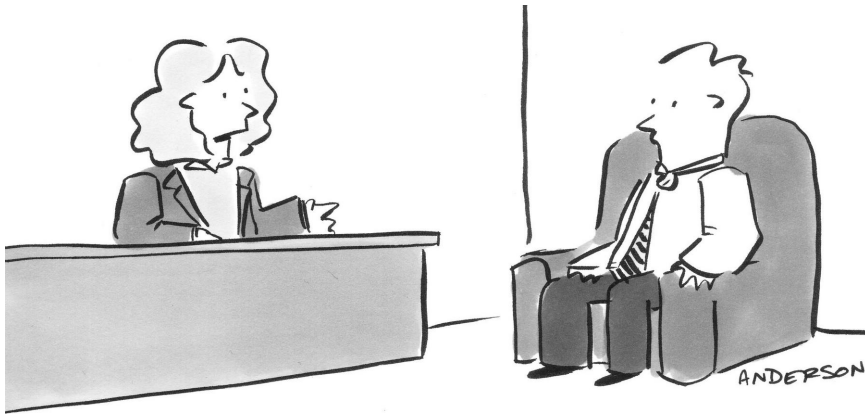


## Refutation: An acquisition is always a failure



"I'm sorry, Ted, I think we need to slow down.  
I've been hurt in mergers before."

Oh how the media loves superlatives (but only because that's what we click on and share).

Jake Lodwick wrote an article<sup>2</sup> on PandoDaily entitled **“An acquisition is always a failure.”** He explains:

Either the founders failed to achieve their goal, or—far likelier—they failed to dream big enough. The proper ambition for a tech entrepreneur should be to join the ranks of the great tech companies, or, at least, to create a profitable, independent company beloved by employees, customers, and shareholders.

On his startup's sale to a larger company, he then laments that the “youthful energy that created so much value was siphoned off.”

These are common sentiments, but they're the false wisdom of those who haven't experienced the alternative. It's classic founder naïveté to think that “youthful energy” would have been maintained had the company remained independent.

Companies are constantly changing. Cool ones cease being cool, new products cease being new, the slow-growing startup with a terrific idea is eclipsed by the faster-growing one with weaker ideas, the fast-growing startup by definition changes itself so quickly<sup>3</sup> that year-over-year it's unrecognizable to those inside it.

WP Engine is one of those, and we laugh about how drastic the changes are, in the rare spaces between tackling the latest challenge. We have “youthful energy” for new innovations, but we also have all the challenges of fast-growing companies with hundreds of employees; that's part of success. A company won't be a band of six people doing whatever they want forever, whether you sell or stay independent.

It is the nature of things to change; expecting otherwise is foolish.

The other fallacy of the article is that his sale was a failure because the founder didn't like being an employee at a larger company. More likely, the typical postpartum depression that naturally follows even the most successful of exits.<sup>4</sup>

But what about the other employees? Did all of them hate life too, or did they have new opportunities they didn't have previously, did they get better compensation and benefits, did they have peace of mind with greater job stability? Most people don't have a founder's temperament for independence and risk. What if those people *wanted* those jobs? What if more jobs are created, faster, due to the investment by the acquirer?

Sure not all acquisitions go that way. Sometimes the product is ruined, sometimes the culture is annihilated, sometimes jobs are destroyed, sometimes it's an unmitigated disaster.

Of course, all those things happen at independent companies too. People love quoting statistics about how most acquisitions are failures, but they forget to mention that most independent startups also fail, or at least cease over the span of time that we measure acquisitions.

I know of quite a few acquisitions where nearly everyone stayed for years afterward, where it was the right thing to do in retrospect, where there were new opportunities for growth and enhancement because they were part of a larger company, and where all the employees made good money both in the acquisition event and in being well-compensated afterwards. In many of those cases the founders left ahead of others, and yes they went back to founder-y types of activity. That doesn't prove it wasn't the right choice at the time, both for them and their employees and products.

Do you think Google's acquisition of DoubleClick or YouTube was really bad for everyone there? Or eBay's acquisition of PayPal? Or the hundreds of small companies who weren't "killing it" as much as their hype and Twitter feeds suggested, but who now are on solid teams with nice stock options in successful tech companies?

How about instead of superlative language, insulting everyone who makes the choice to join forces with a larger company while providing liquidity for employees who also took a risk, we ask "When is acquisition wise?" and "What are the conditions under which acquisitions are likely to be good for all parties?"

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*Current version of this article:*

<https://longform.asmartbear.com/acquisition-failure/>

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