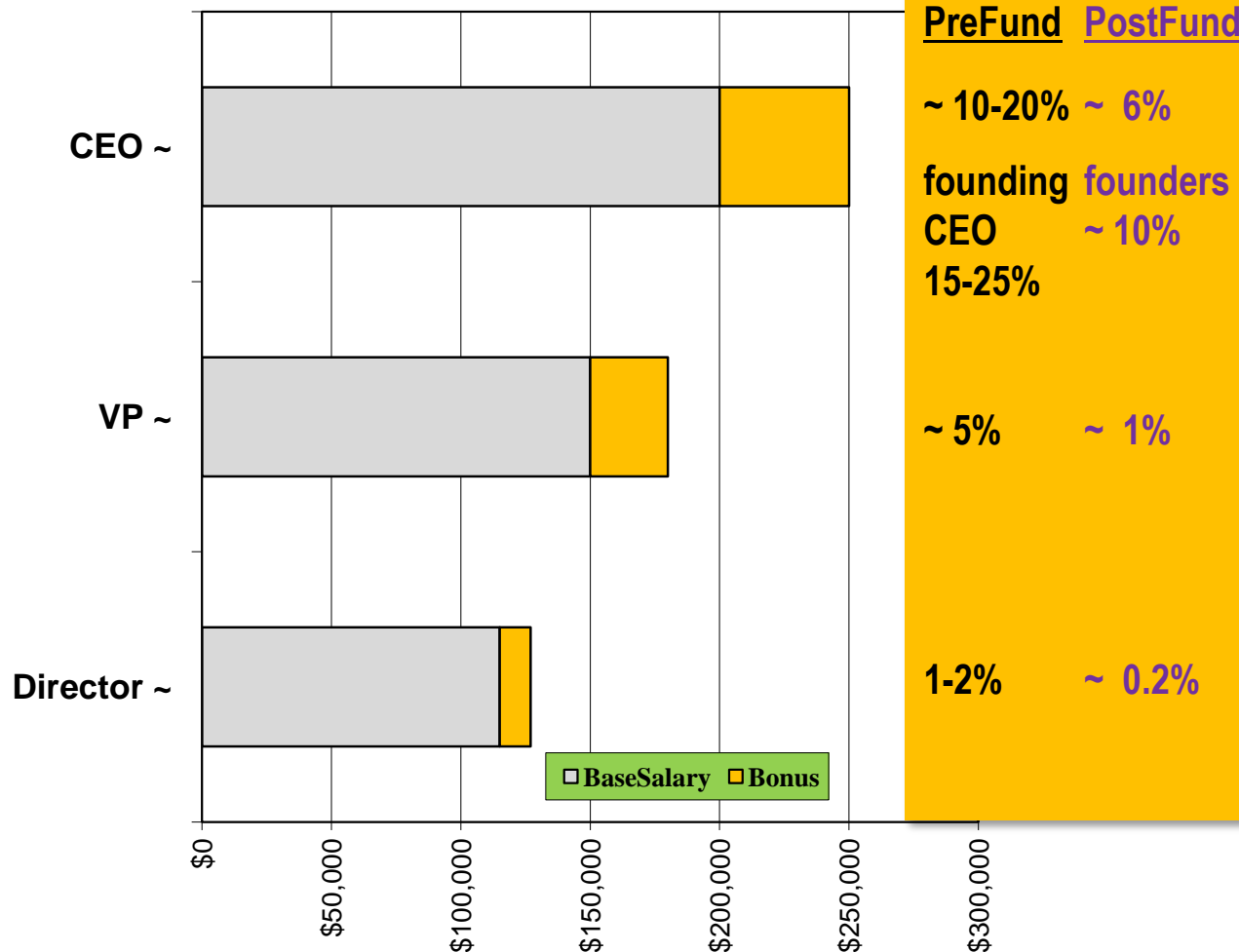
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6| How much Salary or Equity should I pay?



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6| Comp Trends (SV Startups)



VentureHack (post A Funding)	
Title	Range (%)
CEO	5–10%
COO	2–5%
VP	1–2%
Independent Board Member	1%
Director	0.4–1.25%
Lead Engineer	0.5–1%
5+ years experience Engineer	0.33–0.66%
Manager or Junior Engineer	0.2–0.33%

Source: <http://venturehacks.com/articles/option-pool-shuffle>

Building your Startup Team

6| Salary/Equity Ideas (compiled Pre- & post-funding)

Title		Cash Comp	Cash Median	Bonus	% Co Equity	% Co. Median
CEO	Founder	100k-250k	200k	0-100k	5-20%	9.0%
CEO	Non-Founder	180k-260k	225k	0-150k	3-7%	5.0%
President / COO	Founder	100k-200k	175k	0-50k	3-8%	5.0%
President / COO	Non-Founder	150k-230k	200k	0-75k	1-3%	1.5%
CFO	Founder	100k-170k	150k	0-20k	1-5%	2.5%
CFO	Non-Founder	100k-200k	160k	0-50k	0.5-1.5%	1.0%
CTO	Founder	120k-200k	160k	0-30k	2-10%	4.0%
CTO	Non-Founder	125k-200k	160k	0-50k	0.5-2%	1.0%
VP Engineering	Founder	150k-185k	160k	0-30k	1.5-5%	2.5%
VP Engineering	Non-Founder	150k-200k	175k	0-50k	0.7-1.5%	1.0%
VP Sales	Founder	175k-200k	175k	0-60k	1.2-5%	3.5%
VP Sales	Non-Founder	160k-200k	175k	20-150k	0.7-1.3%	1.0%
VP Business Dev	Founder	150k-180k	170k	0-35k	1.5-5%	3.0%
VP Business Dev	Non-Founder	150k-190k	175k	0-70k	0.5-1.3%	0.75%
VP Marketing	Founder	140k-180k	160k	0-30k	1.3-7%	3.0%
VP Marketing	Non-Founder	160k-190k	175k	0-50k	0.5-1.2%	0.8%

Source: <http://www.askthevc.com/wp/archives/2007/06/what-are-typical-compensation-numbers.html>

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Building your Startup Team

7| Interviewing tips

(BC - Boston Consulting: recruiting has the highest impact of any HR Function)

... when the “right person” comes through the door

Convince the person(s) of your company, vision & idea

(Many Managers do a poor job in selling the company to potential recruits)

Understand the difference of active and passive candidates

(a passive candidate is not looking for a job, i.e. he/she needs to be convinced)

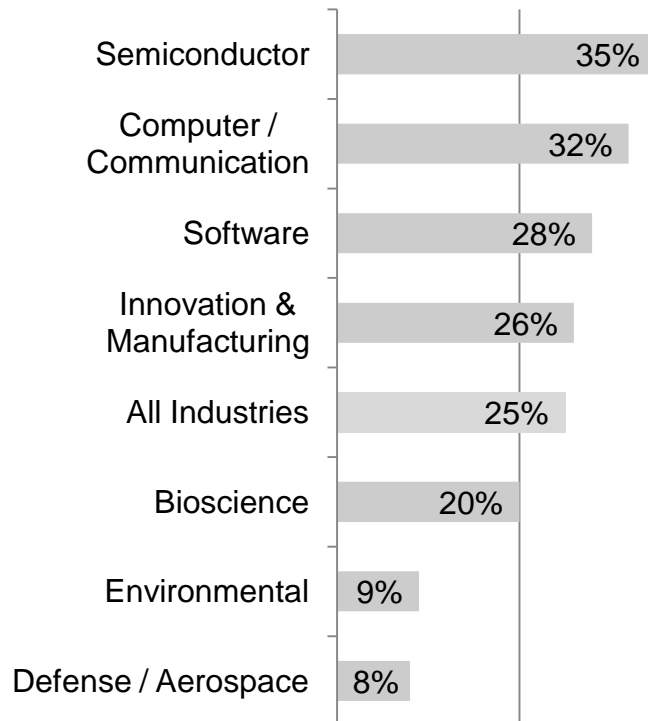
NDA – request an NDA if technical issues are concerned

“Cultural Awareness” (careful: protected categories! – see slides)

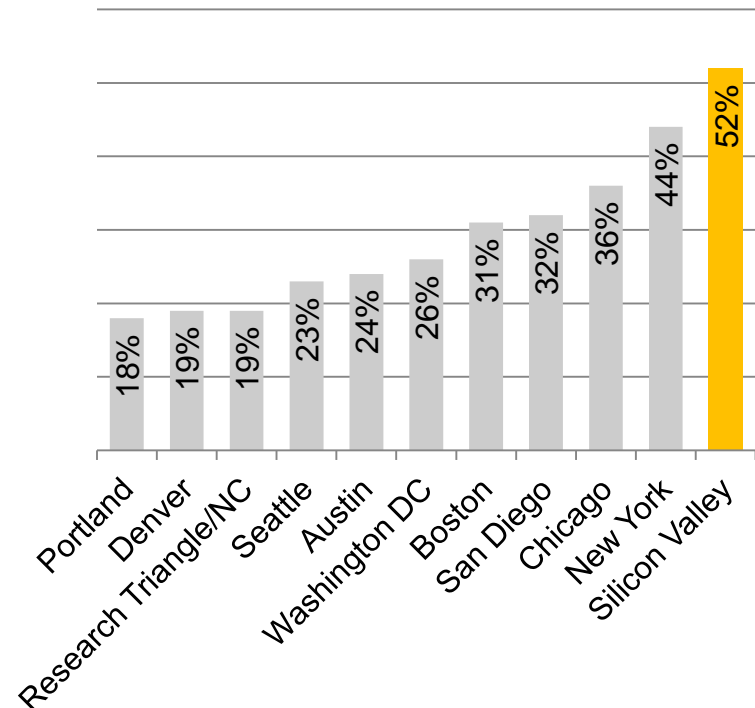
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7| Startups founded by Immigrants

% nach Industry







% nach Region



Source: Kauffman Foundation, Foreign-Born Entrepreneurs: An Underestimated American Resource

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7 | Typical Job-Application Docs/Resume

	Western-Europe D, A, CH, NL, I, F	Eastern-Europe	Asia (China, Japan, Korea)	USA (& UK)
Cover-letter	Yes (old: handwritten) I & F= usually not	Not common	Yes (sometimes still handwritten)	Yes, cover-letter common (or email)
Photo	Yes , NL,F & I = not 	Usually No 	Yes 	NO! 
CV (Resume)	Yes, including gender, Address, DoB, marital status (old: profession/ parents) I&F usually 2-3 pages	Yes	Yes, incl. gender, mar/single, health. Towards foreign companies common in local L & english	Yes, but <u>no</u> ref. to: gender, married?, children, religion, photo, DoB (latest position first = 1-2 pages)
Performance letter	Yes = letter from former employer. (excpt NL, F, I)	No	No	No
References	Seldom, F=4-6 former Boss/Peers I = no	List of references (also “upon request”)	“Recommendation” of (former) boss, peers or friend	Common (2-3) “upon request” – prior Boss, Staff or Peers
Certificates	Yes, Certificate/ schooling, education, apprenticeship (NL, F, I = no)	Yes, Certificates on schooling, education & Apprenticeship	certificates about schooling/education & sometimes <u>passport</u>	Usually not/ or “upon request”
Other	-	-	evtl. <u>passport</u> , blood- type & facial feature	-

Building your Startup Team

7| Interviews USA - **“Don’ts”**

“Protected Categories”	DON’T even think about asking ...
Marital Status	NO! (Mrs, Ms or maiden name)
Age	NO! (Birthday only after hiring)
Birthplace/ origin	NO!
Race / color	NO! (<u>only</u> after hiring – see handout)
Gender	NO! (<u>only</u> after hiring – see handout)
Religion	NO!
Citizenship	<u>Only after hiring:</u> about Citizenship, legal residence (handout)
Parental status	NO! (only after hiring)
Military service	Yes/No served is OK, but everything else <u>after hiring!</u>
Education	OK for schools, language skills (see handout)
Photographs	NO! (<u>only</u> after hiring – see handout)
Disability	NO! (<u>only</u> after hiring – see handout)

(refers to Civil Rights’ Act & US Antidiscrimination Laws)

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7| Interviews in USA - “Do’s”

	Do ...	Purpose
1	Use open-ended questions : (what, how, when, why)	This way it is not just a Yes or No answer, the candidate is forced to explain in his/her own words
2	Listen to success stories & how problems are solved & tackled-	Leadership, Adaptability, Initiative, integrity, honesty & communication skills
3	Listen to accomplishments	indicates problem-solving skills
4	Ask for self-evaluation	“What would your boss say about you ...?”
5	Be prepared to share expectations of company	example: goals+ targets of the company
6	Ask the <u>same</u> basic questions to <u>all</u> applicants	..so you don’t discriminate against anyone
7	Take detailed notes	.. To keep track of individual candidates ..
8	Don’t write comments on resumes (Assume your notes are public ..)	Yes, they can be. (in court)
9	Keep notes job-related	You never know who might read it
10	Avoid any references to “protected categories”	(age, race, color, sex/gender, religion ...)

Building your Startup Team

7| Presenters



Daniel R. Zimmermann, Esq.

WilmerHale

Palo Alto, CA

www.wilmerhale.com

Email daniel.zimmermann@wilmerhale.com

Office +1 (650) 858-6034

Cell (US) +1 (650) 283-9629



“EJ” Dieterle

YES Partners (Inc).

Menlo Park, CA

www.yespartners.com

Email ejdieterle@yespartners.com

Office +1 (650) 726-8733 x701

Cell (US) +1 (650) 704-9869

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... testimonials received ... “““

“.. I wanted to send you a quick note to say thank you for the information you shared last night. The content was extremely informative, I'd love to get my hands on a copy of the presentation if you have it.”

“Thank you for a very informative and helpful presentation at the GABA on how to build start-up teams. Your engagement and enthusiasm for the subject made it easy to follow and appreciate the points you were making”

“”Thank you for very interesting presentation at GABA event yesterday! Is it possible to get a copy of your slides? “

“Thank you for your talk last night at the GABA event, we spoke briefly before and after. It is a topic that I find very interesting. I have worked at several startups as a program management executive and believe very strongly that small companies and startups can benefit from systemic, low overhead program management methodologies”

“I just wanted to send a quick note and tell you that it was nice meeting you, even though briefly, and I really appreciated your presentation. I've been to your website and Yes Partners seems like an amazing company. Two of the things I really took away from last night were that the people on the team are more important than the product, and also that everything is measurable, even if only by milestones. It was inspiring to meet someone at your level of success and I hope we cross paths again soon”

“No entrepreneur likes to think about all the little details that go into forming a new business. We are big picture guys you know. But your extremely informative presentation was so clear about getting the HR right from the outset. Thank you so much for all your effort and time in putting together your talk with us. It was one of the most valuable business formation presentations I have attended in years.”

I would appreciate a copy of your slide deck if you care to share it. If and when I get my little app going I will definitely make an appointment to talk to you again about best staffing practices”