



Stanford eCorner

Spread the Wealth

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Video URL: <http://ecorner.stanford.edu/videos/1225/Spread-the-Wealth>

Verma believes that if entrepreneurs compensate adequately, employee loyalty is sure to follow. He stresses the importance of not being greedy as a CEO.



Transcript

Do not be greedy. One of the things that just frosts me is when I hear all these stories of iconoclastic CEOs who own 30% of the company or 40% of the company, multi-billionaires. Forget it. They screwed up. If you don't spread the wealth to all your people, when time for liquidity comes, and the people work very hard walk away with not very much, it's not a good thing. Not just because in the end you screwed people but in the end you never build a great company from there because that resentment will always be with them. If you're a CEO, make sure people are well compensated. There is no kudos for being the person that made so much more than the others. One of the things we measure at in Savi is we do almost a bell curve of stock options. The VPs and the directors should be in the middle part of the bell curve, the other one should be one sigma and the lower level employee should be one sigma.

In other words, most companies do some kind of weird curve where the top 10 executives have 80% of the equity. That's a mistake. I cannot overemphasize that is a mistake. It's bad business. You will never build another company. And even if you do succeed in building a company, you will never have the loyalty of your people. And candidly, you have to face yourself in the morning. So, I'm not a big fan of these superstar CEOs who run around telling people how much of the company they own, not a good fan.