



THE WALL STREET JOURNAL.

Career Strategies, Mar 08 2011

Signing on With a Startup: How to Choose Wisely

By Elizabeth Garone

Now could be a good time to consider working for a startup.

In 2010, \$21.8 billion was invested in U.S. technology and life science startups, 19% more than in the year earlier, according to the MoneyTree Report by PwC. And venture capitalists remain "optimistic" about the space, says Danny Wallace, a partner in PwC's emerging company services sector.

But savvy would-be startup employees look before they leap. Consider the experience of startup veteran Mark Goldenson. In a little more than a decade, two of the four ventures he was involved in crashed and burned, while one was sold and one is on the verge of turning a profit.

Before signing on to a startup, experts like Goldenson recommend answering several questions about the venture to make sure it won't go down the tubes like Pets.com or Webvan -- and take your career down along with it.

Is There a Product?

You need to look at it as if you were an investor rather than a potential employee, says Goldenson, who now heads up Breakthrough.com, a Silicon Valley-based startup he founded in 2009. Breakthrough connects individuals with therapists for online counseling. "Is the company building something that people want?" he asks.

Goldenson gives the example of the difference between Internet TV companies Joost and Hulu. "Joost had almost everything going for it: rock star founders and investors, great technology, a lot of press." But there was a missing piece, he says. "What it didn't have was the content that people wanted. Hulu did. Joost is now dead, and Hulu is prepping for an IPO."

Is There Passion?

Just as important are company founders who have both "purpose and passion." "In joining a start-up, you want to see a commitment that goes beyond just making money," says David Clapp, a partner with CarterBaldwin Executive Search in Atlanta, who helped found a successful tax compliance outsourcing startup early in his career. "You need to feel confident the company's leadership will persevere through the tough low spots that so many [startups] invariably face."

Is There a Plan?

Don't discount the importance of a path to profitability. "If the business doesn't have a clear, believable plan on how it will make money, run away," Clapp says. "Changing an industry is noble, but can they make money doing it? If not, the business won't sustain itself."

Clapp often sees job-seekers fleeing startups where the business plans were more about raising capital than creating engines to create cash. These are not the places you want to be, he says.

Does It Check Out?

You want the job to be the right match for your interests, skills, compensation requirements and long-term potential, says Martin Zwilling, founder and CEO of Startup Professionals, Inc., a mentoring and consulting company based in Phoenix. This can be tough to determine as most startups require each employee to wear many hats. In short, research is key.

"It's all a bit like picking a spouse or life partner," Zwilling says. "Would you trust anyone else's research, without doing your own, before you make a decision?"

An easy way to do some "behind-the-scenes" research on startups is mining business social networking sites like LinkedIn, says LinkedIn senior public relations manager Krista Canfield.

Start by searching current employees of the company you are considering. Follow up with a search of past employees. The first move can give you some insight into the types of questions you'll want to ask in your interview, says Canfield. The second group can identify red flags and other areas you might want to research more. If you're lucky, they'll even tell you why they left.

Check out who is "following" the company on LinkedIn. While a newer company is likely to have fewer followers than a more established one, the quality of those people -- venture capitalists and industry analysts, for example -- can say a lot about the company's chances for success. "These are just all ways to get more information than you would from the company website," says Canfield, who followed her own advice in 2008 when LinkedIn was still in startup mode with roughly 200 employees and she was considering a job there.

But some of the decision has to come down to a gut instinct. "I knew I used the site and liked it," Canfield says.

Daniel Bernstein, director of emerging revenue at Meebo, a Bay Area-based social-media startup, agrees that the gut level should not be discounted. Like Canfield, he used Meebo's services before he interviewed there. So, when it came time to job hunting, he knew he wanted to work with consumers and he limited his scope to Web services that he used on a daily basis; Meebo was one of them.

In addition, Bernstein checked out Meebo's statistics on Quantcast, a media measurement service for advertisers, and Google Trends. Plus, he says he loved the fact that Meebo was a Sequoia Capital-backed startup. "It's not a perfect measure," he says, but being backed by such a well-known and respected venture-capital firm gives the company a level of "legitimacy."

Does It Feel Like a Good Fit?

Julian Cohen took his time before joining Breakthrough.com as the head of sales. Cohen, the former CEO of CIGNA's mental health group, asked a bunch of venture capitalist and leaders in the behavioral health industry about the firm. "I got very positive responses from both groups," he says.

He started at the company part-time and widened his investigation. He dove into the company's product and strategy and discussed both in detail with CEO Mark Goldenson.

Doing this kind of advance research is important, because it gives you real market and potential consumer information. "I did have the advantage of knowing a number of senior leaders in the industry who I could call and ask, but I think you can still get this kind of information if you do a little research," says Cohen. After six months working at the company part-time, Cohen signed on fulltime in October.

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