How the Digg team was acquihired.

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About a year after the [catastrophic Digg V4 launch](), our last-ditch experiment to salvage the site showed a spark of hope. We'd cajoled our way into a Facebook beta that allowed us to publish each Digg users's read articles into their Facebook newsfeed, sending every clicking friend directly to Digg's permalink page, where they might click on our ads and maybe even create an account.

The early statistics were grave. An entrepreneur-in-residence at one of our investors built us a virality model projecting the business' recovery on the assumption that we had 20,000 daily active users of our Facebook integration. The projections looked really good – get a bridge round of funding good – but it wasn't quite clear where that 20,000 DAU figure came from, as our starting point was far less: 200 DAU.

One morning as the golden rays of sunlight drifted into the rusting windows of our Potrero office, our fortunes started to change. Facebook activity spiked and for one glorious day we were the top ranking newsfeed application on Facebook. A day later our haggard data pipeline plopped the day's analytics into Hive, and our two data scientists, Alan and Tara, ran the analysis – what was the nature of our salvation?

Our hero? A piece of malware pretending to be a Justin Bieber-Selena Gomez sex tape.

Our future? Selling the business, the patents, and most valuably the team to the highest bidder.

Once it became clear our runway was measured in not-very-many months, it became clear that our two paths forward were shutting down or getting acquired. Rumor has it that Google almost acquired Digg for some $200m some years before I joined, with that alleged acquisition falling through late in the discussions. When we started this acquisition search, we weren't looking for $200m, we'd have been more than glad to drop off a zero.

The best acquisition scenarios start with inbound interest from another company, which unfortunately wasn't the case here. Instead we needed to find an acquirer, and needed to do it in one to two months. So we wrote comprehensive information packets on our business, team, technology and patents, and we started doing the rounds. "We" here mostly meaning our CEO, Matt, and our investors, with members of Digg's leadership popping in as appropriate.

Each company evaluates acquisitions differently, but there is a general structure shared by most. They'll start with your CEO talking to an executive or M&A leader at the company. If that goes well, a few senior folks at your company will present pitch decks. If there's "mutual interest," then they'll interview a "representative subset" of your team. If those interviews turn out well, then depending on the size of your team they'll either interview your entire team or interview a larger sample.

The best case scenario is that you'll be able to sell the entire company – team and assets – to a single acquirer, but in the case of a distressed acquisition, it's often the case that you'll find a higher value if you split the team from the other assets. That is what happened in this case, with us eventually selling the team, the patent portfolio, and the brand/business to three separate entities. The patents and brand were fairly typical negotiations, so I'll focus on how we sold the team, colloquially known as an acquihire.

I'm not sure how many companies Matt and our investors approached, but my best bet is that they did very light weight reach out to dozens of companies. This is a time to go as broad as possible, talking to any company that might have the assets to acquire. Many of these early reach outs went to technology companies, but given Digg's focus on media, we also spoke to a number of companies that are easier to categorize as a media company than a technology company. I recall particularly fondly talking to a Fortune 500 company whose internet efforts were, in the year of 2012, still contained within its Emerging Technologies business unit.

Digg's extended leadership team presented our slide decks to about half a dozen companies, and as best I can remember we had the full engineering team interview with three companies, but it might have been four.

It was always nerve wracking to hear back after the full team interviews – what would they think of us? The interview results were always mixed. Along the lines of typical tech interviews, the folks who enjoyed solving algorithm problems in their spare time consistently did well, and everyone else was hit or miss depending on the day. Sometimes the feedback would make sense, and sometimes it felt capricious. It was particularly demoralizing when one of our most experienced engineers got rejected for programming in Perl, which the interviewer felt was a sign of a poor developer.

The good news is that despite programming interviews being quite arbitrary, they're learnable and cover a finite set of topics. So we got to work practicing, including bringing in a consultant who specialized in training folks on programming interviews to help the team practice.

Even with practice, it was still rough. My opinion is that our biggest enduring challenge was that we lacked star power, with the old Digg crew gone years earlier and few senior leaders choosing to move forward. If the acquirer doesn't value your business, then acquisitions depend on at least one senior leader on the acquiring side falling in love with the imagined future impact of at least one member of the potential acquisition. Alan, our Chief Scientist, and I were the senior-most members who planned to participate post-acquisition and although we both did well in the various evaluations, neither of us sparkled quite brightly enough in the process for someone to fall into the deep and irrational love that ends in them paying you several million dollars.

We did, however, find a company that was excited to keep our team together and have us jumpstart their San Francisco office. That company, SocialCode, chatted with our leaders, interviewed our full engineering team, and brought us on. This wasn't a big press event, but a [few articles](#) did [cover it](#).

There are quite a few details to finalize as talent acquisitions come together. Some are the fine print around compensation, assets, liabilities and such, but particularly important is finalizing the team to bring forward. Based on interview results, most companies will identify a subset of the team they are excited to bring forward and others they don't want to bring forward. This will turn into a several rounds of discussion on individuals' interview performance and whether they should or shouldn't move forward.

Digg, like many small companies going through acquisition, had never done performance reviews and had no one (still remaining) working in human resources. This meant that I, someone inexperienced and unprepared to decide who should be given an offer, ended up responsible for deciding who would move forward on the engineering team. Although in the end we brought almost everyone forward, I didn't handle this process well. I'd urge anyone given this responsibility to create a structured framework that minimizes your personal bias and to then abide by your framework's results.

Once the list of folks moving forward is finalized and the details are finalized, you'll have a frenzied day of capturing signatures. These contracts are typically constructed such that *every* designated employee must agree to the contract without modification in a very short time period (one or two days), which means they are not only negotiated in bulk, they are signed with little review and significant peer pressure. If *you* don't sign, then *no one* gets that sweet new compensation package. This threat is overplayed at times, but companies absolutely do walk away from nearly-done acquihires, you only have to refer back to the Google near-acquisition of Digg.

The more leverage the to-be-acquired company has in the negotiation, the sweeter the deal for folks involved. The less leverage, the sourer. That said, these deals can't be *too* sour, because you still need folks to sign and the market for engineers is generally a good one.

In our case, we ran around, cajoling and begging folks to sign, got all the signatures, and a day later we were officially the first members of SocialCode's brand new San Francisco office. They flew out a team of their engineers to help us onboard, a month later we flew out to their DC office to meet the entire team, and the Digg team was something new, different and good.

As the acquisition process ended, I had coffee with one of our board members at Potrero hotspot Farley's, and he said something to me that I certainly had not considered. He suggested I was a total idiot for not raising $500k to buy Digg.com and fund a small team to restart Digg. Well, yeah, I guess that would have been a pretty good idea, but I was so focused on holding things together day-to-day that I never stepped back to consider whether I should actually move forward, let alone take steps to acquire the domain.

Something I didn't realize during this process was how trapped I felt as a senior leader who was designated a "must sign" individual for the acquisition to move forward. I'd hired much of the team, was responsible for them, and wanted desperately to land them into new jobs. Because acquihires are "star" oriented, if you're a senior leaders who doesn't explicitly refuse to move forward, pressure will converge on you from all sides: investors, the team wanting to return to stable employment, and the non-participating leadership team who all want you to commit so they can move on to new things for themselves.

The stress of the process aside, going through the acquihire process was extremely enlightening for me, and I got the opportunity to work with a group of folks in a business I'd otherwise have probably never considered. As complex as the acquihire process can be, the truly hard work starts post-acquisition, which is a different story.

These days, my predominant feeling for this period of time is gratitude to the folks at SocialCode for keeping our team together – a few folks from the Digg acquisition are still there seven years later – and even more grateful to the team that went forward with me. Thanks.

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