Equity: A Complete Guide for Hiring Managers

The Equity culture: Fifty years ago before the tech giants of today started distributing stock options to employees, the practice was virtually unheard of unless you were upper management or an executive, yet today it's virtually a common practice amongst most companies, especially in Silicon Valley. Since this is such a "common" phenomenon, how do you show the value of the equity you give to your employees and how do you do it well?

The impact of Equity for employees: Having an employee feel invested in a company comes with tremendous upside. Granting equity to employees allows you to:

- Compete for top talent
- Reduce employee turnover
- Create a culture of success and recognition
- Create a sense of ownership within your organization
- Keep money in the bank

When to grant Equity to your team: There are multiple ways and milestones in which you can grant equity to your team that depends on what's right for your business. The three most common milestones are:

1. New Hires - as part of the compensation package for new hires
2. Promotions - rewarding your employees for being promoted to more senior roles
3. Tenure - rewarding employees for their commitment to your company

How much Equity to grant: The following table assumes a typical Silicon Valley Corporation with initial 10 million shares and 1.5-2 million [15-20%] reserved for the Optional Pool. The table also assumes:

- The percentage reduces as the company raises money; assumption is that the employee starts getting paid as the company gets funded; with the salaries at market price for companies at Series A and beyond.
- The table assumes that the equity will be issued with vesting over 4 years; with 1 year cliff and monthly vesting thereafter.
- The numbers listed above reflect percentage ownership in the company at the time of issuance. This will get diluted over time.

- Although respective percentages are allocated for all designations for companies at all levels, most pre-funded do not hire lower level sales personnel. If hired, these will mostly be commission based engagements.

Typical Equity Allowances

Role	Seed Round	Series A
Sales Development Representative (SDR)	0.10%	0.05-0.10%
Outbound Business Representative (OBR)	0.10-0.20%	0.05-0.10%
Account Executive (AE)	0.10-0.20%	0.05-0.10%
Enterprise Account Executive (EAE)	0.25%	0.10%
Customer Success Manager (CSM)	0.25%	0.10%
Account Manager (AM)	0.25-0.30%	0.10%
Sales Engineer (SE)	0.25-0.30%	0.10%
Sales Operations	0.50%	0.25%
Product, Content, PR, Digital, Events	0.50%	0.30-0.40%
SDR Manager	0.50-0.75%	0.30-0.40%
Head of Sales	1.0%	0.50%
Director of Sales	1.0%	0.50-0.70%
VP of Sales	1.0-1.5%	1.0-2.0%

Congratulations! You've raised Seed Round and Series A funding, leaving startup mode. You are proving your business model is ready to scale and have developed your go-to-market strategy (GTM). You're likely experiencing rapid customer expansion and sales traction, but have an increased dependency on outside financing to sustain this rapid growth. At this time companies often look for the next round of funding, Series B. If you're already through Series B, you're likely in the maturity phase. Here, where growth and expansion are slower, you are focusing on generating enough profits and cash flows to invest in all available projects and you may decide to fund a Series C round.

Way too far along for you? ***Check out our Seed Round + Series A Equity Guide here.***

Regardless of the round you're currently in, assuming Series B or C, you've most likely doubled your team size compared to when you first launched. You've now hired some key executives and department heads and if you haven't, it's top of mind. As we mentioned in our previous guide, equity in a company has tremendous upside for employees and companies. It attracts talent and retains key employees. Employees hired in Series B and C are crucial as your company grows into its next lifecycle, and determining how much equity to grant them is imperative.

How do you decide how much equity to grant? Usually 15-20% of the option pool is allocated to employee grants. There is no hard and fast rule or an exact science, but we recommend breaking your roles up into brackets.

Below is a basic guideline of how your option pool can be divided:

Title	Equity % per employee	# of Employees	Total % of Option Pool
Chief Executive Officer (CEO)	4%	1	4%
Vice Presidents (VPs)	1%	6	6%
Directors	0.50%	5	2.5%
Managers	0.25%	10	2.5%
Other Employees	0.05%	100	5%

Reference: Carnegie Mellon University

Another way to break down your option pool is to assign brackets and multipliers to each role:

- Senior Team: 0.5x

- Director Level: 0.25x
- Key Functions: 0.1x
- All Others: 0.05x

Using the multipliers above, you can then determine how many options to grant an employee:

Role: VP of Marketing
Salary: $175,000
Multiplier: 0.5x
Company Value: $25M
# of fully diluted shares outstanding: 10M

($175K x 0.5) / $25M *10M = option grant of 35,000 shares

Comparably has a great **Equity Calculator** to quickly look up the equity ranges across a variety of roles.

As mentioned, there is no "rule" when deciding how much equity to grant at any stage of your company lifecycle, however we strongly recommend you consult your legal team when making this determination, as if not done right, this can become very costly to you and your company in the future.

Based on Betts years of experience scaling hundreds of successful software startups, we have determined **the optimal sales and support organization structure** that has most often led to efficient growth and raising of the next round of capital.

Do you need help timing your hiring plans to efficiently scale your company? **Betts Recruiting** is the leading recruitment firm for revenue generating, marketing and people operations roles and has helped thousands of companies across the United States scale their rapidly growing teams.

Reach out to a team member **today!**