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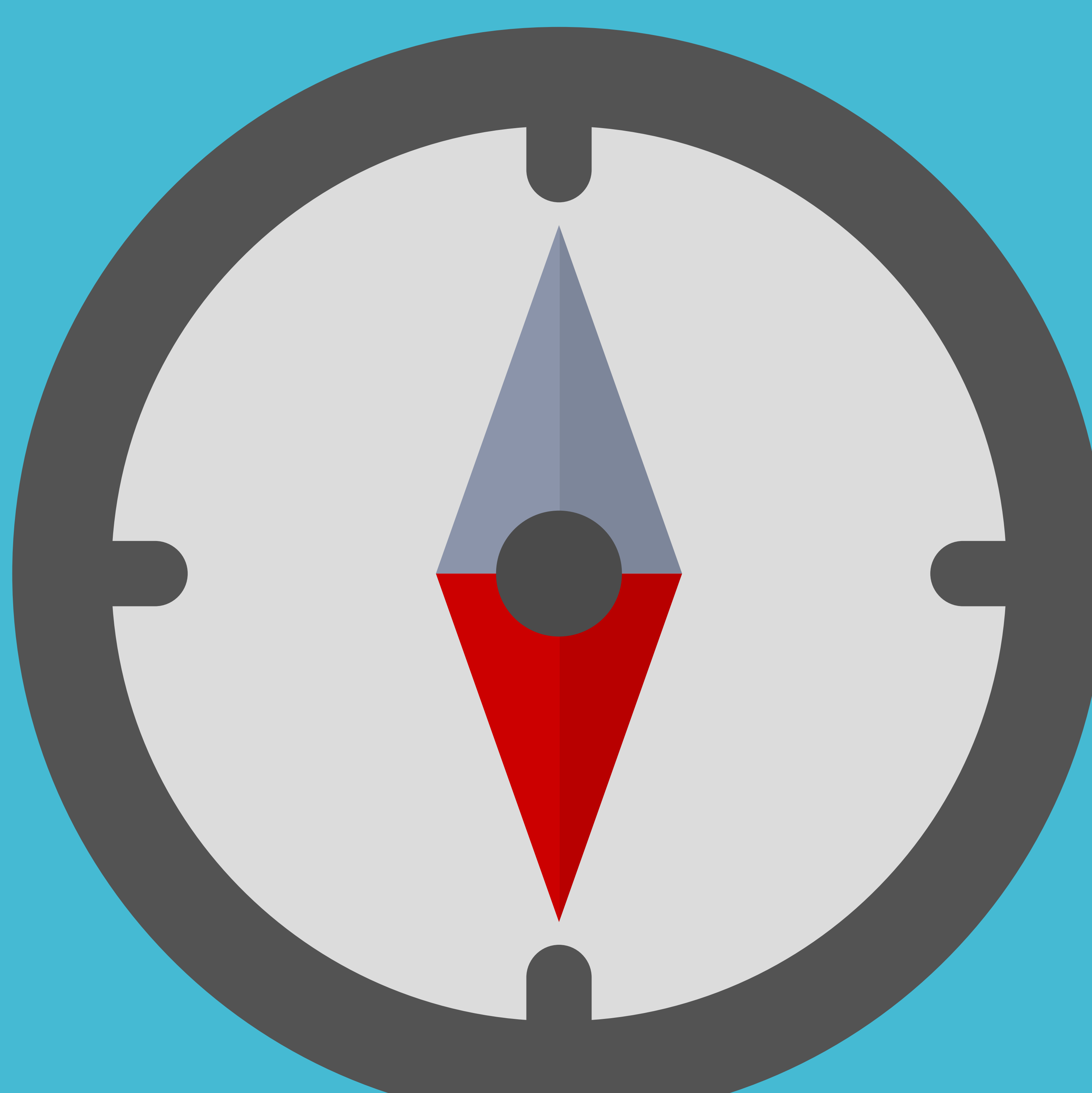
HOW TO FIND THE PERFECT STARTUP JOB

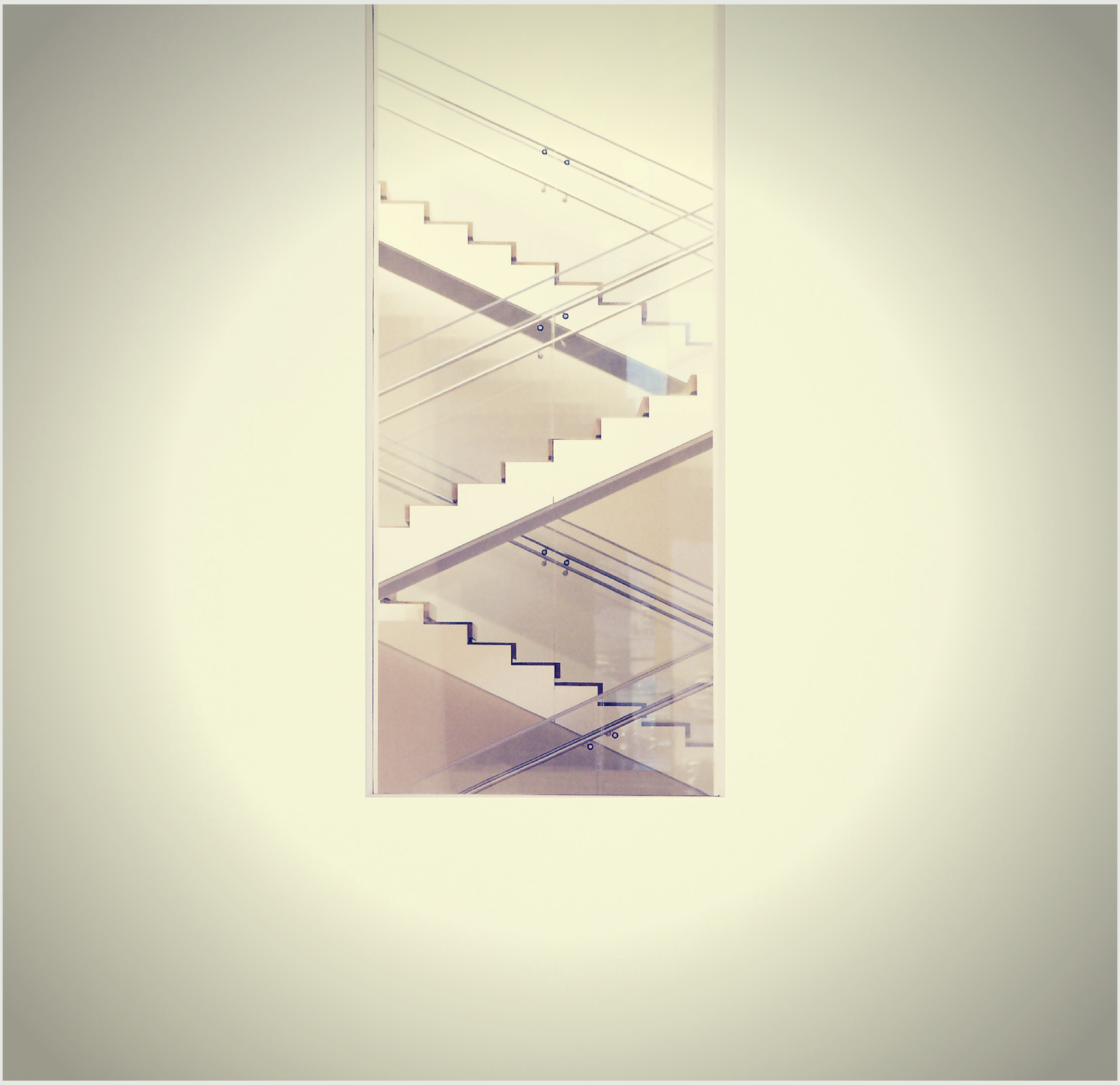


BY DAVID BEISEL

CO-FOUNDER & PARTNER

NEXTVIEW VENTURES

high conviction, hands-on seed investors



MOST PEOPLE IN STARTUPS AREN'T FOUNDERS

Spend a few hours browsing content about startups, and one thing becomes painfully obvious: There's a TON of it. And while much of it does a great job addressing the most common question I receive as a seed VC (namely, how to secure funding), the second-most common question I get seems almost entirely missing from the discussion. Quite simply, that question is:

> ## HOW DO I FIND A GREAT STARTUP JOB?

At first glance, it's easy to assume this is a problem strictly for "outsiders" -- people who are new to startups and want in on the action. However, if you stop to consider the process, it can actually be both incredibly nuanced and surprisingly difficult for even the most plugged in tech startup employee. At NextView, we think a lot about hiring and talent placement, both informally through our networks and formally through our platform of startup support. Questions we receive include:

- How should I think about finding a startup job?
- How do I identify promising startups?
- How do I evaluate and optimize specific opportunities and comp?

Most people in the startup world aren't VCs or founders, but most advice is for them. So this is dedicated to a different but just as crucial group:

the TEAM!

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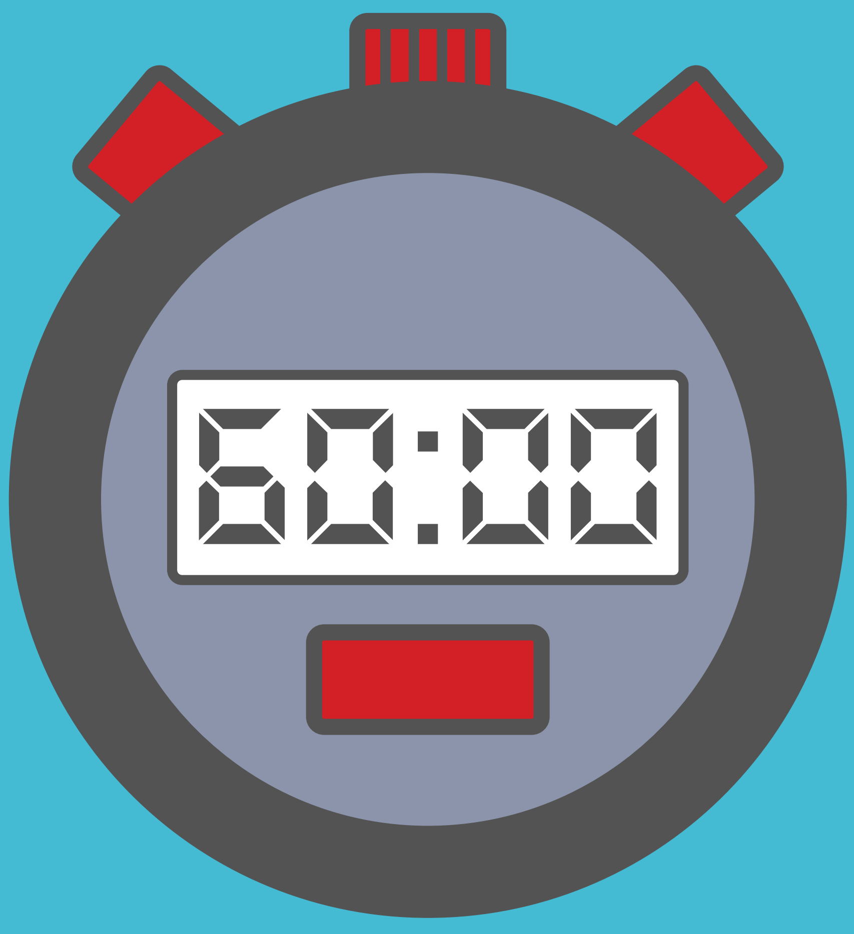
EXPLORE MORE STARTUP RESOURCES AND STORIES FROM NEXTVIEW

CHAPTER 1

START WITH WHEN



THE KEY TO STARTING YOUR STARTUP SEARCH IS TO TARGET SPECIFIC STAGES OF COMPANY GROWTH

The First Rule of Startups: Not All Startups Are Created Equal

"I want to work for a startup." It's a common statement, but a "startup" can be very different things. The primary dimension on which startups differ is stage: Two people in a garage is definitely a startup, but so is a 30-person company growing with a second round of financing ... and so is a 250-person company preparing for an IPO.

The first decision, and the most critical decision, of what type of startup to join is based on the current growth stage of the company. This selection is the most personal and subjective one, as it's based on a person's motivations for why they want to be a part of a startup in the first place (as opposed to just getting a job at XYZ company). Maybe you want to make an impact, work better in smaller teams, get excited about cutting-edge technology, have aspirations of becoming a founder and/or a startup CEO, etc.

But this juncture is unfortunately where people make the most critical mistake...

The biggest mistake people make when accepting a startup job:

JOINING A SERIES-A OR -B STARTUP BECAUSE THEY THINK IT'S "SAFE"

In reality, the only thing that is de-risked is the financing -- and even then, the risk is only removed in that one aspect for 6-12 months.

But here's the truth of the matter:
At this stage, the company still hasn't figured out product-market fit yet. As an employee joining them, you bear nearly all the risk as the founders but an order of magnitude less compensation, recognition, and influence. So both "morally" and financially, it's far less rewarding despite the massive risk that, yes, is still present.

I believe there are three much more opportune times to join a startup:

1. As early as you can stomach.
2. When the growth train has already left the station.
3. When there's a truly unique ability to learn, collaborate with specific people, or work in a special situation.

Let's take a quick look at all three...

As early as you can stomach:
For some, the stereotypical two-founders-in-a-garage stage is the ultimate allure ... but they're not ready just yet to be one of those couple founders. If that's you, push yourself hard to ask: Why not found something now? If the reason is the need for an initial idea, a specific skill set, or time to develop a potential customer or professional network, then the right answer is to find a role and company which fits that need so that after a few short years, you're ready. **Typically, that won't mean joining a seed-stage startup.**

If the reason you aren't ready to found something is that you want to learn the playbook from others, then by all means, join an extremely embryonic team. Of course, many people have current income requirements that prevent them from joining the earliest-stage team possible; hence, reality dictates that this rule be amended from "as early as possible" to "as early as you can stomach."

But if your stomach feels queasy reading any of the above, it really makes sense to jump ahead to a much later-stage startup...

When the growth train has already left the station: What I mean by this is that the startup is already on track, generating real revenue, rapidly growing (and hiring), and is clearly destined to be some type of success. It's unclear if it's going to be either a "win" or a "monster win," but a reasonable outcome is somewhat assured.

In other words, the growth train has left the station and is heading towards an actual destination, and it will get there whether you're on board or not. Of course, you're going to make an impact (that's one reason why you're joining a startup after all), but the company is already moving forward with its own inertia. **And if you're not ready to be a founder soon, this is the best stage at which to join a startup.**

Yes, it's larger and doesn't have the same feel as "those early days," but the benefits of joining this profile company outweigh that fact:

- **Learning:** You'll be in the pole position to see how a successful startup ticks.
- **Financial gain:** With an outcome probable, there's a likelihood of a nice payday (though certainly not a life-changing one).
- **Startup credibility:** Unless you're a founder, people rarely remember when in its lifecycle you joined a company ... just that you were there. If this company is already perceived a success then -- bing! -- now so are you.
- **Startup "mafias":** Post-exit is when most magic of new startup formation happens. You're in prime position to join in.

If you plan to be a founder, then as early as possible is the way to go. If that's not in your future -- especially if it's not within the next few years -- then joining a later-stage startup offers many more benefits. You simply don't want to get stuck in the middle, with most of the risk but almost none of the upside. Of course, there's an exception:

Learning and working with special people or in a special situation: Going extremely early or very late is the right approach 90% of the time. The exception to the rule is just that – when there is an exceptional opportunity in the in-between.

There are situations where you have opportunity to work with someone renowned in the industry. There are other cases where perhaps you have a special skill set that would apply very uniquely to the available role. Or maybe, given your prior experience, you have a unique perspective to determine whether a startup has already been (or will be) de-risked in a way that others may not fully realize.

It’s easy to craft a story to cite one of these three cases as present in your search, but the real test is convincing yourself that it’s actually true.

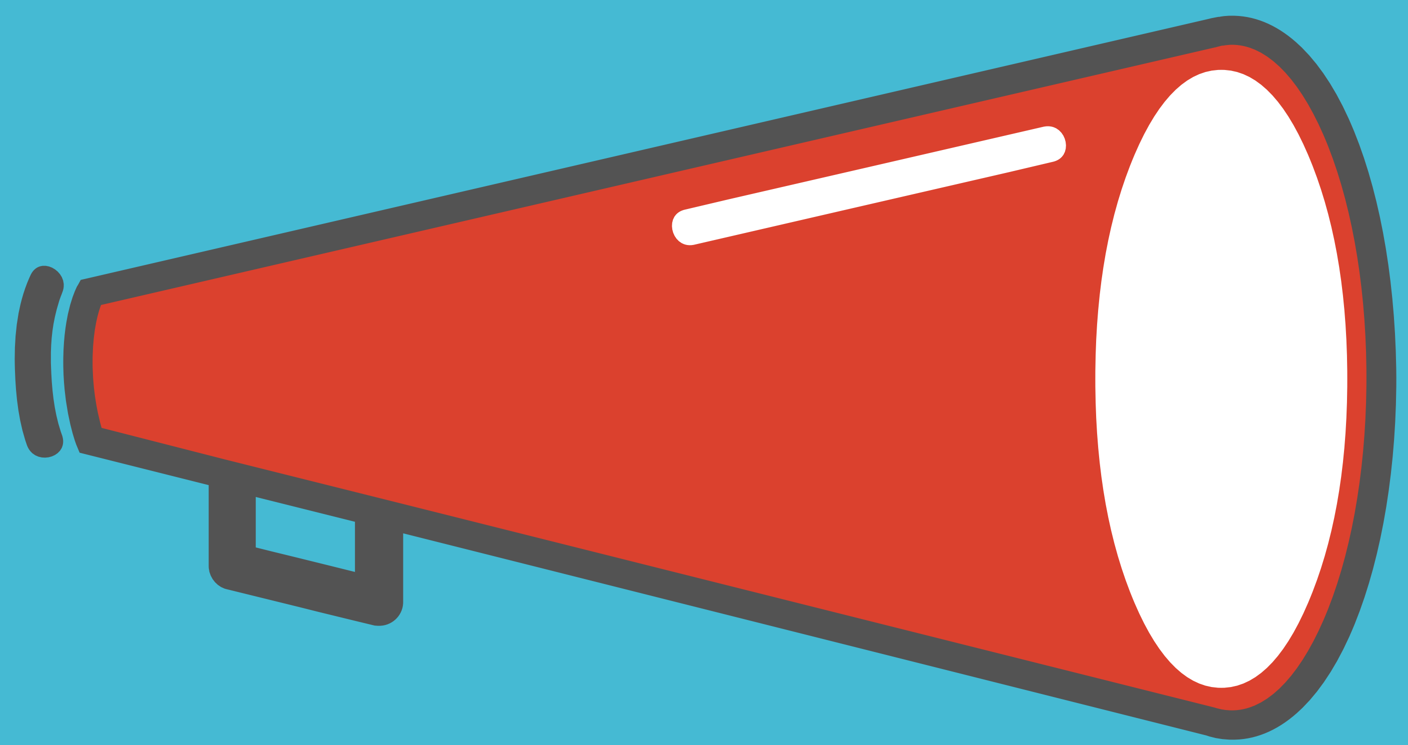
Regardless of what stage startup you join, the choice should be just that – something which you choose. It should be a deliberate selection based on criteria that you’re optimizing your career around, as well as the potential of upside. It's not, as joining a Series A- or -B startup often implies, a desire to find the safest startup to join.

In the end, you should be joining a startup because of your excitement about the role, the situation, the company itself, and the opportunities ahead with the chance to change the world ... not as a hedging strategy.

Getting all of this straight is no small task and is entirely worth doing, but the process is just getting started from here. The next task at hand? Making sense of a vast list of startups that grows seemingly every day. We'll tackle that next...

CHAPTER 2

CUTTING THROUGH THE STARTUP NOISE



DOS AND DON'TS FOR NARROWING YOUR LIST OF STARTUPS TO JOIN

Search For Heat, But Don't Simply Follow It: Evaluate

Whether it's early or late, there are always a certain set of startups within a particular ecosystem that are generating all of the talk in the community.

On the early side, it's often caused by repeat founders coming together again or perhaps early runaway traction in a young company that generates buzz. For later-stage startups, it can be caused by a high-priced financing round, tipping the scales on widespread adoption, rapid hiring, or credible information on successive revenue-growth quarters.

But remember, while heat is often a good indicator of an attractive startup, it's neither a necessary nor a sufficient condition to finding the right startup to join.

Think of heat as a sign outside the restaurant, not the menu ... and you're looking for the right dish.

There's one specific approach I'd suggest, and it all comes down to how you network and run diligence on various companies. Let's explore that next.

The right approach to guide your search:

THINK BROADLY BUT MAKE YOUR NETWORKING & REQUESTS SPECIFIC

You want to cover as broad an area as possible, but be very targeted when talking to people within the startup ecosystem or utilizing resources in it.

Here are some dos and don'ts to help:

DO:

Pick a specific vertical or theme.
For instance, maybe you're interested in education tech or on-demand models. Look through a specific lens at all of the startups within your geography, and network to *anyone* within those companies to find out their hiring pace. If it sounds like they're hiring generally, then now is the time to be more intentional about *who* you talk to in that company. At first, you're just looking for early indications of success, but you'll want to get more serious after if the signals and hiring pace align with your goals and status.

Ask startup service providers (lawyers, accountants, commercial bankers, consultants) which one of their clients is getting the most traction this year.
These are people who are plugged into the scene, and they can of course connect you to many startups generally, but the more specific request, the better. Once you reach a service provider, you should ask questions like which is their favorite startup with XYZ model that interests you, or which has the most experienced CEO, or which has the best investor at board meetings, and so forth.

At the end of the day:

Specific questions spur new ideas. General inquiries get lost in the shuffle.

Look back at all of the companies which have announced financings.
Scan tech blogs, newsletters, and Twitter for announcements being made in your geography and target stage of growth. You're looking primarily for rounds that feature new outside investors announced in the past quarter. These startups are hiring almost by definition as a result.

Use specific job postings on company sites or job boards as a starting point.
If companies are actively posting positions, there are good things happening at the startup. So even if the role posted isn't a fit for your skill set, you've still identified companies which are hiring broadly, so there may be a role for you. And they're more apt to meet for coffee to discuss.

DON'T:

Don't ask a venture capitalist, "Are there any job openings in your portfolio?"
It's too generic and won't ring any bells. Instead, ask a VC which company in their portfolio is hiring the most people right now, and other, more specific questions.

Don't waste too much time looking through a VC's portfolio page.
The good are interspersed with the bad and the ugly. There's just no way of knowing without more context.

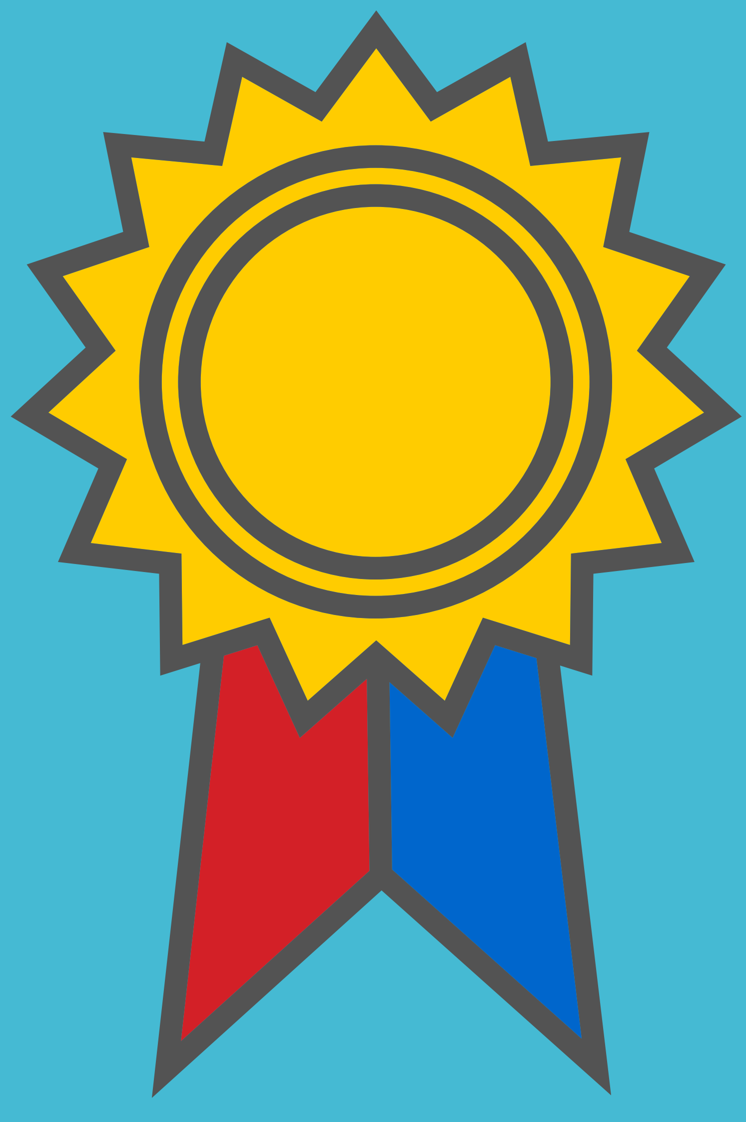
Don't tell people you're a great "business mind" looking for a technical team with an idea/product which needs business acumen.
This is a surprisingly common approach, but it almost never leads to anything real.

Once you narrow to 6-12 companies, you can start targeted outreach for intros.

Above all else, remember you're joining a startup because of the excitement and upside that comes along with it more than just getting another job. So systematically making a list with some of the strategies above shouldn't be a chore but rather a fulfilling exploration of what's out there.

CHAPTER 3

SELECTING THE RIGHT STARTUP



HOW TO GET THE HARD TRUTH
BEHIND THE EXCITING VISION

HOW DO YOU GET THE INFORMATION ADVANTAGE?

Evaluating a startup as a prospective employee is tough. An investor can actually create an information advantage, as companies are required to be fully transparent about everything before a VC invests. Additionally, they might also get exposure to a given startup's competitors and the nuances of a specific industry niche.

But as a prospective employee, you are limited to a few interactions. And it can be difficult to get the truth behind a startup's promise and vision.

During your process, there are two sides of the coin while evaluating various startup jobs. On one hand, you're joining a startup for the upside. So most of your thought process should involve understanding the company's market and business plan in executing toward a grand vision. But on the other side of the coin, you still want to evaluate risk, albeit in a different way than you would with more established companies.

Next, we'll explore each of these two ideas, as well as some questions you should be asking potential startup employers.

HEADS:

You're joining a startup for the upside.

This isn't just about financial upside but also the upside of making an impact in an organization, working in small teams with other exceptional people, and building cutting-edge technology. So you want to learn more about that grand vision.

Is it shooting for a big market? Does it have a truly transformative innovation? Are there exceedingly inspirational leaders in the company?

When there are unique and strong external and internal tailwinds which can push a startup forward, there is more opportunity and overall upside for all employees.

TAILS:

You're still hoping to learn the truth about a startup's potential risk and trajectory.

The other side of the coin in evaluating a startup opportunity is to assess risk and mitigate downside.

This approach is similar to that of a venture capitalist, but unfortunately, you likely don't have all of the access and information that a VC does.

So what is a prospective employee to do? The only way to truly beat the unfair advantage a startup has in information is to join a company with people or in an industry you already know. If that is the case, then you have information and knowledge that the typical candidate does not.

Ideally, you'd start with a situation that plays into your own background knowledge of a market or of certain people.

Of course, this isn't always possible. And even when you know an industry or a team well, even the best situation on paper can be different in reality when it comes to startups. With that in mind, here are a handful of questions which you can ask to gauge the financial health, opportunity, and promise for a startup you find interesting...

HEADCOUNT 6 MONTHS AGO VS. 6-12 MONTHS FROM NOW

Employee count is the strongest (though not a perfect) proxy for management's and investors' outlook on the business. Startups often hire ahead of growth, or at least predicted growth. This translates into a viable company, a healthy work environment, and future internal opportunities.

Financial figures and projections are helpful indicators, certainly, but they are often a distortion of the full picture, especially early on in a company's cycle. And depending on what level position you're applying for, the company may not be that forthcoming with detailed financial information. So the growth in employee count (or lack thereof) directly signals the opportunity and trajectory.

PREMIUM VC BACKERS & RECENCY OF THE LAST FUNDRAISE

VC brand names matter, but only as a general indicator of company promise, not the reality.

If a brand-name VC is an investor, it means that at one time, one single partner at the firm saw enough promise in the venture to make a bet on it. But know that it doesn't mean that a company is doing well right now.

It's also important to note that there are many reasons why a lower-tier VC brand would be an investor in a company that does indeed show real promise: prior relationships the firm had with the entrepreneur, specific domain expertise/understanding of a sector, capital requirements for the business, or other dynamics around the round (price, hustle, etc.).

Additionally, the timing of the last round is important to know. The closer you are to joining a company in conjunction with a financing event, the more recently validated it is by a professional investor. But note that the value of your financial upside is also less as a result.

WHAT IS THE BURN RATE VS. CASH ON HAND RIGHT NOW?

Even if a startup is successfully executing, it could still face a cash crunch if it is not yet profitable. Employees should ask to find out how much longer the company will ride without the infusion of another round capital. How much are they actually spending per month? What is the CEO's thoughts on that rate? Does it feel high to him or her? And what is the plan to mitigate that burn in the medium term? If it's fundraising, what milestones are needed to make a compelling case to investors?

While the actual answer to this question won't necessarily provide a definitive answer about the ability of the company to access both cash and additional capital, it will open up a discussion.

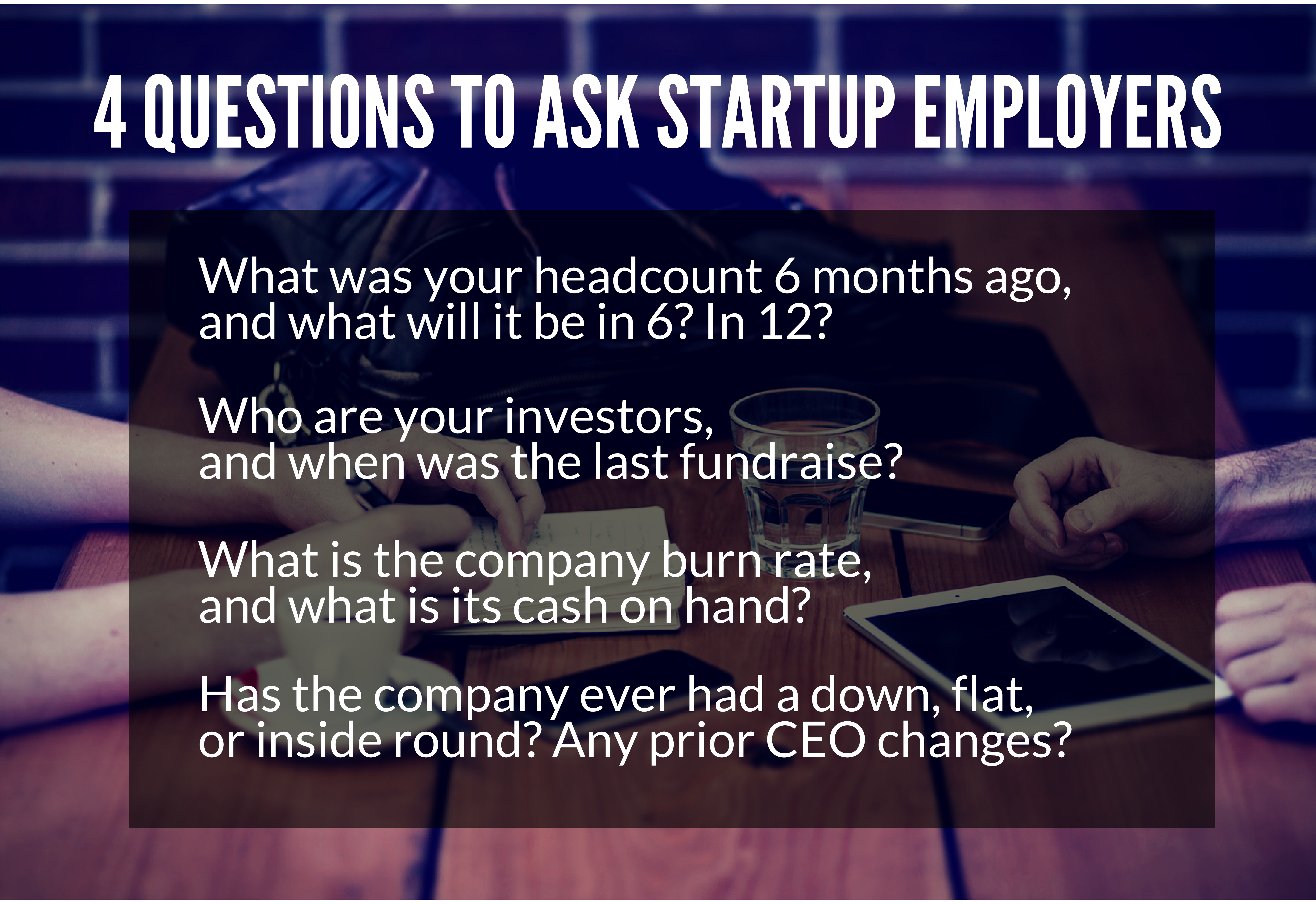
DOWN ROUNDS, INSIDE ROUNDS, FLAT ROUNDS, OR CEO CHANGES

Any of these four events are an indicator that the startup has faced some difficulties in the past and may not be on track moving forward.

If one of them has occurred, prospective employees should seek out as much information as they can the context of the situation. After all, there are exceptions to the blind assumption that these are a black mark (e.g. a founding CEO stepping aside to make room for veteran management could be an indicator of successful growth); a change in product direction or market focus could require a flat round, etc.)

However, if any of these issues have arisen, it is a signal to you to dig deeper into the health of the business.

Of course, you should evaluate a potential startup job opportunity just like any other: think through both the role itself and the business to the best degree possible. The answers to the above four questions can help uncover specific company issues (and opportunities), as well as read the tea leaves about what's really going on there.



4 QUESTIONS TO ASK STARTUP EMPLOYERS

What was your headcount 6 months ago, and what will it be in 6? In 12?

Who are your investors, and when was the last fundraise?

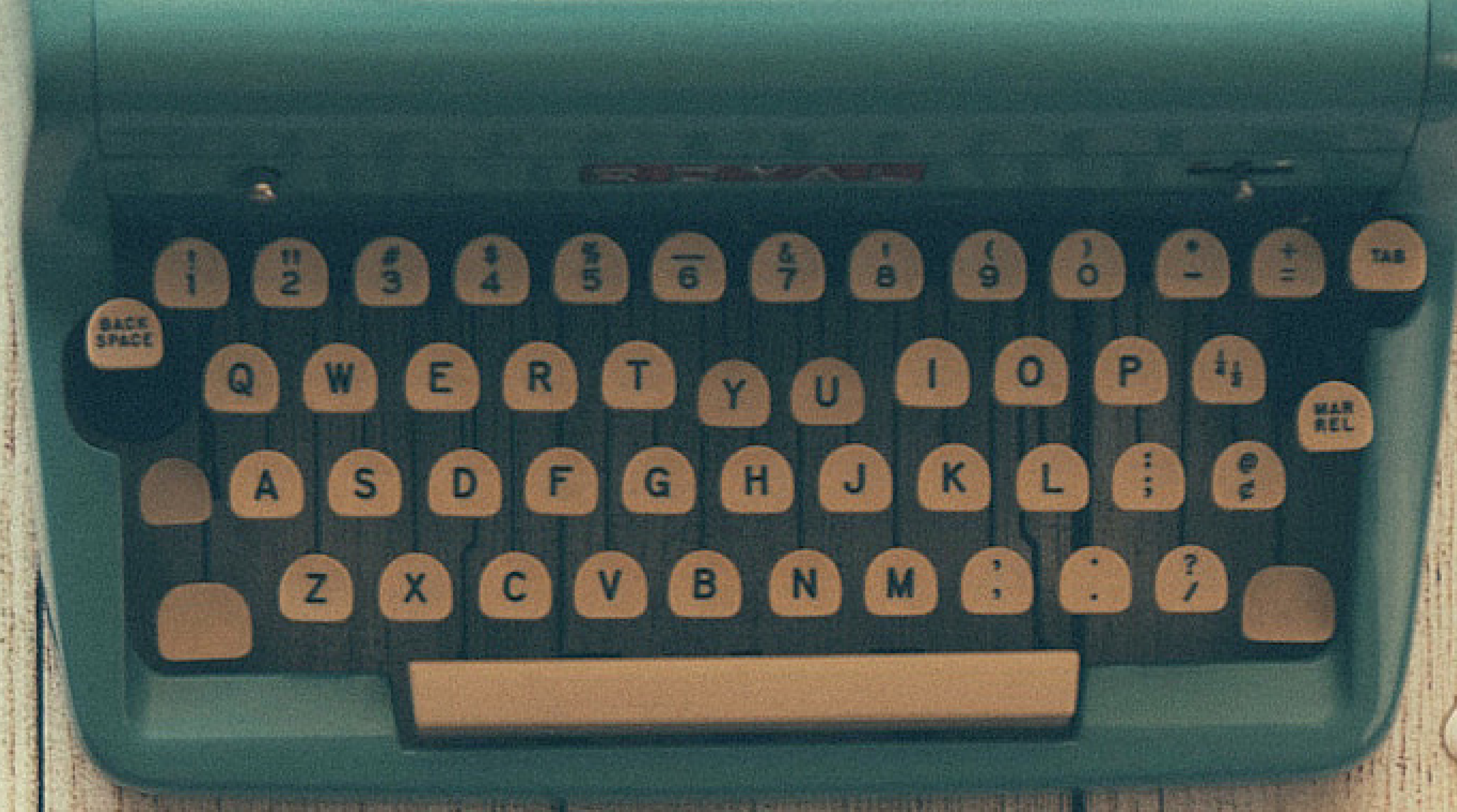
What is the company burn rate, and what is its cash on hand?

Has the company ever had a down, flat, or inside round? Any prior CEO changes?

CHAPTER 4

NEGOTIATING YOUR COMPENSATION

OPTIMIZING YOUR OFFER



YOU DID IT. YOU GOT AN OFFER. MAYBE EVEN MULTIPLE. HOWEVER...

Startup compensation packages and subsequent negotiation routinely creates confusion among employees. It's critical that you understand how to address two key figures: salary and options.

Nearly all startup employees receive a number of options -- an ownership stake in the company.

The first thing you *must* learn from the company: **the number of fully-diluted shares outstanding**

The details surrounding stock options are often complex and confusing for non-financially-oriented individuals. It is best for employees to understand as much as possible about their options, but the first place to start is to ask how many outstanding shares there are. From that point, you can calculate the percentage of the company you'd own and better gauge the magnitude of this part of your compensation. It's more important to know what percent of the total pool you own than the number itself. The number of shares you receive (e.g. 10,000) is utterly irrelevant without knowing more numbers -- and it's usually up to you to ask for them.

FIRST, RESEARCH & ASK AROUND TO ENSURE YOUR NUMBER IS IN THE SAME RANGE AS SIMILAR ROLES AT OTHER STARTUPS

If you're an order of magnitude off, then you have a severe set of mismatched expectations (either based on a lowball offer from the startup or based on your overly large ask). This isn't starting a relationship on a solid footing.

I'm continually surprised how many employees fall into the (often deliberate) trap of when a startup says, "We'll take you on for six months and re-evaluate your compensation level then." Even when this is offered in earnest because of a unique situation or an individual coming in with a largely undefined role, inertia usually sets in and leaves the employee fighting an uphill battle after those six months.

At a board level, VCs and other members don't like to see someone recently hired already receiving new options or a salary raise after a short period of time. That six-month trial period was likely never communicated. And even if it was, they've forgotten it already, believe me. The board's bias will be to spend those resources on hiring new talent or to retain those who have worked hard at the company for longer.

A startup only has those two compensation levers to pull in any offer negotiation (salary and options). Both are limited resources, but it's opaque how truly limited they are to you, the prospective hire.

On the equity side, each startup has a fixed option pool from which they're drawing. It could be running low or it could have been recently "refreshed," but it's not necessarily the right signal within a negotiation to ask about this figure.

On the cash side, every startup will sing a song about being cash-strapped, and some of them really mean it. The best proxy for how a startup views its cash spending is to just look at its office space. Are you in a dingy warehouse where the CEO sits on the floor with the rest of the company, while also lacking an administrative assistant? Or is the CEO in a corner office in a multi-story building with a nice view and an admin who answers calls and books travel?

But despite your imperfect information about where there might be some wiggle room in the offer, there is a simple guide you can use to focus any negotiation of your offer.

The following matrix lays out a general strategy. Note which dimension you should push during your negotiation, and keep in mind the inevitable gray areas in between them.

	JUNIOR ROLE	SENIOR ROLE
EARLY-STAGE	**GO FOR CASH** VC-backed startups have standard equity ranges and rarely deviate. Plus, early on, the risk-adjusted outcome of your equity is rather low.	**GO FOR EQUITY** Your salary will be brought to market standards as the company grows, but this opportunity is the the major bite at an equity piece.
LATER-STAGE	**GO FOR EQUITY** The company's salaries are now at market level. You'll have more luck pushing for equity, which is more likely to be valuable too.	**GO FOR TERMS** Push on cash + equity but bring up other terms (e.g. vesting acceleration, severance) which can affect the long-term upside/downside.

Keep in mind that these are general guidelines, and many exceptions will inevitably arise. But hopefully this can serve as directional.

Finally, remember that star employees will be "re-greened" (granted additional options) during the course of employment. That said, it will always be on a new vesting schedule and rarely close to the amount of your initial grant. Whenever you leave a startup, you'll be leaving some equity on the table.

AN OPEN LETTER TO STARTUP EMPLOYERS

by Tim Devane, Principal, NextView - @tdevane

Be Responsible & Explain Equity to Every Employee

When someone goes to work for a larger corporation or public company, the compensation package generally includes an annual salary, a performance bonus or commission plan, 401(k), and health insurance. When someone goes to work for an early startup, the compensation package general includes an annual salary, health insurance, and, instead of fixed-cost performance upside, a a percentage of unvested options to purchase equity in the company. Of late, I've encountered numerous potential startup candidates and newly hired employees who have no idea what their equity means. I've noticed this for years – and experienced it myself – but I'm disturbed at the frequency now and so am compelled to write about it.

It falls on the hiring company to thoroughly explain equity options to their new employees. The concept is a nuanced one that, unless they've spent a career in startups or studied econ, new hires won't have a basis of relevant knowledge from which to draw. Often avoided because they take time and could make an offer package seem less attractive, these discussions ought to be mandated so employees aren't joining a company with a blanket pulled over their faces.

What's frustrating to me is that the true value of equity seems to often be skipped over when a company is presenting a comp package. The common statement I've heard from candidates is, "They told me I'm getting X-thousands or tens of thousands of options." ***Full stop.*** To the uninformed, 25,000 shares or 150,000 shares or even 5,000 shares can seem like a lot when your only reference is the stock market.

When joining a startup, the common refrain from everyone on the team is, "We're in this together to create something new, amazing, and big." The reasons behind this sentiment are many. A literal one is that everyone sacrifices the security of more money for the opportunity to build a profound idea from scratch and, maybe, share in a potentially tremendous financial outcome. ***It is either a shady sales tactic or unintended blunder for startups not to explain exactly where each new employee stands in that potential share.***

This is not an argument for circulating the entire cap table or compensation calendar. Everyone deserves his or her privacy. But in an industry in which early employees (1-20, 20-100) can make a massive difference in a company's success or failure, startups owe it to those individuals to be sincere, transparent, and thorough in discussing equity. Don't go suckering someone into thinking they've already made it on the day they sign their offer letter.

IN CONCLUSION

GET INFORMED.
HAVE A PROCESS.
BE DISCERNING.

BUT IN THE END:

JOIN A STARTUP

IT'LL BE THE BEST DAMN JOB YOU EVER HAVE.

get weekly insights + resources built for

EARLY-STAGE STARTUP TEAMS

with stories from the entrepreneurs behind companies like these:

ADD ME TO THE LIST

we'll reply with our
most popular resources
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