

The Ideal Compensation Package for any Founder



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Eating ramen noodles isn't a badge of honor:

I sacrificed compensation for too long early in my journey:

Almost 4 years after founding Classy, I was sleeping on the floor of a one-room apartment with my co-founder because we couldn't pay rent.

That was a **low**.



Being frugal shouldn't mean neglecting your needs.

But you shouldn't be jumping on private jets to see your clients either...

How to get the balance right and create a **win-win** for both company and founder:

Why you need to get the package right:

As a founder, you wear many hats. Founders' compensation packages aren't usually top of mind

But it should be. 3 reasons why:

- **HEALTH & WELLNESS: STARTUP FOUNDERS ARE LIKE ATHLETES**
- **SET THE STANDARD: IT SIGNALS THAT YOU RESPECT YOURSELF AND RECOGNIZE THE VALUE YOU BRING AS A LEADER**
- **LONG-TERM SUCCESS: COMMUNICATES EXPECTATIONS, ALIGNS INCENTIVES**

Not addressing this early is like a journey without a map. You may get lucky, but odds are it'll come back to **bite you**.

Make it a priority.

One big caveat:

The ideal compensation package has worked well for me across my portfolio.

However, it varies based on:

-  **BOOTSTRAPPED VS. VC-FUNDED: VC-BACKED HAVE MORE CASH, BOOTSTRAPPED AIM FOR LOW CASH BURN**
-  **GEOGRAPHIC MARKET: ADJUST FOR LOCATION, AS SILICON VALLEY DIFFERS FROM MONTANA**
-  **EQUITY HELD: MORE FOUNDER EQUITY MIGHT MEAN LOWER CASH COMP**

It's a flexible formula; don't stick to exact numbers. Use it as a framework, ready to adjust by 20-30%. Ready?"

1. Base Salary

The stable foundation of your compensation
- your bills today aren't paid by future comp.

Revenue	Base Salary
<\$1M	\$100k
\$1-5M	\$125k
\$5-10M	\$150k
\$10-50M	\$175k
\$50-100M	\$200k

This model mirrors company growth, conserves early cash, and outlines base growth over time for mutual agreement.

2. Variable Compensation (100% of Base)

The first performance-driven part of your package.

You should be able to 2x your base for hitting the company's top goals.

Here's what to do:

- **CREATE 3 (OR LESS) KEY COMPANY GOALS**
- **MAKE EACH MEASURABLE (VERY IMPORTANT!)**
- **GET THE BOARD'S SIGN-OFF**

Then hit the goals and earn your variable comp:

- **BELOW 70% ACHIEVED -> YOU DON'T EARN ANYTHING**
- **70-100% -> EARN 0-100% OF VARIABLE**
- **ABOVE 100% -> EARN ABOVE 100% OF VARIABLE**

Make sure the goals are:

Specific

Measurable

Achievable

Relevant

Time-bound

No point in having goals that feel impossible to reach or measure.

Great incentives align great interests.

Don't just meet expectations.

Look to smash them.

3. Stretch Goals (25-50% of Base)

3 or less additional targets that go beyond the ordinary course of business and help the company make quantum leaps forward.

Typically forward-looking goals and/or Board priorities **only the CEO can drive.**

Examples include:

- **MAJOR FRANCHISE-ENHANCING PARTNERSHIPS**
- **PERSONALLY LANDING A MAJOR PROSPECT**
- **HITTING AN AGGRESSIVE FUNDING OR VALUATION MILESTONE**

Stretch goals motivate the CEO to look for those level-changing opportunities.

4. Self-Care Package (\$1K-\$5K/month)



Often overlooked but essential. Forbes states 72% of founders say entrepreneurship affects mental health.

Well-being is critical for success. Like athletes with strength and nutrition plans, founders should have:

- **NUTRITIONIST**
- **PERSONAL TRAINER**
- **HEALTH SUPPLEMENTS**

If the Board is unfamiliar with a self-care package, suggest they consult. It's a win-win standard."

5. Putting it All Together

With the right mix of base, variable, stretch, and self-care, you and your company should be set up for a **win-win**.

Base

Reasonable & Low Risk



Variable

Paid for performance



Stretch

Paid for needle-movers



Self-Care

Optimize Yourself

Bonus:

What About Founder Stock?

If you lack founder stock, negotiate equity based on your situation and company type, tying grants to performance with a vesting schedule.

This balances risk for the company and potential gain for you.

DEAL NEGOTIATION TIMES ARE NEW FUNDRAISING ROUNDS.

Remember, a well-structured compensation package isn't just about your personal gain; it's about ensuring the leader is well-equipped to steer the ship forward.

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I deep dive into
leadership & startup
topics every week

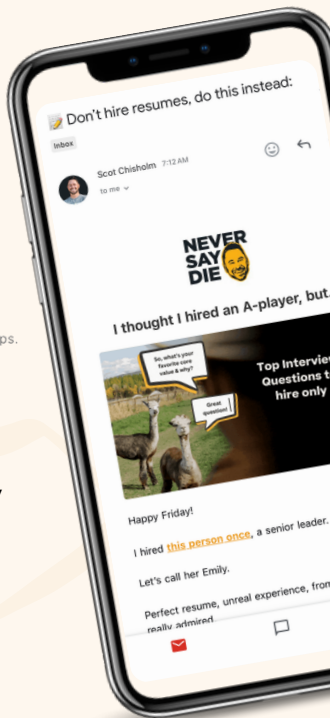


Scot Chisholm · You

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Go from founder to world-class CEO

I recently launched an accelerator for **founders looking to scale**.

It's like Y-Combinator, but for the scale phase.

If you want to **learn more**, click the link in the featured section on my profile.

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