# Creative Compensation

*On becoming Pay'd in a Worlde Gone Madde*

# Introduction

Who is John Szeder

What are we talking about?

What is important to you?

What is important to your customer?

Where can you be flexible?

Questions

# Who is John Szeder

BMath ‘96

Full time work:

- RIM, Digital Chocolate, Zynga, Hi5 networks, A dozen random startups

Fractional strategic work:

- Clorox, Activision-Blizzard, Samsung, Verizon, Some EU VCs

B2C work, UIUX, Scaling, Game Designer When No One Is Looking

# What are we talking about?

How do you get paid *When your customer is has cash constraints*

400 dollars an hour fCTO

Scenario 1:

- Only consult for big cash rich companies

Scenario 1.5

- Consult for people who need 13.5 minutes of advice a month

Scenario 2:

- Really want to do the project
- Cannot see the bank account balance from space (or even across the street)
- Do not wish to make a mere 100 dollars an hour

# What is important to you?

Caveat: John is a sucker for pre-PMF engineering

Sometimes those companies do not have a lot of money, even in big companies

Technology is interesting

Bleeding edge often contains some cool

Hard to quantify = Hard to justify budget

In games: “Cash, Equity, Royalties, Pick Two” - Trip Hawkins

# What is important to you?

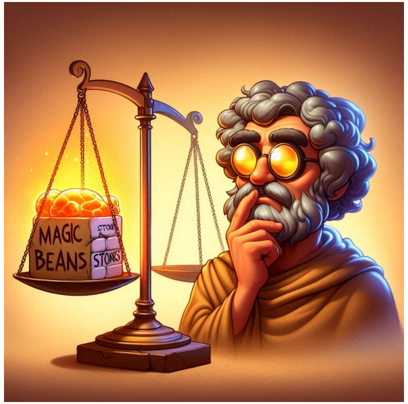
Anecdote:

Large hardware company wants to build a prototype to remotely manage devices

PM goes over feature list, and suggests 80k budget.

Very experimental, very loose definition of done

How do you respond?



# What is important to you?

Double the budget, and list out all of the features with their own number

This covers risk

This also helps provide information

What is more important to the customer?

- More features?
- Less money?

# What is important to your customer?

I have lots of money / I have lots of “not money” (equity?)

I have lots of time / I have lots of “not time” (urgency?)

I have lots of freedom / I have lots of “not freedom” (rules and regulations?)

# What is important to your customer?

I have lots of money = **get paid**

I have lots of “not money” = reduce cash for “other”

I have lots of urgency = **get paid**

I have lots of time = slow down the project for steadier external cash flow

I have lots of rules and regulations = **get paid**

I have lots of freedom = can scope the work up or down to match budget

# Where can you be flexible?

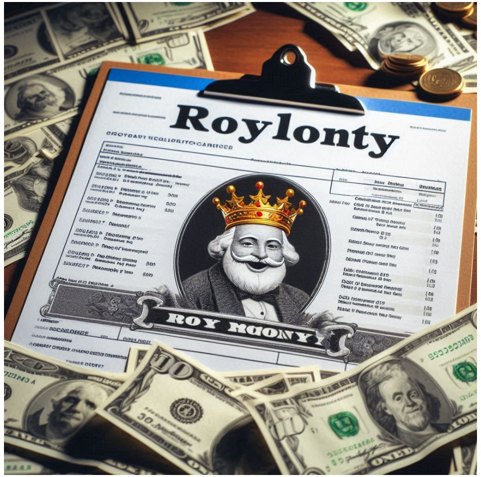
Equity in addition to cash

- Take .25 to 1 point of stock in the idea if you feel it has potential
- More if its early stage, less if its past series A or B
- Warrants, friends and family stock near ipo
- Usually up to 50% discount on price for me, but not more
- Make sure the business has potential
  - Sustainable competitive advantages
  - CEO track record
  - Novel plus market timing

# Where can you be flexible?

Revenue share

- More common in games and consumer apps
- Risky, audit clauses, “long tail” (both good and bad)
- Hard to generate a check in the long tail
- Nice to have retirement funds if the long tail is stable



# Where can you be flexible?

Orthogonal idea: Ownership?

- Have owned parts of people’s MVP/PMF
- “Unlimited sublicense” to build the product on it
- Gives a buyout clause on financing event
- John is rich… in old code projects that are hard to leverage

# Summary

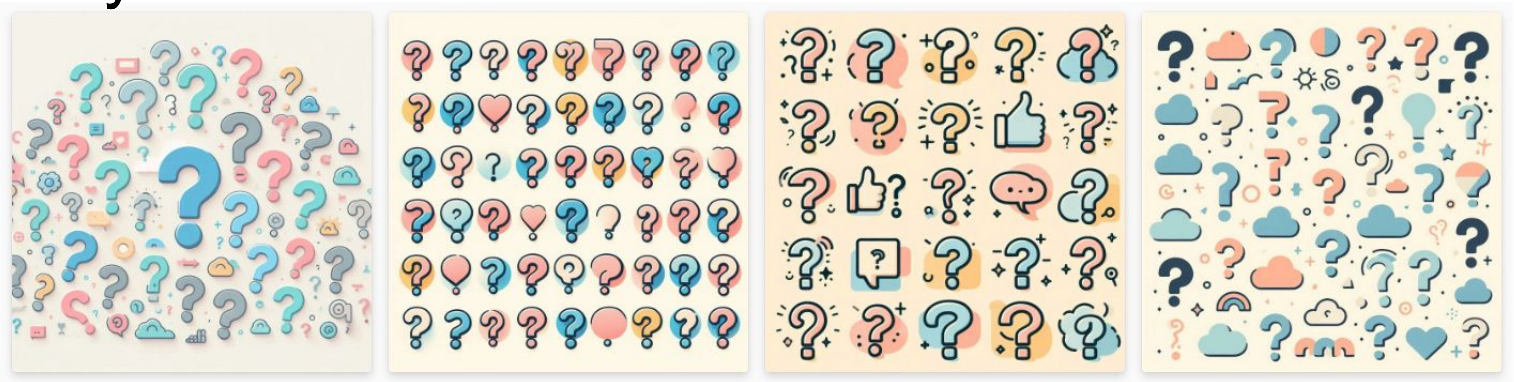
Different things are valuable to different people

Everyone can be flexible in different ways

Doing small projects with some risk is educational

- “Are you earning or learning” model

# Thank you!



# Questions