Understanding & Negotiating Offers with a Startup

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Agenda

- Starting with the Interview
- Details of the Offer
- Negotiating the Terms
- Evaluating the Opportunity
- Making a Decision
Your Career Opportunities

**HIGHWAY**
Jobs with structured MBA recruiting process (consulting, investment banking etc.)

**DIRT ROAD**
Jobs with less structured MBA recruiting process, often requiring candidate outreach (PE, venture capital, media, SMB etc.)

**JUNGLE**
Jobs requiring networking and candidate outreach (startups and early stage, < 50 people)

Adapted from: *Entering StartupLand*, Jeffrey Bussgang, Harvard Business Review Press and Bill Aulet, MIT Martin Trust Center
Questions

How many have previously negotiated a job offer?

With a startup?
Prepare for the interview

• Research the company and founders (google, crunchbase, pitchbook, techcrunch etc.)
• Prepare questions
  .. company (mthly revenues, burn rate, new hires, runway etc.)
  .. position roles and responsibilities
  .. people and culture
• Visit the company; talk to employees; talk to investors/VC’s
• Have an idea of your desired salary – what’s a reasonable range and what’s your minimum
Your startup offer will depend on

- Company size/funding stage
- Your profile (education, experience, references)
- Market conditions (supply & demand)
- Location (cost of living)
Responding to “salary expectation” question

• My advice…try not to answer.
  Put off discussing salary for as long as possible; say you’re focused on “whole package.”

• Turn the question around (e.g. what is the budgeted range?)

• If need to answer, say something like “based on the research I’ve done, I’m thinking xxx to xxx.”
If you get an offer...

- Congratulations! 🎉
- Acknowledge the offer and express your appreciation; be positive
- Listen, but don’t feel pressured to provide immediate feedback
- Ask to have the offer details in writing (email ok)
- Confirm the timeframe in which you have to consider the offer
Offers received April 1, 2022 or later
For any offer extended on or after April 1, 2022, including offers by companies participating in the MIT Sloan Career Fair, students must have a minimum of 10 business days to evaluate the offer.

For most updated MIT Sloan recruiting policies:
https://cdo.mit.edu/employers-recruiting-policies-and-recruiting-calendars/

NOTE: Students have a minimum of 15 days prior to April 1st.
Offer Details

- Job Title & Supervisor
- Start Date
- Salary
- Equity (stock options)
- Benefits Information and Eligibility (health insurance; vacation/sick days or PTO)
- Other (signing bonus, relocation reimbursement)
Negotiating your offer

- Do negotiate
- Ideally negotiate via Zoom, in person, or by phone; not email
- Do your research (MIT CDO reports, online job sites, classmates and colleagues)
- Prepare a plan; prioritize your requests; practice
- BE POSITIVE
  .. don’t get defensive
  .. build the relationship
  .. don’t burn any bridges
Startup salaries

- Startup salaries are often lower than market rates (see MIT CDO data and online resources payscale, glassdoor, angellist, levels.fyi)
- May need to consider levers: milestone pay, signing bonus pay

- According to MIT CDO 2019-21 data, students applying to startups
  - median Seed stage salary: $100k
  - median Series A stage salary: $125k
Negotiating your salary

• Know your desired salary range
• Always start with a positive statement
• Then use wording like
  .. “Is there any flexibility in the salary number…”
  .. “I was hoping to make something closer to xxx…”
• Present your case
  .. work experience and skills
  .. how you will contribute to the company
  .. compensation data from online sources and colleagues etc.
Startup equity

- Startups typically give new employees options (the opportunity to purchase shares at a certain price within a certain period of time).
- Usual vesting period is 4 years, with one year cliff (25% of the shares vest after one year of employment, with the remainder vesting in 36 successive equal monthly installments).
- According to AngelList, typical option percentages
  - at 1-10 person companies were 0.5% - 2.0%
  - at 11-50 person companies were 0.1% - 1.0%
Your equity offer

1. **What is your option grant as a percent of fully diluted company shares?**
   .. Check if it’s reasonable.

2. **How was the option amount determined?**
   .. You want to understand possibility to negotiate.

3. **When will the options start to vest?**
   .. Ideally your first day of work, not the day the board approves them.

4. **What is the price per share of the options based on most recent 409a?**
   .. Knowing this allows you to value your shares.
Early-stage employee equity pool

Evaluating Equity Offers
https://cdo.mit.edu/blog/2021/02/26/evaluating-equity-offers/

https://carta.com/blog/value-equity-offer-startup-equity-calculator/

https://stockoptioncounsel.com
After the negotiation

Ask yourself
• Is this a good fit? Am I excited about the company and people I will be working with?
• Is the compensation package something that works for me?

KEY: Think about the “long game” in terms of skills you’ll acquire and the network you’ll develop.
• If ready to move forward, sign and return the offer agreement before the agreed upon deadline.
• After you’ve accepted, withdraw from other interviews and decline any other offers.
• If you decline the offer, be respectful and timely.
Books and articles

Salary negotiation


https://www.themuse.com/advice/3-steps-to-negotiating-a-startup-job-offer
Thank you

and don’t hesitate to reach out!

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