

**The Human Capital Advantage: A Curriculum for Early Stage Ventures**

**Module Three: Compensation, Benefits, Profit Sharing/Sharing Equity Broadly**

**Introduction/Value Proposition**

Investing in your team through strong benefits and initiatives to promote health and wellness makes employees feel valued and increases morale, productivity and retention. Sharing equity broadly where possible can also increase company performance, and there are useful guidelines to allocating equity fairly in a startup.

**Goals/Desired Outcomes**

After this module, entrepreneurs should be able to:

* Have an informed plan for providing better than basic employee benefits, including how to budget for human capital investment
* Understand the basics of effective employee wellness programs for startups
* Understand the basics of good profit sharing programs and/or sharing equity broadly, including how to allocate equity fairly at a startup

**Advance Prep**

Send around the articles below, emphasizing the importance of the pre-work.

**See PowerPoint for presentation/exercise content:**

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| **TIME** | **TOPIC** | **MATERIALS** |
| 10 min | Introduction to the module/goals of day | PPT, laptop, projector |
| 30 min | Better than basic benefits for startups |  |
| 30 min | *Exercise on budgeting for human capital investment and debrief with whole group* | Handout |
| **5 min** | **BREAK** |  |
| 20 min | Investing in employee wellness – slides and discussion |  |
| 30 min | Smart profit sharing/sharing equity broadly and allocating equity fairly at startups – slides and discussion |  |
| 15 min | *Work with Leveling up exercise or slicing pie spreadsheet* | Handout |
| 10 min | Wrap up, key take-aways, evaluation | Evaluation form |
| **150 min (2.5 hrs)** |  |  |

**Exercises**

* Budgeting for human capital investment
* Slicing Pie spreadsheet

**Follow Up/Measure progress**

Check in after a month, six months, a year on progress

**Resources to distribute ahead of time**

*NOTE TO PARTICIPANTS: This pre-work (reviewing these materials) will take you about 30-60 minutes and will enable you to participate at a much higher level.*

* Entrepreneur: [The Basics of Employee Benefits](https://www.entrepreneur.com/article/80158)
  + Length: Long online article
  + Summary: A detailed introduction to basic and more extensive benefits for startups. Even reading the beginning would be a useful grounding for startup entrepreneurs.
  + Relevance for early stage entrepreneurs: High
  + Specific take-aways: Good employee benefits are key to recruiting and retaining the best employees. Health insurance is a must-have, and other key benefits include short term disability and retirement plans. The article details important considerations, such as who will be covered, as well as listing a variety of options.
* Inc.**:** [How to Build a Wellness Program](http://www.inc.com/guides/2010/05/wellness-program.html)
  + Length: Short article
  + Summary: Small businesses are less likely than large firms to have wellness programs, but there are relatively low cost, easy measures that small businesses can implement that have a significant ROI.
  + Relevance for early stage entrepreneurs: High
  + Specific take-aways: Take advantage of the Health Risk Appraisals (HRAs) offered by most health insurers to determine what measures will have the most bang for the buck at your small business. Survey employees to find out what they are most interested in. Three good areas to tackle include smoking cessation, cancer screening, and fitness/nutrition. Be creative.
* Zenefits Blog: [10 Ways to Promote a Healthy Work-Life Balance](https://www.zenefits.com/blog/10-ways-to-promote-a-healthy-work-life-balance/)
  + Length: Short online article
  + Summary: Ways employers can support employee balance
  + Relevance for early stage entrepreneurs: High
  + Specific take-aways: Ask workers what they need, educate employees, watch for burnout, offer flextime and telecommuting, encourage efficient work and creativity, promote health initiatives, lead by example.
* Beyster Institute at Rady School of Management: [Beyster Startup Toolkit: Sharing Equity Ownership](http://rady.ucsd.edu/beyster/startup-toolkit/equitycomp/index.html)
  + Length: Online article with 10 components
  + Summary: Planning how you want to use ownership interests (equity) from the beginning of your company can help you maximize growth opportunities. This plan may include sharing equity broadly with employees to help build a strong team of co-owners working toward the same objectives.
  + Relevance for early stage entrepreneurs: High
  + Specific take-aways: Research consistently shows that sharing ownership correlates with superior business performance. A useful principle is to allocate equity in proportion to individuals’ contributions to the success of the venture. Don’t allocate large amounts of equity at once – portion out smaller amounts annually. Other factors to consider include program cost, taxes, accounting, valuation, securities, and employee liquidity.
* Inc. Magazine: [The Problem with Profit Sharing](http://www.inc.com/magazine/19961101/1864.html)
  + - Length: Short online article (very good)
    - Summary: Simple profit sharing is appreciated but not effective – employees don’t know why the company did well enough to deliver a profit sharing check, and they come to expect it regardless of how they perform. A good bonus system, on the other hand, educates employees about how the work they do every day contributes to company success.
    - Relevance for early stage entrepreneurs: High
    - Specific take-aways: There are four essential elements of a good bonus program. First, you need clear goals that people understand and accept because they helped set them. Second, you need to provide frequent (weekly or even daily) feedback. Third, you need to give people an opportunity to work with one another to achieve the goals. Fourth, you need targets that require some effort -- the payoff shouldn't be a sure thing. Along the way, you're providing on-the-job training in basic business skills. Every year, you have an opportunity to introduce a new ratio or concept and let people go after it, learning in the process how their actions affect their job security.
* Tech.co: [Slicing Pie: A Guide to Dividing Up Early-Stage Startup Equity](http://tech.co/slicing-pie-dividing-up-early-stage-startup-equity-2012-09)
  + Length: Short online article (he has a book and website of the same title)
  + Summary: It can be difficult for startups to find guidance about the most equitable way to divide equity among founders and contributors, resulting in a great deal of frustration as well as potentially hurting the company’s chance of survival.
  + Relevance for early stage entrepreneurs: High
  + Specific take-aways: Partners in an early stage venture should create a set of ground rules for allocating equity on a rolling basis based on the relative value of the contributions of the participants (called a Grunt Fund). These rules must account for what happens if someone leaves in various scenarios.