



One Alewife Center Suite 130, Cambridge MA 02140

June 16, 2015

The Honorable John W. Scibak  
House Chairman  
Committee on Labor and  
Workforce Development  
State House, Room 43  
Boston, MA 02133

The Honorable Daniel A. Wolf  
Senate Chairman  
Committee on Labor and  
Workforce Development  
State House, Room 405  
Boston, MA 02133

Dear Chairman Scibak and Chairman Wolf:

I am writing on behalf of the entire leadership team at Onshape with full-throated support for the substantial eradication of noncompete provisions in Massachusetts employment arrangements.

Here at Onshape, we recently eliminated our employees' noncompete provisions, even though only a small handful of other companies in the Commonwealth have taken similar action. This impacted approximately 70 of our employees for the better, and given our growth aspirations we hope it will have a positive impact on many more in the coming years.

We felt compelled to act out of two primary considerations.

First, we believe strongly in maintaining and enhancing the economic vitality of Boston, Cambridge and the surrounding metropolitan area. Having been Chief Financial Officer at Harvard University before coming to Onshape, I observed first-hand the unbelievable collection of talent not only at Harvard, but also at MIT, BU, BC, Northeastern, Tufts, and the many other colleges and universities that comprise our higher education ecosystem. By any conceivable measure, this ecosystem gives Massachusetts an enormous competitive advantage over practically every other region in the world.

Noncompete provisions erode this inherent competitive advantage, by decreasing the fluidity with which employees can contribute to economic growth. They make each employee's expertise less portable by requiring the employee to sit on the sidelines rather than contribute their accumulating knowledge to increasingly sophisticated situations. This obviously harms the employee, but it also carries an opportunity cost that is borne by our local economy. And if an employee decides to leave Massachusetts rather than sit on the sidelines, that opportunity cost is exponentially higher because we will experience a more permanent loss of talent. While Northern California is merely one of many regions with whom we compete for talent, it is worth noting California's restrictions on most noncompete provisions -- which help distinguish Northern California as a "safer" place for employees to pursue their careers. We can safely assume that California-based companies are using this as a recruiting tool in head-to-head situations.

It is in our collective best interests to prevent our most talented employees from voting with their feet, by leaving Massachusetts for more hospitable environs. This will require all of us to "think globally and act locally" in the realm of noncompete provisions.



The second consideration (it really is “1(b)” to the “1(a)” argument above) is that noncompete provisions suggest a lack of trust. At Onshape, we seek to attract and retain employees who share our fundamental values: being transparent and honest, working in the best interest of our customers, taking full advantage of learning opportunities, etc. When an employee agrees to join Onshape, they put their trust in us -- i.e., they trust that we will promote these values, empower them to make the day-to-day decisions that contribute to their and our success, and give them the opportunity to develop to their full potential.

In this context, noncompete provisions constitute a not-so-subtle red flag for employees. They communicate something along the lines of: “We trust that you share our values, and that we can deliver on what you are seeking from us ... but just in case, we are going to insert a whole lot of friction between you and your next opportunity so that you always will have ample incentive to stay.” Some argue that these provisions help protect a company’s intellectual property, but they do so only in an indirect and highly imperfect way – and besides, companies and their employees have entirely different (and completely defensible) contractual arrangements covering IP. In the realm of noncompetes, should we really be using employees as hostages by restricting their freedom of choice to manage competitive risks that can and should be managed in other ways?

One of the most important responsibilities for any organizational leader is to maintain a highly engaged, motivated and passionate workforce. If the Onshape leadership team does its job well, then our employees will stay for the right reasons -- and not simply because they feel chained to us by virtue of their noncompete provisions. Moreover, we are sufficiently pragmatic to recognize that many of our talented employees may love working at Onshape, but nonetheless will choose to leave us to embark on new and exciting chapters in their careers. We want the kind of trust-based relationships with our staff that would allow us to celebrate those moments, rather than inhibit them.

Eliminating noncompete provisions is the right thing to do for Massachusetts; and it is the right thing to do for any company seeking to be a preferred employer. We are grateful to the Massachusetts legislature for giving careful consideration to our perspectives on this topic.

Respectfully,



Daniel Shore  
Chief Financial Officer  
Onshape Inc.

cc: Members of the Committee on Labor and Workforce Development