



## New Media

RICHARD KOLENDA

# Choose where you invest your labor wisely

by Ric Kolenda

I've been mulling the issue of Internet sweatshops for awhile now, but couldn't seem to come up with a constructive way of approaching the issue. That is until Diginexus President and Co-founder Matt Grove introduced me to the concept of "venture technology" (see my October column). In case you missed it, the idea was to develop technologies in exchange for equity rather than just cash. It occurred to me that that is precisely what Web workers do when they accept below-market salaries and long hours to get equity (or more the promise of cheap equity in the form of options) in the employers' firms. A light went on. What if employees evaluated employers the way investors do? But first, some background issues.

### **"Net Slavery", contracting, and speculative employment**

It's no secret that net workers work long hours, but we're all getting rich, right? Not according to salary surveys. Okay, so maybe we're not getting paid so well, but we can bring our dog to work, play Doom on the LAN, and come and go more or less as we please. Then there are those lucrative stock options.

1. contracting and temp agencies
2. understand the stock option plan

for every 10 companies that offer employees options packages, only one ever actually goes public. (Time Magazine, June 28, 1999 VOL. 153 NO. 25)  
small firms twice as likely as large ones to use equity for compensation, and few non-management employees get equity at all. (NYNMA Industry Survey, October 1997)

What happens to the unlucky many who don't get rich by the time they are 30? In a field that relies on the young, older programmers become increasingly unemployable because their salary demands are likely to be out of line with start-up budgets and their skills to be perceived as obsolete. Computer-science professor Norman Matloff of the University of California at Davis points out that 20 years after college, only 20% of programmers remain on the job. Most no longer work in high technology. (Time Magazine, June 28, 1999 VOL. 153 NO. 25)

### **Wise Labor Investing**

Given the corporate culture in most jobs in the Internet biz, employees are making a real investment in the

business. As a certified serial entrepreneur myself, I know that starting any business means years of low pay, long hours and little time off, but the pay-off is the investment in a tangible asset: the company's stock. When employees are expected to work like an entrepreneur, and to trade wages for stock options, they make a similar investment with sweat equity. So I asked a venture capitalist how to evaluate a company in which you may invest your labor.

“The analogy is a good, if limited, one,” said Stephen Amsterdam, a Founding Principal with PA Early Stage Partners in Malvern, referring to the idea of evaluating employers as if we were a venture capitalist. “Questions about the company’s capital position and needs may not be helpful or appropriate from a job candidate.” It is a good idea to ask for some assurance that the company is on a strong financial footing, however, especially if you’re being asked to defer compensation in the form of options.

When evaluating a labor investment, you should consider three factors according to Amsterdam: vision, trajectory, and personality. Vision, says Amsterdam, refers to the ultimate goals of the company. “Does the company plan to be large or small, regional or national?” Trajectory is related to vision, but refers to the rate of growth. Personality has to do both with the quality of the management team and the chemistry between employer and employee. Ask questions about the corporate culture and style of managers, and try to get a sense of whether you can work with them comfortably.

In short, don’t be afraid to ask lots of questions of your future employer. Try to meet as many people as possible, from the CEO to the receptionist. Consider how the vision and trajectory fit in with your own. Consider your exit strategy; are you happy to get some good experience and leave if necessary, or are you looking for a long-term commitment? Remember, you’re committing a serious amount of time to your employer; make sure you aren’t sacrificing your personal goals for those of the employer.

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