

CTO Craft and Albany Partners

Compensation Survey Report 2023

June 2023



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Introduction

CTO Craft's tech leadership compensation survey, in partnership with Albany Partners, focused on discovering a transparent overview of engineering leadership compensation. Our aim was to find compensation norms, trends and patterns in salaries and compensation across tech leadership.

This report provides technology leaders with essential compensation data, including:

- Base salary insights and satisfaction levels
- What other compensation benefits tech leaders receive, and which they most value
- What the most common LTIP structure is a breakdown of vesting cycles

The survey was carried out online during April and early May 2023. As a result of the high response to this survey, our intention is to make it an annual survey to highlight industry trends and allow you to benchmark careers and salaries for you and your team.

In this report, we outline the top findings and we and Albany Partners offer suggested solutions and actions to help you.

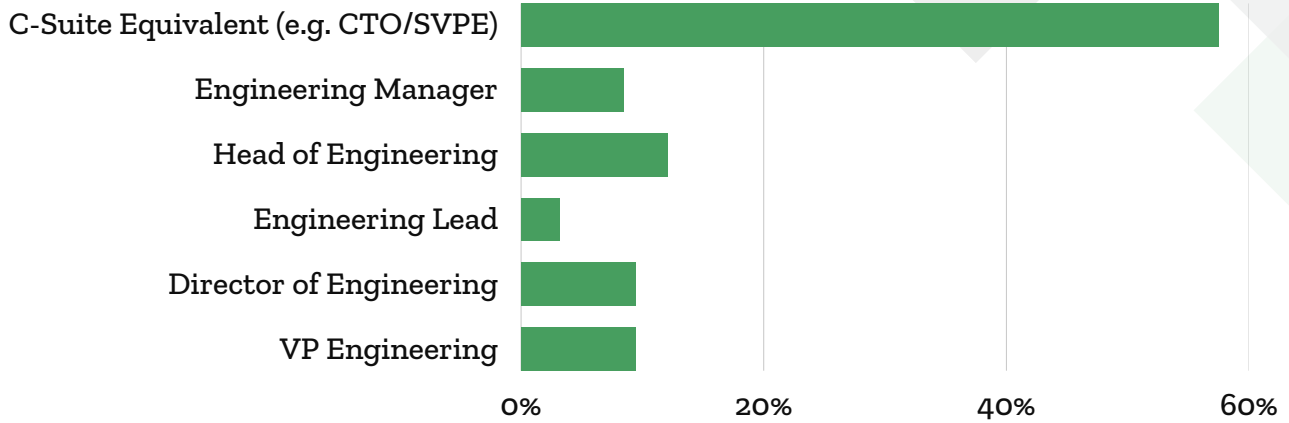
About CTO Craft and Albany Partners

CTO Craft aims to provide a safe space for technology leaders to share ideas and challenges, network with other leaders and engage in online and in-person events to help accelerate their learning in the art of leading technology teams.

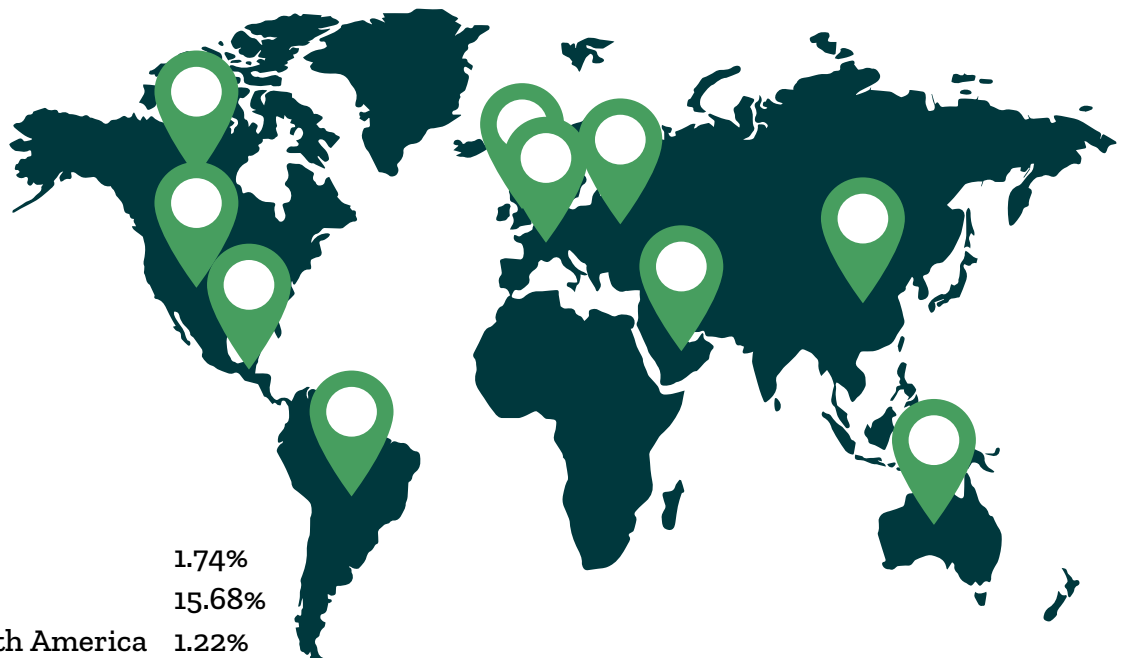
Albany Partners is a specialist executive search business that exclusively moves product and engineering executives into high-growth technology businesses backed by Venture Capital or Private Equity investment. Albany supports companies at all stages of growth, from pre-revenue/angel and early Series rounds, through to growth capital and PE ownership.

Who we surveyed

Seniority

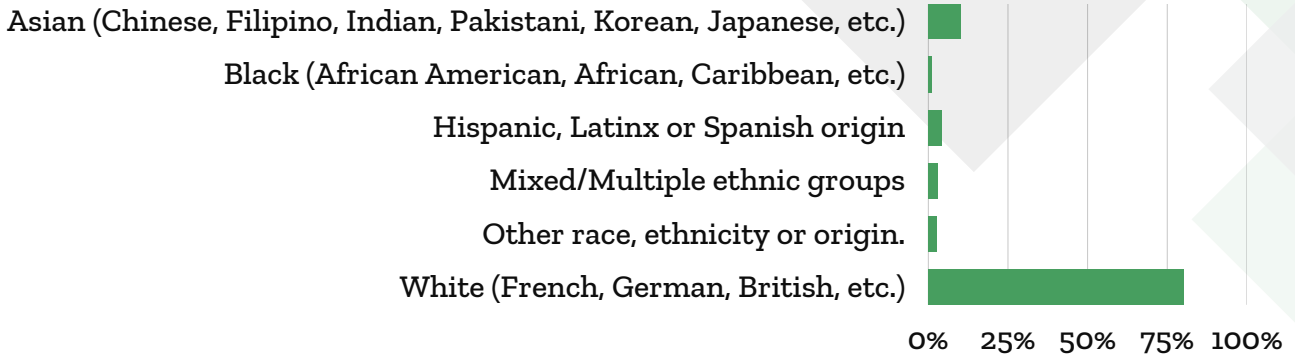


Where Our Respondents Came From

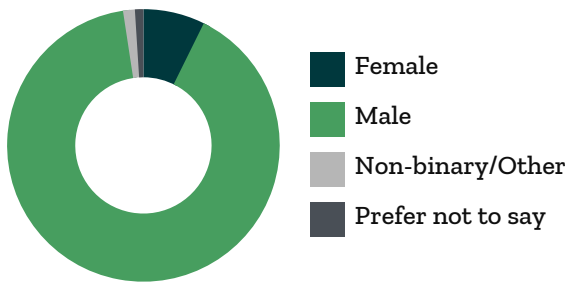


Australia	1.74%
Western Europe	15.68%
Mexico and South America	1.22%
US and Canada	10.45%
Asia and Middle East	2.09%
Eastern Europe	3.31%
Northern Europe	4.36%
United Kingdom	60.63%

Ethnic Group

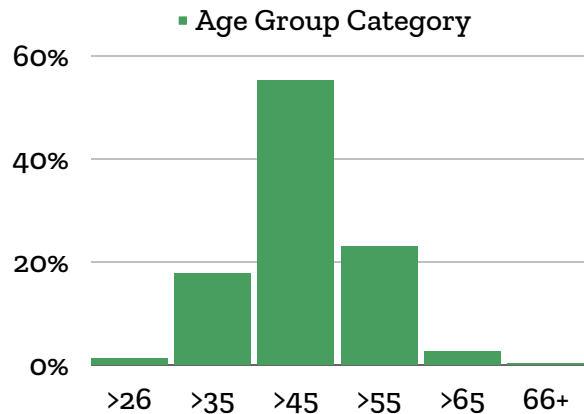


Gender



For reference, according to [Sifted](#), 5% of UK startup CTOs are women compared to Germany and France, which are 3% and 2% women, respectively.

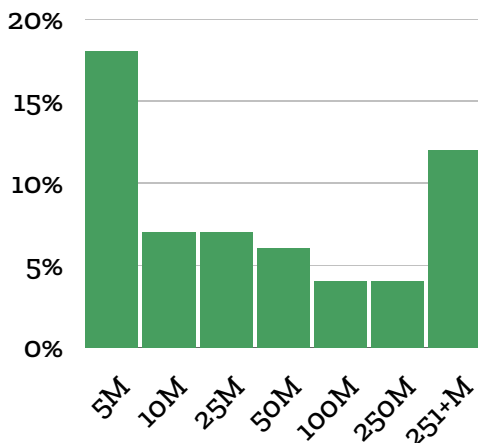
Age



Employer Demographics

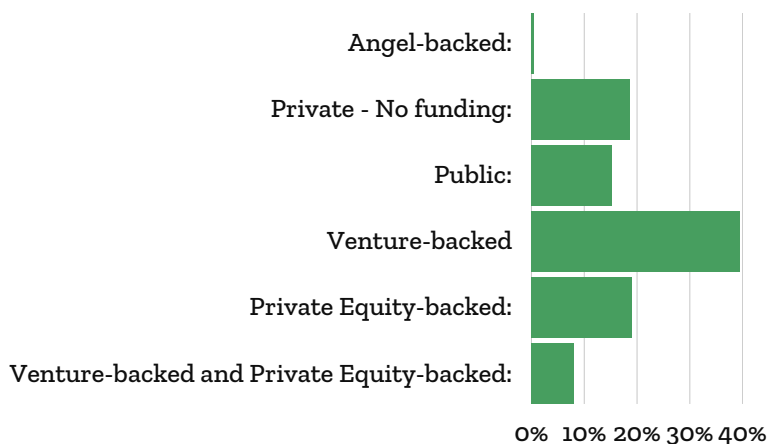
Revenue

Out of the 70% who disclosed ARR, here is the breakdown:



Backing

Out of the 82% who disclosed how their company is backed financially, here is the breakdown:

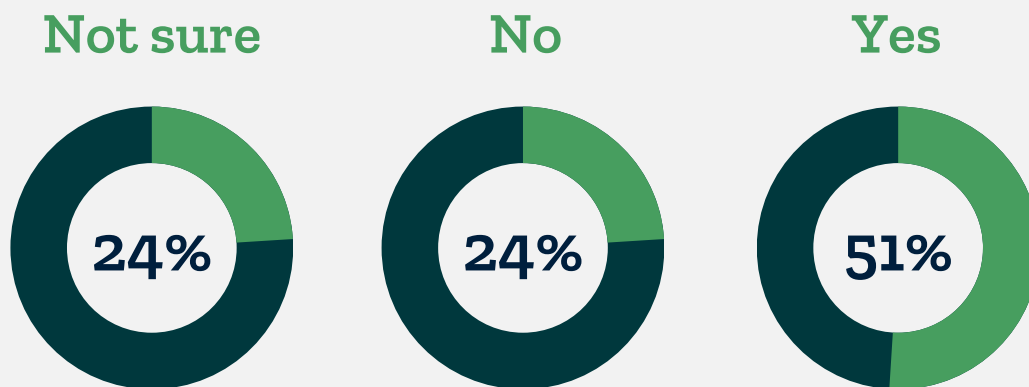


Key Findings

Finding 1: 24% of technology leaders are not sure if they are fairly compensated

Overall, 51% of respondents were happy with their base salary, with a quarter saying they were not paid fairly for their work.

However, a quarter were unsure if they were happy with their base salary.



So, why are almost a quarter unsure if they are being paid fairly?

- Firstly, it shows a lack of awareness of other tech leaders' salaries if they are unaware of where they fit financially with their peers.
- It may also suggest there has been a lack of previous benchmarking data available for tech leaders, and such base salary information is not readily available to review, leaving many leaders unaware of where they sit in the market.
- Almost a quarter of technology leaders are unhappy with their compensation. Given the high degree of variation in the data (which you will see when comparing upper and lower quartiles of pay for each role), it is unsurprising that a portion of respondents do not feel fairly compensated. This survey examines base, bonus, benefits and equity, however compensation can include several other elements of financial rewards such as one-time sign-on bonuses, relocation costs, and other retention mechanisms. We also acknowledge that factors such as engagement and job satisfaction can be weighted as more important than reward depending on an individual's priorities.

Key Findings

Finding 2: When examining CTO/VPE salaries within businesses that have received outside investment, employers in the U.S. pay the highest cash compensation, closely followed by Germany and then the UK

For Venture-backed businesses, Germany and the US paid roughly the same average base and bonus salaries within a VC-backed context.

Compared to UK businesses, German businesses paid 6% more in base salary and 16% more in bonus, whereas US employers paid 14% higher base salaries on average and 39% higher in bonus.

Overall, within a PE-backed context, US-based employers paid the highest average salaries, followed by Germany and the UK.

German businesses paid 9% more in base salary and 31% more in bonus, whereas US employers paid 31% higher base salaries on average and 47% higher in bonus.

It’s worth noting that PE-backed businesses in the US can be larger in scale, which perhaps accounts for the dramatic pay differences.

For Venture-backed Businesses:

Country	Average of what is your current base salary in £ sterling?	Average of what is your current/most recent bonus?
Germany	£186,000	£36,000
United Kingdom	£175,000	£31,000
United States	£199,000	£43,000

For PE-backed Businesses:

Country	Average of what is your current base salary in £ sterling?	Average of what is your current/most recent bonus?
Germany	£191,000	£42,000
United Kingdom	£175,000	£32,000
United States	£230,000	£47,000

Key Findings

Finding 3: Stock Options are the most common LTIP Structure and a 4-year vesting period with a 1-year cliff is the most common vesting cycle

For this report, we describe the following as:

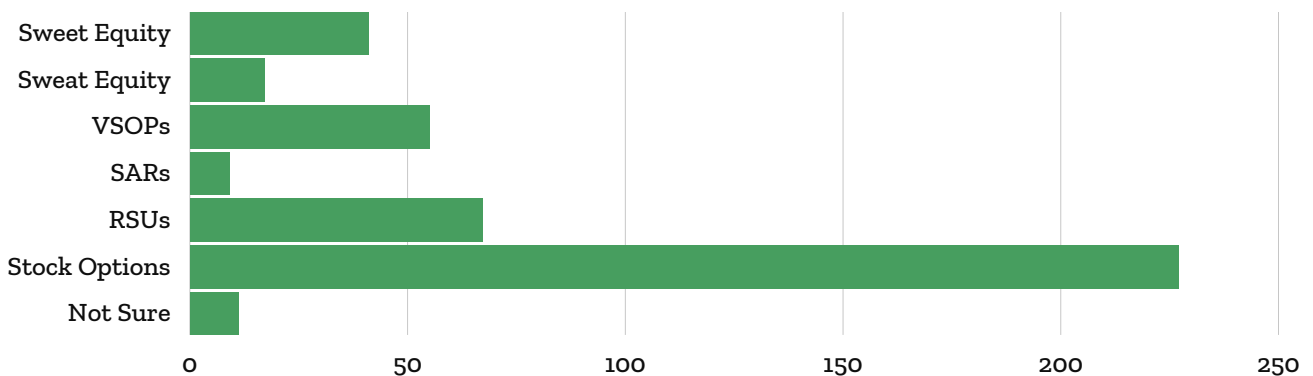
Long-term incentive plans (LTIPs) are part of the total compensation package and are linked to specific performance goals. LTIPs may include stock options or stock appreciation rights, restricted stock units (RSUs) or awards, phantom stocks, performance shares, 401(k) retirement plans and cash-based incentives.

Virtual stock options (VSOPs) are stock compensation plans which offer virtual shares. They allow the option holder to a cash payment in the future linked to a specific event. The amount will depend on the number of shares the individual has and is also affected by the stock price.

Our research found that stock options are the most common LTIP structure for technology leaders by a significant amount. The second more popular LTIP was restricted stock units (RSUs) and then VSOPs.

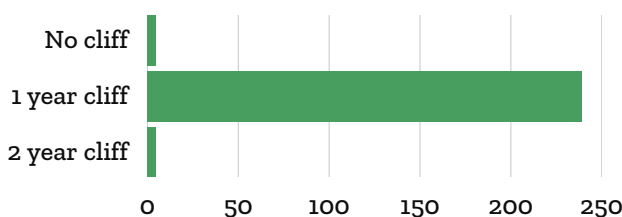
In addition, the survey showed a breakdown of vesting cycles. The most common cliff was a 1-year cliff, and 4 years was the most common vesting period.

Breakdown of the structure of LTIPs

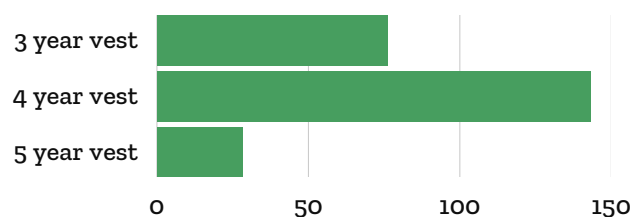


Breakdown of Vesting Cycles

Most common cliff:



Most common vesting period:



Key Findings

Finding 4: When examining the C-suite and VP-level data for regional differences, the U.K. exhibited slightly less preferable vesting cycles when compared to responses across other geographies

Within the UK, a 4-year vesting period with a 1-year cliff represented 49% of the responses, followed by 3 year vesting period and a 1-year cliff, representing 31% of all responses.

The third most common response within the UK, at 13%, was a 5-year vest, 1-year cliff.

The global per cent of responses outside the UK at 4 year vesting period was 61%, which is 10% higher than in the UK. 3 year vesting period was nearly identical, at 30%. Lastly, 6% of responses outside the UK were 5 years vesting, 1-year cliff.

This suggests that the UK has slightly less preferable vesting cycles for LTIPs than global structures, given that 5-year vesting and the 1-year cliff is a common structure for more than 1 in 10 CTOs and VPEs based in the UK.



Key Findings

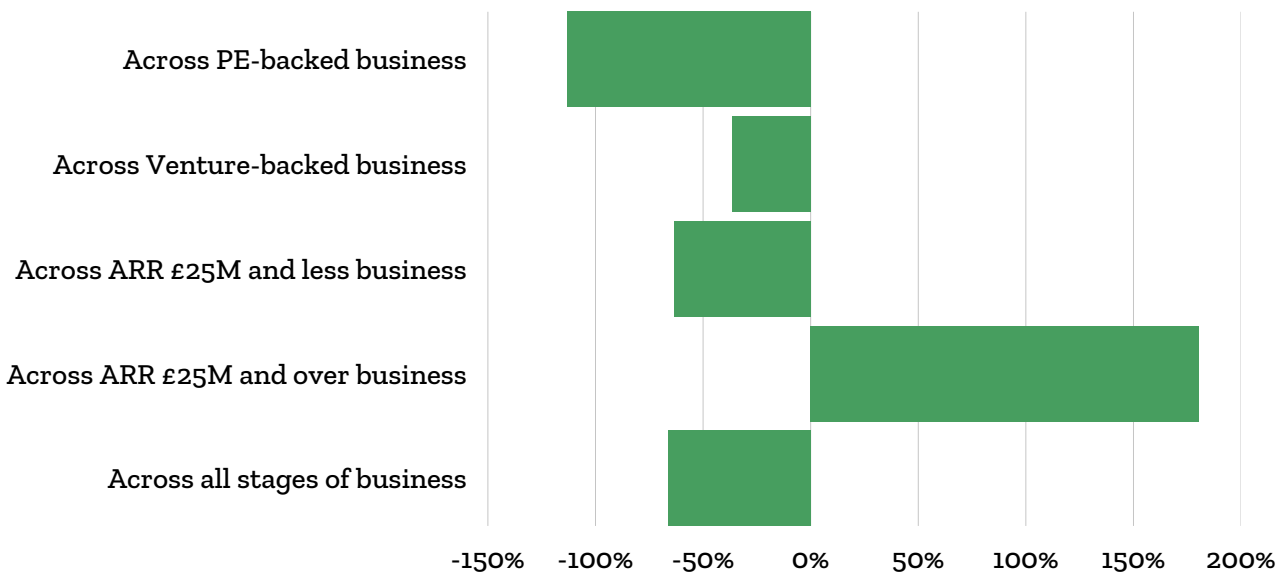
Finding 5: An analysis of the value of equity allocated across different genders reveals significant disparity

43 of the survey respondents are women, and 6 are nonbinary.

Looking at C-suite and VPE level, women and nonbinary individuals are paid 7% more in base salary, however, they are allocated 66% less equity in terms of cash value (due to sample size we grouped nonbinary and women together as a non-male category).

High amounts of variation and incomplete responses make this finding something that would be interesting to validate through further study. With a bigger sample size, we could examine how this trend changes or holds true across size and stage of business, and location, as well as a thorough exploration into ways in which this equity gap could be addressed.

Gender	Count	Average Base Salary	Average Recent Bonus	Average of What was the cash value of your equity when it was first granted?
Female	20	£195,000	£36,000	£766,033
Non-binary/Other	5	£234,000	£51,000	£1,787,500
Male	364	£180,000	£34,000	£1,821,896



Key Findings

Finding 6: Across all seniority levels, technology leaders value cash in hand the most, followed by LTIPs, with bonus and benefits last

80% of CTOs and SVPEs rated base salary/cash in hand as the most important element of their compensation. 17% rated LTIPs as the most important, and only 1% said bonus was the most important compensation type to them.

However, this remains similar for most senior leaders, but as seniority decreases, other participants increasingly value other elements of a compensation package.

For example, at Engineering Manager/Lead level, 21% viewed LTIPs as the most important compensation element, with 73% rating salary as the most important.

In terms of non-monetary benefits, 47% of CTO/SVPE/VPEs said they had a healthcare plan provided by their company, 46% had medical cover, and 36% had life insurance. A quarter had dental plans, and 18% had critical illness coverage.

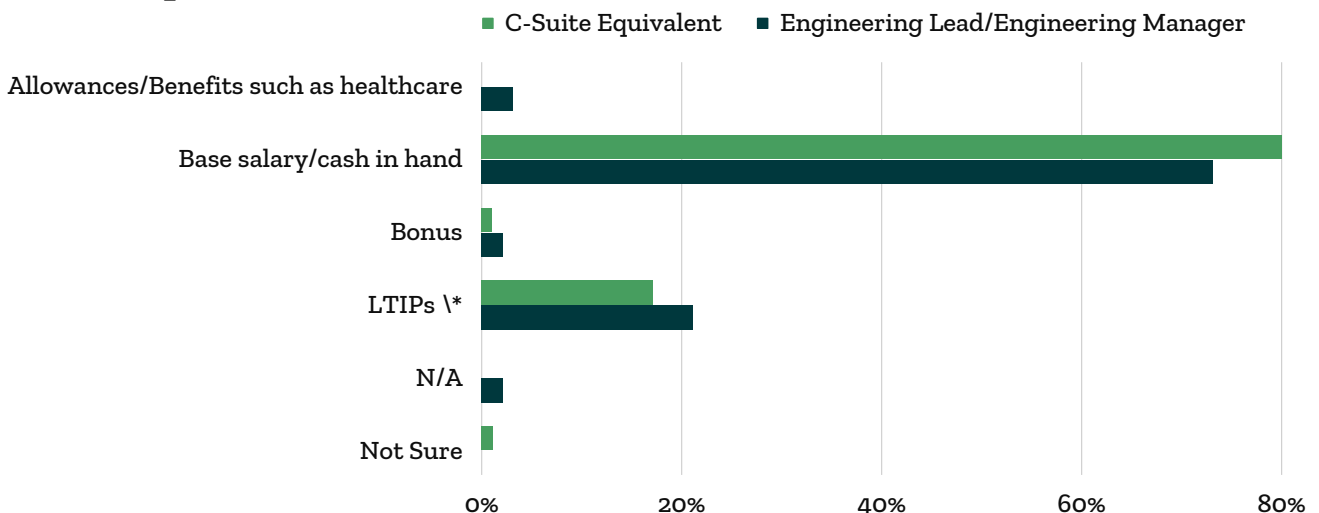
Some additional benefits submitted by respondents included:

- Pension matching
- 401K
- Mental health support/counselling

However, just over a quarter (27%) said they have no benefits included in their compensation packages.

Without further insights, it's difficult to explain why this is the case, but it might be due to start-ups not offering benefit packages, or perhaps there are higher monetary rewards for some leaders that replace benefits.

Most Important Benefits



The Albany Benchmark

The Albany Benchmark: A deeper look into our specialism

Albany aims to provide context to VC and PE-backed businesses on structuring Product and Technology leadership throughout the growth journey. A vital way in which we do this is by tracking our anonymised placement data.

Validating the survey results against Albany's benchmark:

When analysing our last 90 placements to compare as a benchmark to the results of this survey, the results support the survey's outcome but differ in a few areas (focusing on Venture Capital categories only for the largest sample size and most relevant comparisons).

Albany placements compared to the survey results:

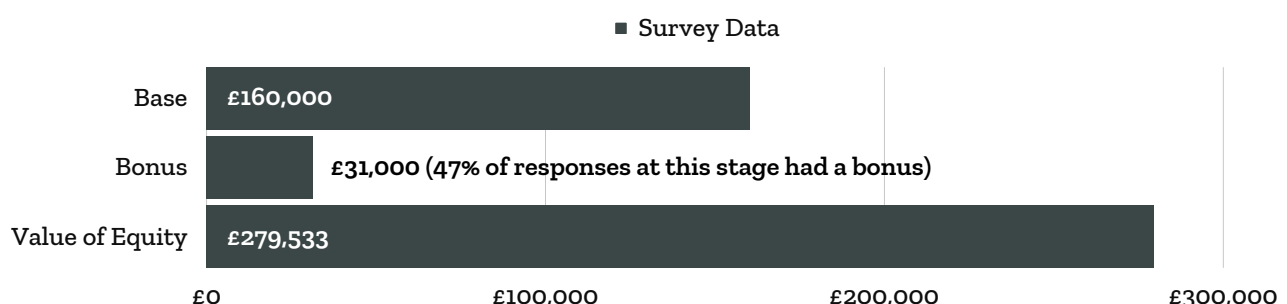
- Base compensation was 16% greater
- Bonus was 56% greater
- Value of equity was 4% greater

We can hypothesise as to why our placement data is slightly higher, with the greatest difference found in bonuses, but it may be as simple as we are experienced at negotiating packages on behalf of our candidates.

CTO Compensation within Venture Capital-backed Businesses

Based on Henry Draper's presentation at CTO Craft Con 2023, below is a deeper breakdown of the survey results by stage, compared with Albany's placements where applicable:

Early Stage - Leadership Archetype (Seed)



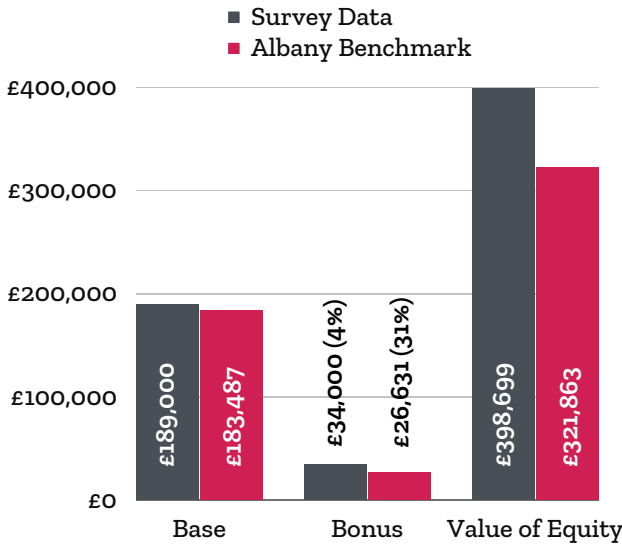
No Albany Benchmark here as we have insufficient data for seed stage placements.

We often define this individual as the Builder CTO - often the first engineer, they are hands-on in delivering the first product and establishing product market fit. In addition, they may be hiring a team from scratch or a nascent position. Building high-performing teams may not be something they have done previously.

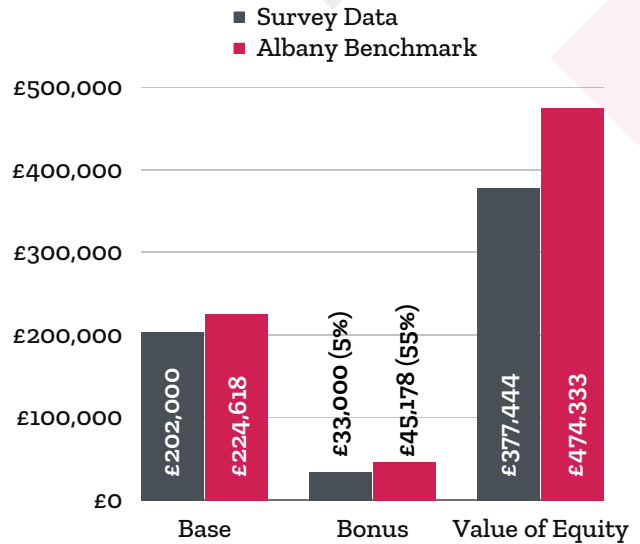
The Albany Benchmark

Growth Stage - Leadership Archetype

Series A



Series B



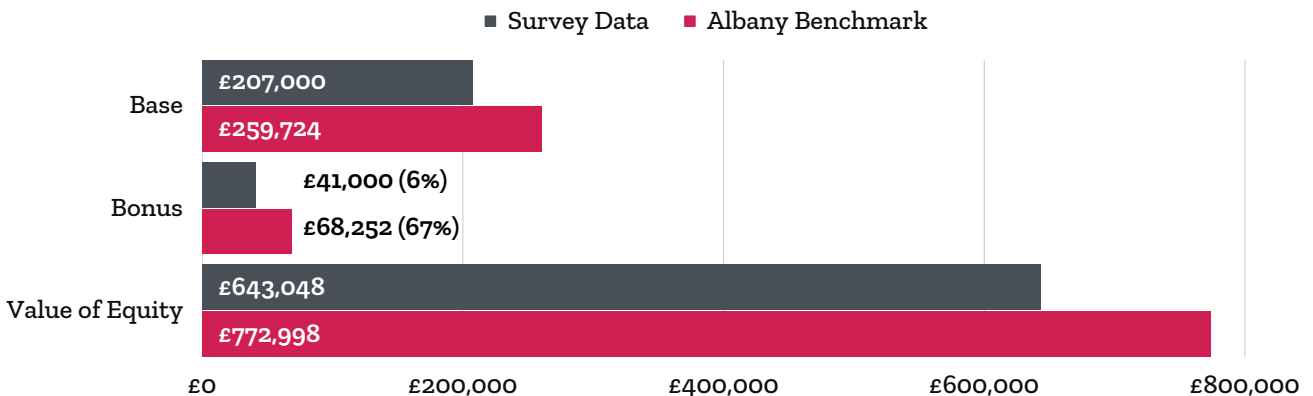
Within Albany, we see businesses raising a Series A as the most common trigger point for upgrading technology leadership.

A CTO at this stage will be responsible for putting order into a world of chaos. They need to build a more sophisticated technology strategy and roadmap to align with the commercial ambition of the business.

From Series A to Series B, the key challenges revolve around maturing the technology organisation to increase scalability, predictability, and reliability. People-centric and operational, the growth stage archetype is well-rounded: bridging the gap from early stage to scaling stage.

Scaling Stage - Leadership Archetype

Series C+



At later stages of venture investment, we see the **Commercial CTO** emerge – this individual is Board-level, a motivator and attractor of talent, and a leader.

CTO Craft Commentary

We hope this survey and the findings highlight how other tech leaders are being paid and that this information brings some clarity and transparency to you, whatever your role.

Hiring in tech continues to be contradictory, which undoubtedly impacts compensation. For example, there have been staggering salaries and talent shortages at the leadership level mixed in with layoffs and increased hiring remotely. These factors affect the technology compensation status quo.

Organisations often offer significant salary ranges for engineering roles at all levels. Therefore, if you think you're below the relevant range for your role (and level of responsibility) in your organisation, speak to someone about this. Just be aware that the top end of ranges may not be paid in reality as they are vastly dependent on the health of the business, runway, and occasionally regulations that are established at board level and require an approval to change.

Progress is occurring to produce important data for technology leaders. By working together, we can continue to report on key compensation findings to help leaders and organisations ensure that compensation is competitive, fair and consistent.

We intend to make this compensation survey an annual piece of research, enabling us to provide ongoing compensation information, track trends over time and offer more solutions.

In addition, experts at Albany are available to discuss tech compensation trends throughout the year.

Finally, a big thank you to all respondents for your support in this survey and for the data you provided.

Albany Partners Negotiation Toolkit

By Henry Draper, Managing Partner

Albany Partners - Negotiation Toolkit

By Henry Draper, Managing Partner

Tip 1

When benchmarking what you should be paid, it should be about responsibility, not title

For example: “Chief Technology Officer” and “VP of Engineering” are distinct roles, but in reality, many CTOs are actually VPEs, and many VPEs take on a larger leadership component than a CTO within an earlier stage business.

Use each archetype discussed here to determine where your skillset or experience is best fit. Ask the following question: Do I own XYZ?

This is true for not just those who are looking for a new role— if you love what you do in your current role and have no interest in moving, it's important to right-size your compensation against the wider market.

Tip 2

What are the key points of negotiation? Base, bonus or equity.

Does the employer have a 'hard line' on any of these elements? Do your homework ahead of time.

For example: some early stage businesses value cash today, over and above cash tomorrow. Therefore, they may have hard lines on base salary, but a greater willingness to negotiate on performance-related bonuses and equity.

If you're being represented by an agency, always ask your recruiter.

Tip 3

Don't get hung up on percentage ownership.

It is incredibly common to hear from CTO's that their equity “has to be 1% or 1.5%”

This can be a poor form of measurement, however. Cash value is often a better benchmark as it takes into account the valuation at the point of joining. Both the Albany benchmark dataset and the survey results reveal equity to be the salary component which has the highest degree of variation— this can make it difficult to negotiate. As a starting place, expect a minimum equity cash value of twice your base salary. We often see 3-4x base salary in Europe, and 5x in the US.

Albany Partners - Negotiation Toolkit

By Henry Draper, Managing Partner

Tip 4

Make sure the equity story is something you believe in.

- Ask the potential employer to show their modelling for how they arrived at the valuation. This is particularly helpful if you're being sold a potential future value of your proposed allocation.
- There is the tendency to show you the 'champagne' outcome rather than a more conservative mid case.
- Albany advises clients to present a low, mid, and best case scenario. We then advise candidates to place most stock in the mid case scenario when we negotiate their package.

Tip 5

Strike prices.

- Particularly within the UK, favourable strike prices maximize your upside.
- If there are limitations on what your employer is willing to grant you in terms of the percentage of the company, you may be able to increase the value of that holding in real terms by agreeing to a lower strike price. That means that the delta between the strike price and prospect value is greater, which maximises your wealth creation opportunity.

Tip 6

Find out what happens to your stock options when you leave the business.

- Pay attention to the good leaver / bad leaver clauses in your contract.
- In the majority of instances, a good leaver will be awarded a percentage of the value you have created during your tenure. That's even if you're fully vested. As we have seen in our analysis, the most common vesting cycle is 4 years.
- A "bad leaver", if not explicitly defined in the contract, encompasses any scenario that isn't a good leaver. Most commonly, if you decide to leave the business and join another in a similar field— you would walk away with nothing.
- I like to use the ski instructor analogy. Ask your current or prospective employer what would happen if you were fully vested but had a shift in priorities and wanted to relocate to Val d'siere and become a ski instructor.
- Ultimately, you have to make a judgement as to whether these clauses are reasonable.

Methodology

In April 2023, CTO Craft, in collaboration with Albany Partners, conducted a compensation survey. The objective of the survey was to build a picture of specific compensation packages at various levels of business and varying funding stages to give an overview of compensation within the technology sector.

We collected 600 survey responses. Therefore, by investigating the state of compensation in technology, we have been able to identify trends and challenges and offer suggestions.

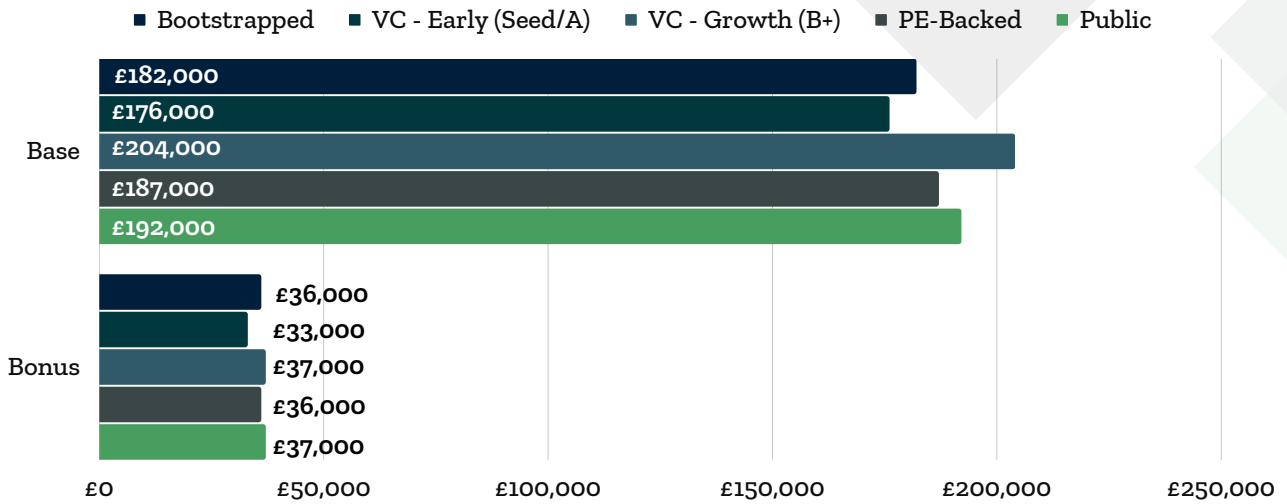
Albany includes the following comments regarding the data:

- Analysis of the raw survey data and a smaller sample of Albany's placement data were undertaken simultaneously.
- Due to the completeness of our placement datasets and anecdotal evidence gathered by our experts, we could draw statistically significant conclusions about average compensation and equity packages that allowed us to generate accurate industry standards.
- Using these industry-standard values, we then cleaned the survey dataset of significant outliers that may have skewed any results of the analysis.
 - Outliers were considered roles that were not relevant, as well as averages greater than 25% outside of industry-standard averages
 - This included outliers in types of roles (such as Head of Talent), average base salary, average bonus and average cash value of equity.
- We then segmented this cleaned data set to control for how role, backing, gender and country of employment may affect average compensation packages.
- We found that slicing the dataset by specific characteristics, such as series, provided inaccurate results unreflective of the survey's participants due to the size of the sample such slicing would produce. Sub-sections of the dataset were too small to garner accurate points of analysis.
- We discovered some limitations of the survey:
 - Significant sample bias as only CTOs from within or related to CTO Craft's network completed the survey.
 - Discrepancies in title classification and, therefore, compensation across regions and backing types
 - This led to the categorisation of roles that you see used in this report to be developed to create standardisation for analysis.
 - An example of this would be Head of Technology in the US which we know to be a C-Suite title alternative specific to that region.

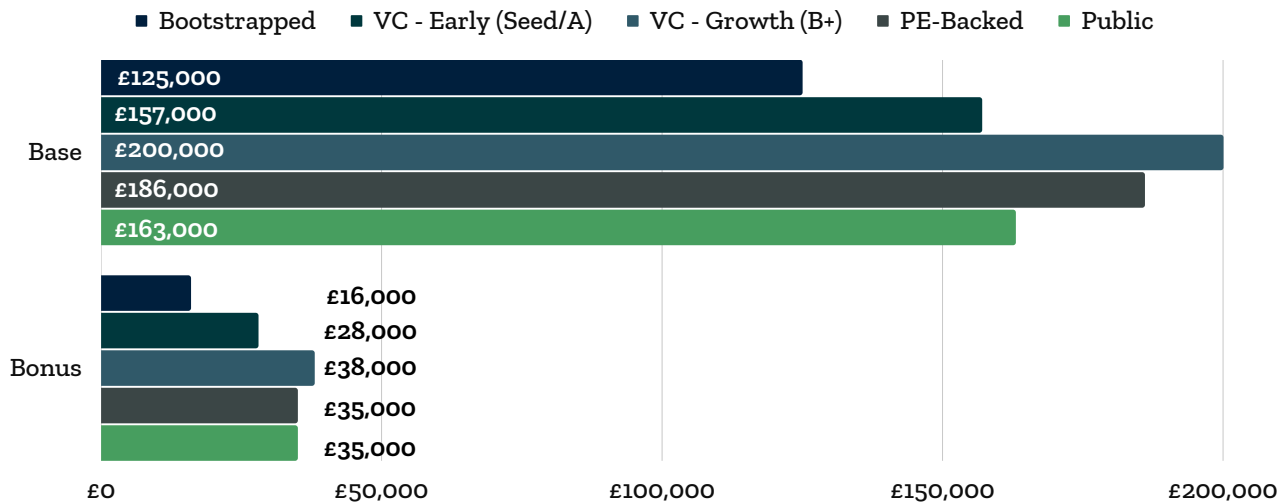
Survey Results

Average Base and Bonus

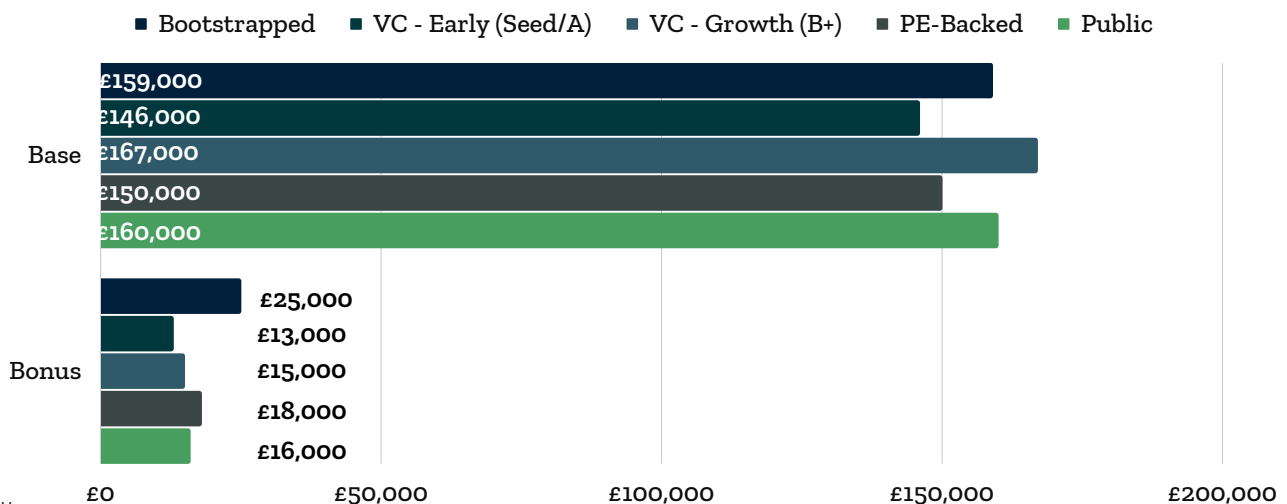
C-Suite Equivalent



VP of Engineering



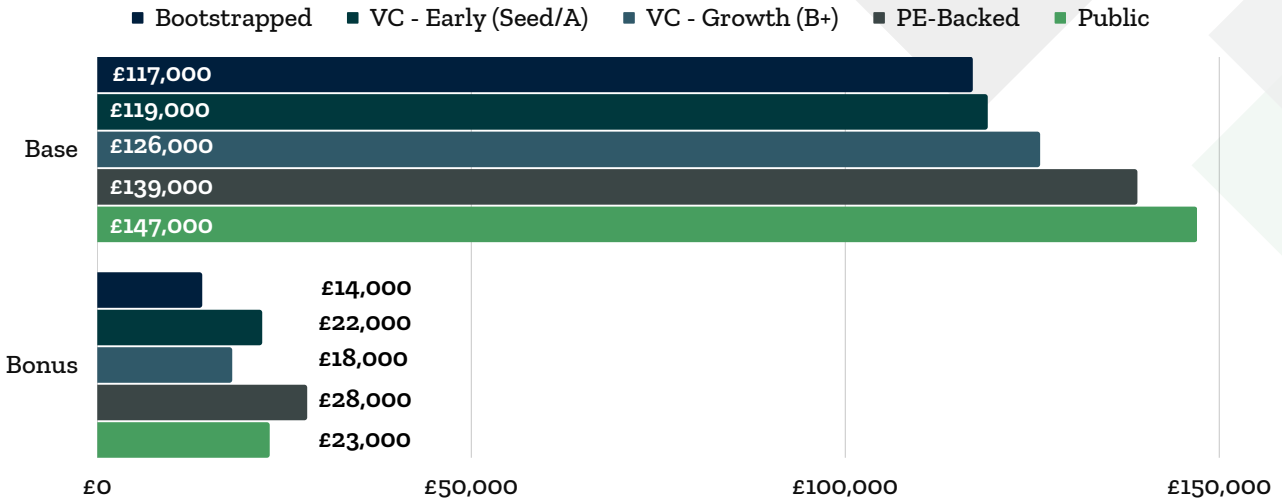
Director of Engineering



Survey Results

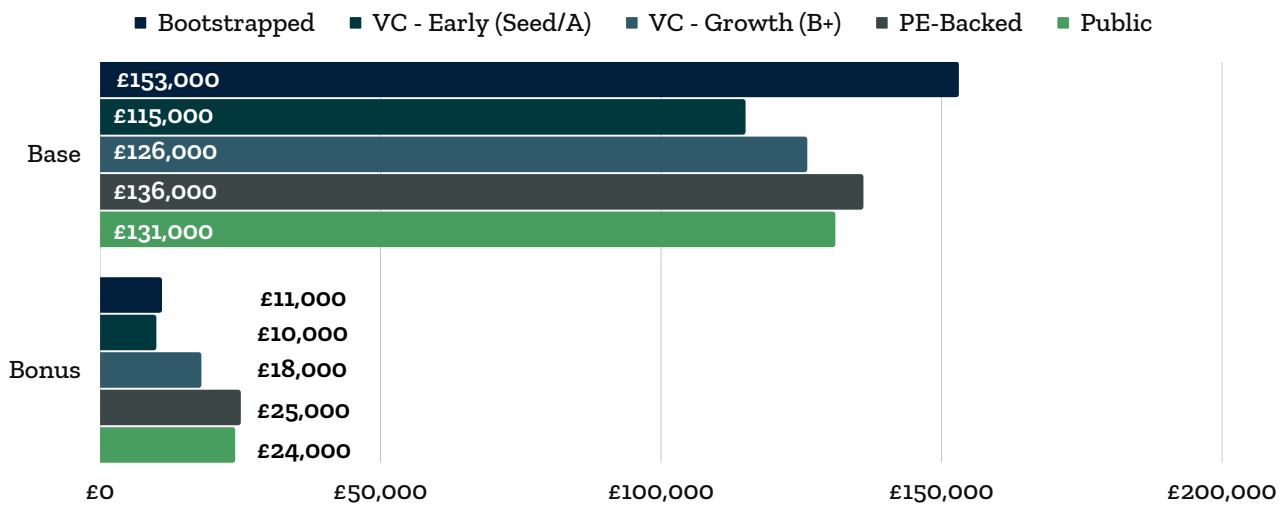
Average Base and Bonus

Head of Engineering



Engineering Manager & Engineering Lead*

*There was insufficient data for EL, and due to the closeness of the values to that of EM's both roles were combined in to one category



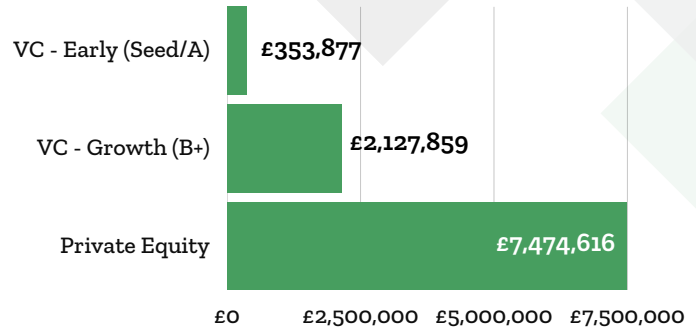
Survey Results

Cash Value of Equity

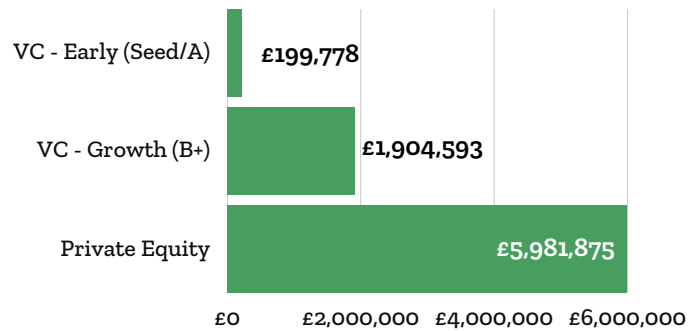
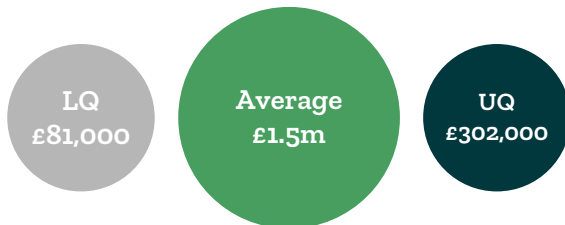
% of roles that receive an LTIP across our sample. Within that....

(LQ and UQ refer to Lower and Upper Quartile measurements, which represent the 25th Percentile and 75th Percentile of the data.)

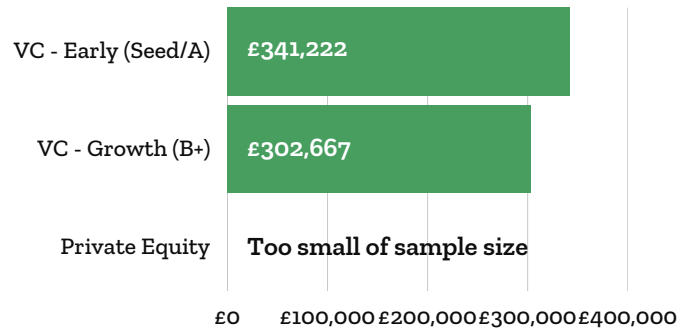
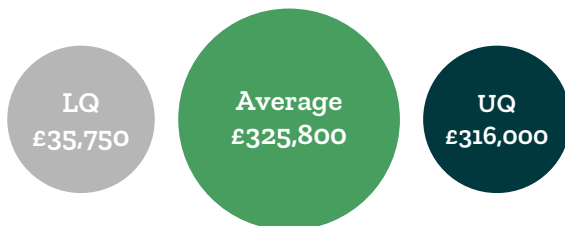
C-Suite Equivalent



VP of Engineering



Director of Engineering



Head of Engineering



Engineering Manager & Engineering Lead*

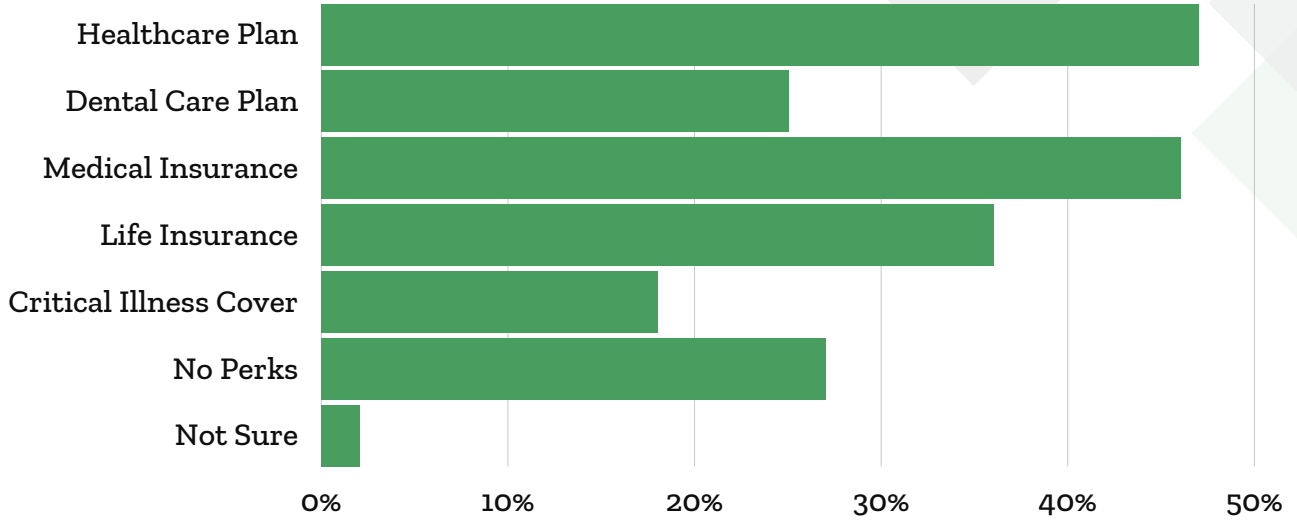
*There was insufficient data for EL, and due to the closeness of the values to that of EM's both roles were combined in to one category



Survey Results

Benefits

C-Suite Equivalent / VPE Benefits:



Some additional benefits submitted by respondents include:

- Pension matching
- 401K
- Mental health support/counselling

Response averages were deflated due to 251+ being the cap on base salary value, leading to some skewing away from the industry standard developed by Albany.

