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**Categories** Startups

# 20 Questions To Ask Before Joining A Startup

When I first joined a startup in 2012 I did my best to ask the right questions when interviewing. My engineering background prepared me for engineering tasks and helped me write a resume, but it didn't prepare me well for how to evaluate a startup offer. While this might be obvious to some, this is what I wish I knew when trying to break into the startup scene.

## Foundation

Making sure you've got what you need in your day to day is critical. Unless you are independently wealthy, **don't take a job that can't cover cost of living or does not provide health insurance**. This means you need to spend some time to create your monthly budget (good to do this even if you aren't interviewing). A good rule of thumb is 25% of take home pay should go towards housing and up to 40% in the Bay Area. 40% can be done if you minimize costs like going out or have a second income.

If the job requires relocation it is very common for startups to offer relocation packages. I've moved across the country twice and it cost around $3000-$6000 for things like:

- relocation cubes (https://www.upack.com/)
- shipping a car (https://www.uship.com/vehicles/)
- if not shipping a car, hotel while traveling
- food while traveling
- hotel for a few nights while finding more permanent housing
- registration fees (license plate, sticker, etc.)

Both times we moved we packed ourselves, which we could do because we were both healthy 20 somethings. So adjust if you plan on hiring movers.

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1. What is the base yearly salary?
2. What are details of the health, eye and dental insurance plans?
3. Does the company offer relocation? (if you need it)
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## Equity

The amount of equity in the offer depends on experience and the stage of the company. This part of the guide will focus on options, since at the time of writing options are the most common way for startups to offer equity. Here's an article on how options work.

The first goal is to understand the percentage of shares the company is offering. It is pretty common to get a written offer with the raw number of shares. While helpful, this is only part of the equation, since the number of shares doesn't mean much if there are hundreds of millions of shares already issued.

Here's a nice formula from Buffer that shows one way of determining startup equity amounts: https://open.buffer.com/buffer-open-equity-formula/. This formula is helpful because it takes risk into account by considering the number of people in the company. The smaller the company the larger amount of risk, and a greater reward if things work out.

Lets say you're a relatively new engineer (2-3 years experience) and joining a company with less than 10 employees. A fair amount of equity would be likely be around 0.3% - 0.7%.

In the recent years it has become more common for companies offer a 10 year exercise window on stock options. This means employees have 10 years to decide to buy or pass on stock options once they've vested, which is a great! However it is still pretty standard to see a 90 day exercise window. The effect is that after leaving the company, employees have to make the decision to buy or pass up on purchasing vested stock options. This could be a difficult choice for someone who doesn't have much cash on hand. Companies that have shorter exercise windows end up benefiting the people who are present during an exit. Here's some more information if you're interested in learning more: https://blog.colony.io/on-creating-a-better-employee-equity-plan-d89bcab4a4e2/

It is also important to note that early employees experience more dilution events. An example of a dilution event would be raising another round of funding. This is another reason why joining a company early should offer more equity. If you joining a company around a Series A raise, you can usually expect to see around 20% - 30% dilution.

The next item to consider is the strike price, which is the purchase price for the options when they vest. The strike price is often determined by the board, so it might not be possible to get this before starting. What's important about the strike price is that it is the starting point, so the company needs to grow for you to make money from selling options. If you can't get the strike price, make sure you believe the company will grow. Early employees often get a better (lower) strike price, to compensate for the risk.

After understanding the percentage of shares the company is offering and the number of issued shares, it is possible to get an idea of the potential value of the options. Here's a helpful startup equity calculator: https://comp.data.frontapp.com/

Most importantly, the majority of startups fail. The equity could be worth nothing, which is another reason why it is so important to have a strong foundation.

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4. How many total options are offered?
5. What is the total number of issued shares?
6. What is the vesting schedule?
7. What is the exercise window of vested options?
8. What is the strike price? (You might not get an answer to this one)
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## Funding

There are many factors in startup funding to consider. While getting information about cash on hand and burn rate are important, it is beneficial to understand who is investing along with some history on their past investments.

Let's start with the basics. Ask for total amount of funding, how much cash the company has on hand (preferably that day) and the burn rate. With this information you can get a picture of the scale the company is operating as well as how quickly they're spending cash.

After learning about operating costs and spending, dig into who has invested into the company. The investors can have a profound impact on the company culture and the direction of the company. Tools like AngelList and Crunchbase provide information about previous investments. Individual investors can usually be found on LinkedIn.

While it may seem a bit forward, ask if the company has failed to make payroll in the last year. If they have struggled to make payroll in the past, this makes choosing the startup a riskier venture and might be a signal that the founders are having trouble raising money.

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9. What is the total amount of funding raised?
10. How much cash is on hand?
11. What is the [burn rate](https://baremetrics.com/academy/burn-rate)?
12. What round of funding has the company raised?
13. Who has invested in the company?
14. In the last year has the company failed to make payroll?
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## Board

Just like the investors, the board can have a huge impact on the direction of the company. Determining if the board is healthy for the company is difficult because it is highly subjective. Basically it comes down the deeply unsatisfying *it depends*.

When evaluating the board, look for an imbalance in power (or control). If an individual or closely connected group on the board can lock or overturn a decision themselves there is a higher chance that the board is unhealthy. A board with concentrated power is almost the same as an individual making all the decisions. Concentrated power is not objectively bad, especially if you know the people with control well and trust that they will do the right thing.

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15. Who is on the board of directors and how many seats does each member have?
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## Responsibilities

A big perk of working at a startup is that the projects are high impact and the people are often at a high bar. There's not much room to work on things that are unimportant to the business or for people who can't pull their own weight. People often describe working at a startup like packing ten years into a single years worth of learning. Even if you're a deep expert in a niche field, daily learning will be critical to get things done. Make sure the prospective projects are interesting and will take your career in the desired direction. If you're not sure what direction to take your career, chose a role that will expose you to lots of different ideas you *might* be interested in. It is not uncommon for someone to find something they love doing and become the person who *owns a set of problems or services* related to that thing.

Startups change at an accelerated pace and is typical for projects to get cancelled (sometimes before the first day!). To get a feel for how often things change, ask questions about product market fit. It is critical that the company is working closely with customers to understand they are solving the right problem. Working with the customer can look like doing customer research, support forums (yes engineers do support sometimes at startups) or some other direct line of contact with the customer. If the company has already identified a product that fits the market, the engineering team is going to be solving whatever problems it needs to in order to build the product. If the company has not found a good fit yet, the focus will be on finding the right problem to solve. The process is commonly referred to as a pivot and will likely change the engineering team's focus.

After gaining insight on future projects the next step is to get to know potential teammates. Hopefully the company involves potential teammates in the the interview process so you can meet them and ask questions. If the company doesn't do this you can usually ask to meet with them, especially if they extend you an offer. Consider it a red flag if they won't let you speak to a potential co-worker. Keep in mind that you'll be spending lots of time working with these people, so you'll want to pretty sure that these are people who you can get along with. That's not to say that everyone will be your new best friend, but there should be a mutual respect. This is one of those occasions where you get to choose who you surround yourself with, so make sure these are quality people. If you get a bad feeling about someone, trust your gut here, there are lots of other startups!

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16. What projects do you picture I'd work on?
17. Has the company found product market fit?
18. How does the company collect feedback from customers?
19. Who would I be working with to complete the projects?
20. Ask each new potential teammate:
  1. What do you work on?
  2. What about your role are you enjoying?
  3. What could the company improve on?
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*Technically* there are 23 questions but I grouped the last one together as a question for new potential teammates. Also 23 questions to ask before joining a startup didn't have as good a ring to it.

I'd like to add a couple of notes before you go off and send this list of questions to potential employers. Try to get as many questions answered conversationally during the interview and save the unanswered questions for the end. It is ok to send a list of unanswered questions if time ran out during the interview.

It is unlikely that the interviewers will be able to answer *every question* for a number of different reasons, ranging from *don't know* to *I can't answer that*. It might be helpful to mark the questions that are important to you. For instance you might care a lot about `equity` but not care as much about the `board` structure since you know the founders very well.

This is not the definitive list of questions for everyone but more of a generic starting point. If you took this list and added questions based off your personal experiences you'd be in a better position to pass or accept an offer than if you used only these questions.

Finally, and most importantly, trust your gut. If you get to the interview and something feels off, it probably is. Just because a startup is doing well doesn't mean they have their shit together. There are 1000s of startups to choose from and spending a little extra time to find the right one is worth the effort.

Have some thoughts on this? Reach out to me on Twitter: @hjharnis



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