

URL: <https://stvp.stanford.edu/clips/should-you-tell-before-you-sell>

Ali Ghodsi, CEO and co-founder of Databricks, advises CEOs not to tell their co-founders if they have an offer to sell the company, because the co-founders may have conflicting opinions and pressure the CEO. He shares practical advice for thinking about when to sell, and for how much.



Transcript

- For selling or not, 00:00:03,660 I mean, advice number one, don't tell your co-founders if you have an offer, okay? 'Cause there's gonna be a lot of politics and they're gonna have a lot of opinions and you don't wanna hear their opinions.. It's really your decision.. - Don't, if you get an acquisition offer as a CEO 00:00:14,880 and you have co-founders, don't tell them? - Again, in this lecture, 00:00:17,670 I'm just gonna contradict everything I did and tell you do the opposite.. I told my co-founders, it's a terrible idea, don't do that.. They have a lot of opinions, okay? - Even though you trust them? 00:00:26,850 You trust them.. - I trust them, 00:00:28,516 - But you don't trust them enough to tell them.. 00:00:29,820 - Literally, literally, I was like, since I trust them 00:00:30,900 and we have this tight knit group and we're so, I have to tell them this.. - Okay.. 00:00:34,456 - And I told 'em, and then I didn't like 00:00:36,090 what they were saying.. Okay, so in my opinion, be very careful..

Like, if you end up not wanting to sell or if you're not selling, be very, very careful.. Because what if they're like, no, no, no.. You're destroying the company.. This is our only chance to sell, you have to sell it now.. And you're like, no, I don't want it.. That's a very tough spot to be in.. Be very careful with that.. - Can you talk about how do co-founders have good, 00:00:55,860 have fights in that situation? It just might is right? T he CEO makes the decision.. - No, it's siblings, right? 00:01:01,560 And it is like, it's very hard.. It's not, that's why I'm saying don't do it..

- Okay.. Okay.. 00:01:04,920 - It's gonna be very hard.. 00:01:06,423 You know, it's, you know, you're gonna get me into trouble soon.. I'm gonna lose my co-founder.. But, so that's what I would say.. You know, I think that most, I think a rational way of thinking about selling, there's many ways, I'm not gonna give you all the answers, but pretty rational way is to say, look at your growth rate and see how it's going.. And if you just compound that for three years, where will you be in three years? You can do a best case, medium case, poor case scenario, and the acquisition offer better definitely be the worst case scenario, right? Probably also the middle case scenario as well.. Then you can decide what you wanna do with your life.. Do you wanna do another one or not? But, so this is a lesson for people who wanna buy companies that I think most people who buy companies don't understand this..

The founder is not gonna sell it for the value it has today.. They can just sit on their butts for one year, and the growth rate will be this much, and with this multiple, will be this much.. So you have to pay a significant premium.. There are two types of

acquisitions.. There are, in my opinion, there are acquisitions of companies that are kind of, it's not really working.. And there are acquisitions of companies that are doing well.. What I'm talking about, these companies that are doing well, it's going well, it's growing.. Then there's companies that you have to close doors and it is over.. You have to then, you know, that's a different equation.. Then you only have this much time and you have to find the best offer...