eCorner

Stanford eCorner

Lessons Learned from First Acquisition

14-10-2015

URL: https://stvp.stanford.edu/clips/lessons-learned-from-first-acquisition

Jeff Seibert, reflecting on the acquisition of his first startup by the content-management platform Box, shares lessons learned from the experience: First, save more time for negotiating better terms. Second, leaders must protect their team from the stress of uncertainty. Third, insisting on continued investment in the startup after acquisition can benefit both parties down the road.

Transcript

We did get a lot of things wrong, and so I wanted to talk through these.. We waited too long.. So as I talk through, we did this fund raising process that did not pan out.. And then we started thinking about partnership opportunities, and then ultimately acquisition opportunities.. Because of this, we had a very short runway to pursue the acquisition, and so we couldn't fully evaluate every possible option.. We basically approached the top four firms that we thought would be interesting on a partnership side.. But if there had been much, much more time we could've gone much deeper, been far more strategic about the partnership or acquisition that we were pitching, and gotten to be a little bit in a stronger negotiating point, so that we could perhaps have come out with a better monetary outcome even though that wasn't important.. We were also overly transparent.. And this I think is really interesting because I am deeply for transparency within companies.. But I think there's a caveat to that..

I think as a founder of a startup it is your responsibility to gauge how transparent or not to be, and your ultimate job is to reduce stress for your team.. And so in many circumstances actually being more transparent reduces stress because people see the picture, they understand where things are, and they can go do their job.. But in certain cases, particularly I found in acquisitions, the stress of going through that process is immense.. And it is almost certainly your job as a founder to try to reduce that stress for your team and to prevent them from having to go through the same process you are.. Because we started talking with Box and then these other firms about three months before we ended up closing.. And so even with a relatively small, relatively simple deal it still takes quite a bit of time.. And during that time our entire team of six was visibly stressed.. People didn't know what to work on, we didn't know whether to continue our roadmap or to go and build what we think Box might have wanted, or maybe we do some experimentation and we built some things that Red wanted and some things that Blue wanted so we could see the whole world.. It was just a lot of confusion and ultimately lost productivity, because the net result of that is we built almost nothing during those three months, because we were so confused about which direction to take.. And so in retrospect, we should have probably not told the team we were going through this process and we should have brought them in when we were more certain of the direction so that we could have kept executing towards our original goal as a startup before making this transition..

We also again because we haven't been used to this process, we didn't know what to negotiate and neither did Aaron Levie, we didn't get any commitment on Box's part to continue investment.. And so they were excited by the technology.. We came in.. We built it.. We integrated into their systems.. And then over time we transitioned off and worked on different projects across the company.. Which was a great experience and we learned a lot doing that, but what turned out to happen is that Box actually under invested in document preview over the course of those five years.. And a year and a half ago had to buy Crocodoc in order to make up for that.. And Crocodoc was a company that started right after we were sold, and was basically the next generation of conversion technology.. And so because Box under invested in it we didn't have the next iteration of the technology and they had to go make another acquisition in the space...