Letter to the Industry

On behalf of Park Square Executive Search, EY, WilmerHale, and Professor Noam Wasserman of Harvard Business School, I’d like to welcome you to the 2013 edition of our annual Compensation and Entrepreneurship Report in Technology. This report—our fourteenth annual and largest to date—includes summaries and analysis of compensation data collected from executives at more than 550 private companies from across the country in software, hardware, content, clean tech and other industries. The survey data for this edition were collected between May and August of 2013.

This survey responds to our clients’ continuing need for better access to reliable, comparable compensation data to assist them in the critical decisions involved in attracting, motivating and retaining key executives at private companies.

We are able to present correlations between executive compensation and a number of variables, including: financing stage, company size both in terms of product stage and headcount, founder/non-founder status, industry segment and geography. We also provide a number of analytics on Board of Directors compensation and make-up, company equity plans, and a look at how organizations develop as they raise additional financing.

This summary document provides only high level excerpts from the detailed analysis available on-line at www.compstudy.com. Complete access to the data is available free of charge to survey participants and is also available as a paid subscription.

Thanks for reading,

Aaron Lapat
Managing Partner
Park Square Executive Search

Founder Total Cash

- Founder CEOs received a more substantial raise than their non-founder peers: 2.5% vs 0.8%.

Founder Equity Holdings

- On the average, founders of technology companies hold significantly more equity than their life science peers – largely due to the less capital-intensive nature of most technology start-ups.

Sponsor Information

Park Square Executive Search is a retainer-based executive search firm located in Cambridge, Massachusetts and in Menlo Park, California. Park Square serves clients and institutions that are changing the world through discovery, innovation, and growth.

www.parksquare.com

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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WilmerHale offers unparalleled legal representation across a comprehensive range of practice areas that are critical to the success of our clients. We practice at the very top of the legal profession and offer a cutting-edge blend of capabilities that enable us to handle deals and cases of any size and complexity.

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The geographic distribution in 2013 closely mirrors venture capital funding trends, and the universe of private companies at large.

Respondent company headcounts were distributed similarly to those in the 2012 survey, with a slightly higher percentage of large companies this year.

Software companies continue to make up half of the population; Clean Tech has been the fastest-growing segment over the past three years.
Cash Compensation

This data compares 2013 compensation data with compensation data for 2012 non-founding executives. 2012 figures are represented with both actual bonus received and total unachieved target bonus for the year. 2013 bonus figures indicate at-plan target amounts. More granular analysis can be found online at www.compstudy.com.

Total Cash Compensation: Non-Founders

- Non-founder target total cash compensation was up 1.6% in 2013, down markedly from the 4.8% rate of increase between 2011 and 2012. Many positions saw lower target bonuses in 2013, highlighted by a 4.4% decrease in the target for non-founder CEOs.
- On average in 2012, non-founder executives received 65.5% of their target bonuses, up from 60.3% in 2011.
- Earlier-stage non-founder executives do tend to have more equity, but dilution effects tend to level off after the second round of financing has been raised.

Bonus as a Percentage of Base Salary

% of base salary

Equity and Severance

The CompStudy survey also contains detailed questions around non-cash executive compensation and benefits. The 2013 online reports show base, bonus, equity at hire, current equity, and severance for each executive role. More granular analysis can be found online at www.compstudy.com.

Equity Holdings

- These equity figures are averages covering companies across the maturity and fundraising spectrum.
- As the chart below illustrates, only CEOs consistently received any severance package.
2013 Compensation & Entrepreneurship Report in Technology

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- On average in 2012, non-founder executives received 65.6% of their target bonuses, up from 60.3% in 2011.
- Earlier-stage non-founder executives do tend to have more equity, but dilution effects tend to level off after the second round of financing has been raised.
- Nearly all severance packages are granted in three-month increments. The median length of severance for CEOs is six months. For all other positions it is three months.

Bonus as a Percentage of Base Salary

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Severance Eligibility

% eligible for severance

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CEO Compensation by Headcount

When controlling for other variables, headcount has proven to be the best predictor of non-founder cash compensation. Equity holdings tend to be most strongly correlated with the number of financing rounds a company has raised.

Base Salary:
By Number of Full-time Employees

Equity:
By Number of Full-time Employees

Demographics

This survey of executive compensation in privately held technology companies was conducted between May and August of 2013. The questionnaire resulted in 550 companies participating with data from over 3,000 executives in a wide cross section of industry sectors, geographies and stages of development.

Geography

The geographic distribution in 2013 closely mirrors venture capital funding trends, and the universe of private companies at large.

Financing Rounds Raised

The companies in this year’s survey are at roughly the same stage as in last year’s survey, when measured by the number of financing rounds raised.

Business Segment

Software companies continue to make up half of the population; Clean Tech has been the fastest-growing segment over the past three years.

Headcount by Number of Full-Time Employees

Respondent company headcounts were distributed similarly to those in the 2012 survey, with a slightly higher percentage of large companies this year.

Slice this data yourself at www.compstudy.com
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