

## Negotiating an Employment Package

A. Richard Newton, Dean of Engineering  
Bill Unger, Partner Emeritus, The Mayfield Fund



*Major contributions by:*

Ernie Hirt, Sr. Vice President, Human Resources, Synopsys Inc.  
Kristy Calcagno, Employment Manager, Synopsys Inc.  
Stan Pierson, Pillsbury Winthrop LLP



## Outline

- ◆ Targeting a company/employer
- ◆ How to get noticed by employers of choice
- ◆ Navigating the interview/selection process
- ◆ Evaluating your offers
- ◆ Stock: The details!
- ◆ Accepting the job... and declining the others
- ◆ Resources for research

## Most Important Observations

- ◆ The best way to create your own future is to *visualize it*
  - ❖ Where do you want to go for the next few years? Where do you see yourself in five years? Ten years? What are your priorities? What is really important to you?
  - ❖ Ask yourself "By taking this position, am I enabling that vision, or am I putting it off? Am I avoiding it?"
  - ❖ If you truly know where you want to go, you will be able to evaluate everything we say today
- ◆ This is your *first real chance to negotiate for what you want*—your time is worth their money!
- ◆ Recognize that you are being sold—you are a customer and the company has something you want to buy.

## Most Important Observations

- ◆ There is *nothing more valuable than experience as a teacher*
- ◆ Be sure to find a job where you really *respect your manager and your employer*—look at their track record, insist upon spending some time with them
- ◆ Try to find a job where you are surrounded by *people who are smarter than you are*
- ◆ Bill and I agree that going to *one or more established companies first*, where you can learn from experienced people in a variety of different situations, is almost always better than going to a small startup for your first job

## Targeting an Employer

Q: What are the factors you should consider when targeting a potential employer?

A: There are a variety of factors you should examine before making this decision. Doing your homework can help you make a sound decision. This can be a life changing choice!

Source: Kristy Calcagno, Synopsys Inc

## Issues for Consideration

- ◆ Culture and values- This is the company's sense of who they are. How do they define themselves and their environment? What do they stand for?
- ◆ Reputation- How long has this company been in business? How is the company perceived in the marketplace as a service provider, customer and employer? Do you know others that have had favorable experiences?
- ◆ Fit to your career goals- What are the opportunities for growth and challenge for you in your field of interest? For engineering students this likely will rest on their product and technology offerings.
- ◆ Company size and viability- What is the financial health and history of the company? Who is the CEO? What does the company do or make and what is its value in the marketplace? Also, consider the pro's and con's of joining a larger company versus a small or start-up venture.

Source: Kristy Calcagno, Synopsys Inc

## Getting Noticed

Q: How do I get my foot in the door once I have identified a company I am interested in?

A: Employers in today's market are making it easier than ever to get noticed. Use the resources employers have set up to find you and utilize your networking resources whenever possible.

Source: Kristy Calcagno, Synopsys Inc

## How to Network

◆ Network! Seek out and use your own resources. This may include:

- ❖ Professors- Many professors have former students and colleagues in the industry. Use them as resources to find internal advocates at your choice companies.
- ❖ Post your resume to the web-A quick and effective way to find out what's out there and what types of positions you would be considered for.
- ❖ Internal contacts- Many companies have attractive employee referral programs. Partner with your friends who have already found their way.
- ❖ Join a professional association- Most offer extensive networking opportunities, job announcements and advice.
- ❖ Parents and their peers- Often have a line on internships and new grad roles.
- ❖ Placement Centers- Most have job boards, leads and internal company contacts.

Source: Kristy Calcagno, Synopsys Inc

## Use Company-Specific Resources

- ◆ Use the tools that employers have set up to find you.
  - ❖ Apply via the company web site. Recruiters are sure to be looking for new talent. Follow up with appropriate calls and emails to express your interest.
  - ❖ Attend job fairs and on-campus recruiting events that your choice companies are attending. Make a connection with recruiters or managers in attendance.
  - ❖ Pursue an internship or co-op role. You'll likely be asked back after you graduate.

Source: Kristy Calcagno, Synopsys Inc

## Navigating the Interview Process

Q: What can I expect from the interview process? How can I make the most of my experiences?

A: Interviews can be unnerving, especially if you are unfamiliar with the process and have few work related experiences. The key is to **BE PREPARED!**

Source: Kristy Calcagno, Synopsys Inc

## Interview Preparation Tips

- ◆ Be a company expert- Study the company web site, know the products, executives and financial outlook of the company and prepare yourself to answer the question "how much do you know about us?"
- ◆ Be prepared with specific examples of your best skills and qualities, even if they are not "work" related. Search your mind for examples of leadership, perseverance and excellence.
- ◆ Be honest and forthright about your interest in the job, salary requirements and job search. Developing a rapport with your potential employer will ensure you get the best consideration.
- ◆ Collaborate- And ask questions. Remember that interviews are an opportunity for mutual evaluation. An interview is no more than an exchange of information. Take responsibility for making sure you have given them the information they need to see your full potential.

Source: Kristy Calcagno, Synopsys Inc

## Evaluating the Offer

**Q:** Now that I have an offer, how do I evaluate it and make a sound choice?

**A:** Examine your offer from a 360 degree standpoint. You should consider the company, role, compensation and the potential for long-term fit and satisfaction when making your decision.

Source: Kristy Calcagno, Synopsys Inc

## Issues to Consider

- ◆ Company profile- Including reputation, viability, stability, culture, location(s), and future potential. While small and pre-IPO companies offer excitement they are risky. Only 1 in 100 make it to their second phase of funding.
- ◆ Compensation package- including base salary, stock options, sign-on bonuses, benefits and relocation assistance.
- ◆ Role- Does the role match with your career aspirations and interests? Will the projects/products you will be working with motivate and excite you? Do you feel like you can work well and identify with the manager and the team?
- ◆ Future potential- Will the company and your team support where you are headed in the future in terms of career growth, living location etc.?

Source: Kristy Calcagno, Synopsys Inc

## Compensation is More than Base Salary

- ◆ Take a 360 degree look at your compensation package and try not to become overly focused the base salary.
  - ❖ Bonus plans- Many companies have performance based bonus plans that add significantly to your total compensation.
  - ❖ Stock options- Look for a competitive amount relative to the age and size of the company. While small and IPO companies can offer generous stock options the risk-reward ratio is high. More established companies perform more consistently in stock values.
  - ❖ Benefits- Your total benefits package generally amounts to 20-25 percent of your base salary.
  - ❖ Sign-on and relocation bonuses- Are not a guarantee. A company that offers you this assistance is investing in you for the long-term.

Source: Kristy Calcagno, Synopsys Inc

## Stock Basics

- ◆ Types of Stock (not all stock is equal!):
  - ❖ Preferred Stock
  - ❖ Common Stock:
    - Founders Stock
    - Incentive Stock Options (ISOs)
    - Non-qualified Stock Options (NSOs)
- ◆ Stock Vesting—it's not yours until you earn it!
  - ❖ Example: "Four year vesting with a one year cliff"
  - ❖ 25% on the first anniversary of your employment, 1/48<sup>th</sup> per month thereafter
- ◆ It's not how many shares you get, it's what percentage of the company that you own
- ◆ ... And it's not as simple as that, either!

## Issues with Options

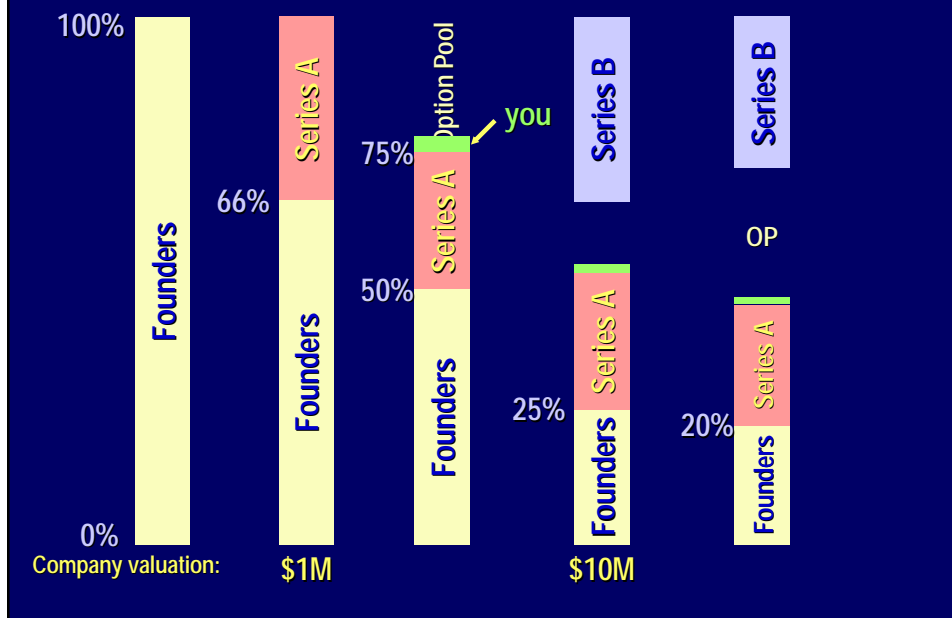
- ◆ Incentive Stock Option (ISO)
  - ❖ Right to buy stock at a fixed price (say 10c/share)
  - ❖ Exercise the option after it vests, then you own the shares, but you must pay the strike price to exercise
  - ❖ For ISO's, exercise is not a taxable event (for NSO's it is)
- ◆ ISO's with early exercise—still vest, but now with a restricted stock purchase agreement (or stock repurchase agreement)
- ◆ Don't forget to file Form 83B with the IRS, after you exercise or purchase the stock, if there is a right of repurchase by the company!
- ◆ Find out about change-of-control provisions, if any.



## A Well-Structured Company

- ◆ 30-60% owned by investors (preferred stock)
- ◆ 10-50% owned by the founders (common stock)
- ◆ 20-35% available for employees (stock options)
  
- ◆ Questions to ask:
  - ❖ What was the price of the preferred stock at the last round of investment?
  - ❖ How much money do you expect to need before your stock becomes liquid (IPO or acquisition by a public company)?
  - ❖ At what price to you expect to raise that money?

## Evolution of a Startup: Dilution



## Issues with Investors

- ◆ Preferences for preferred investors:
  - ❖ Antidilution: right to maintain percentage ownership (but must pay!) on later rounds of investment
  - ❖ Liquidation Preference:
    - Protects on the downside only—best for employees
    - Full participation, as converted—investors get their money back first, then their preferred stock is converted to common
    - 2-3x with a cap—investor stock is converted to common directly, if liquidation valuation is 2-3x higher than the price paid on the round they invested
  - ❖ Big downside if more money raised privately (e.g. \$30-50M)

## Tips for Negotiation

- ◆ The best negotiating tool is honest conversation with your potential employer.
  - ❖ Ask what process they use to determine compensation and where you fit in with your comparable peers.
  - ❖ Find out whether their compensation plan is performance or experience based and how often you will be eligible for reviews and increases.
  - ❖ Be honest and forthright about parts of your offer that are unsatisfactory. Give them a chance to address your issues before writing an employer off.
  - ❖ Once you have a basic offer negotiated, as if you can trade current income for more stock in the company (often employers like that and will give you some flexibility)

Source: Kristy Calcagno, Synopsys Inc

## Accepting the Offer

- ◆ Always request and accept an offer in writing.
  - ❖ Before accepting, be sure you have made your final decision. Accepting the offer then changing your mind will reflect on you negatively.
  - ❖ Deal with pressure to decide between offers by being honest about your situation... it will buy you the most time.
  - ❖ Always decline in a timely manner with honest feedback.

\*\*The world is a small place. Never burn a bridge!

Source: Kristy Calcagno, Synopsys Inc

## The Job Tests

- ◆ Do I like the people I will be working with?
- ◆ Are they smarter than I am—will I learn something from them? What is their track record?
- ◆ Do I believe in the product(s), markets, and business model, and can I see a way to help make the company succeed?
- ◆ Who are the investors in the company? What can I find out about them? What is their track record and reputation?
- ◆ How much money has been invested in the company to date and how much more will likely be needed before the company is a success?
- ◆ Am I happy with my offer? How many options do I have as a percentage of the company, fully diluted?
- ◆ How long is the option pool last expected to last?
- ◆ Are there any change-of-control provisions and who do they apply to?

## Resources

- ◆ The best resource is your network!
- ◆ Posting and informational sites:
  - ❖ [www.monsterboard.com](http://www.monsterboard.com)
  - ❖ [www.headhunter.net](http://www.headhunter.net)
  - ❖ [www.brassring.com](http://www.brassring.com)
  - ❖ [www.hotjobs.com](http://www.hotjobs.com)
  - ❖ [www.dice.com](http://www.dice.com)
- ◆ Career Fairs
  - ❖ Brass Ring Career Expo- held quarterly at the Santa Clara Convention Center.

Source: Kristy Calcagno, Synopsys Inc