

# [Acqui-hiring: A Powerful Recruiting Strategy That You've Never Heard of](#)

by [Dr. John Sullivan](#)

The war for technical talent is so intense that a handful of firms like [Google](#), Facebook, Cisco, [Apple](#), Twitter, and Zynga have shifted to a powerful but rare recruiting sub-strategy known as acqui-hiring. It involves established firms acquiring startup firms *not* for their products (only Facebook admits it) but instead primarily to capture an entire team of talented engineers and designers at once.

If in the past after reading about an announcement of an acquisition you've wondered to yourself why a technical giant was bothering to buy a startup with no profit, a seemingly unrelated product, and a product that was in a completely different field, now you know why. The strategy has recently received some added publicity because Yahoo's new CEO Marissa Mayer recently announced that she was going to adopt the strategy used by her former employer Google, a king of acqui-hires. Mark Zuckerberg has boasted that "Facebook has not once bought a company *for the company itself*. We buy companies to get excellent people" ("Engineers are worth half a million to one million" — V Smith).

Acqui-hiring (acquisition hiring) is in direct contrast to most traditional corporate hiring, which simply doesn't work when you are recruiting innovators who prefer startups over what they consider to be onerous "corporate jobs."

## **The Benefits of an Acqui-hire Strategy**

The strategy originated when large tech firms were restricted from hiring each other's talent because of "[non-poach](#)" agreements. However, even though those agreements are dead, the strategy has even expanded because firms have since come to realize the quality of the innovative talent that work at startups.

The Holy Grail of recruiting these days is successfully recruiting innovators, game changers, or what some call [purple squirrels](#). They are so valuable because they "think outside the box" 24/7 and they are the kind of people who come up with innovations like mobile phone apps, social media applications, and game-changing products.

The problem with these individuals is that they prefer the freedom of a startup environment, and as a result many would never even consider applying to a large corporation. The acqui-hire strategy (sometimes spelled acqhire) allows large corporations to get this talent by simply buying their firm and as a result they get every one of their teams. Be aware that the strategy is not for the risk-adverse recruiting leader, but if you are strategic, you should realize that it does have numerous advantages.

They include:

- **You get an intact team**— Traditional hiring results in the hiring of individuals and not teams. However with acqui-hiring, you recruit the entire team at the same time. Obviously the team already has the capability of working together, so there is no need to develop team collaboration and cooperation. If you can successfully keep them operating as an intact team, they will continue to innovate and produce for years.
- **You get innovators** — startups are known for their ability to acquire innovators and outside-the-box thinkers. Through acqui-hiring, you not only get the current innovations and ideas of these individuals, but you also get their ability to continually generate new ones.
- **You get the CEO** — when you buy the firm, you also get their entrepreneurial leader (it usually is written into the deal). Not only do you get the leader’s entrepreneurial ideas but you also get their ability to successfully lead the acquired team through brand-new innovations. The leaders in return often get the opportunity to use the brand and the resources of the purchasing firm as a platform to more broadly spread their ideas.
- **The acquired employees have a proven track record** – if the acqui-hire target is successful with a viable product, you are getting already trained and top-performing employees. And because they have been working at a startup, they have already proven that they are more than willing to work long hours with minimal resources.
- **No other recruiting strategy will work** — even though firms like Google have a great employer brand, they are still viewed by startup and entrepreneurially focused individuals as large corporate entities. Because of that negative view, individuals who would choose a startup will likely never even consider applying at a large corporation. And even if they do apply, up to 90% will be rejected because they are found not to be a “corporate fit” somewhere during the recruiting process.
- **They will initially accept their fate** – because they are being acquired as a unit and because they have been through so much turmoil together, their camaraderie and cohesion will work together to convince almost everyone to make the move. They will at least initially assume that as a team, they will be able to look out for and protect each other from the feared corporate intrusions. If their leader is properly prepped, they will be able to convince the team that as part of the plan, they will at least initially be isolated or protected from corporate influences. Google, for example, often lets the organization continue to operate as an independent business unit (example — YouTube), while in other cases, it does kill the product. If past acqui-hires have gone well, there will be many within the large corporation who will help to alleviate any concerns. In many cases, the M&A agreement will contain incentives that will further encourage everyone to join the larger firm.
- **With the right retention strategy, they will stay** — the same factors that prevented the startup’s employees from applying for corporate jobs could also cause these newly acquired employees to eventually quit. Well-designed compensation packages and stock option packages will keep them for a while. In many cases, however, once the acquired employees learn the advantages of now having a great brand, better pay, and benefits and ample resources, the majority of the team will see the benefits of staying for a long time.

- **Eventually many will acclimate** – just like anyone who moves into a new environment, over time most will eventually acclimate and even lose their dislike for the corporate world. Some may become comfortable enough with the organization that they are willing to move away from their initial team and into the mainstream of the corporation.
- **Being acquired is an acceptable goal of startups** – because every employee knows that one of the possible outcomes of any startup is to be acquired by a larger firm, there will be less initial resistance when the acquisition is announced. Individuals can now save face among their startup friends because they now have a credible argument to share along the lines of “no, we didn’t fail, we succeeded because we became so successful that we were bought out.” In many cases the money that the team members receive as a result of the acquisition will also help to soften the blow. The acquired talent won’t require outside the norm salaries at the new firm (and the disruption that they can cause) because they get most of their money in a bonus covering their equity buyout (which incidentally is taxed as a capital gain). In the case of faltering startups, investors support the acquisition because they get their money back and founders get to save face and not harm their reputation with venture capitalists.

## **The Role for Recruiting Leaders**

Because the acqui-hire strategy involves buying companies, obviously executives have to be sold on the ROI of the process. Recruiting leaders also have to show that they are strategic, or they won’t be involved in the acqui-hire process at all. If executives are skeptical, recruiting leaders need to demonstrate how the total value added as a result of the acquisition (including employees, products, patents, and customers) exceeds the cost.

You also need to include the delay and the recruiting costs involved in acquiring the same number and quality of talent through normal recruiting channels. Obviously recruiting executives need to spend time with the CFO’s office to come up with a process for demonstrating how acquiring talent this way is more effective and cheaper than the traditional approach of simply hiring individuals.

Once executives are on board, the role of recruiting shifts to developing a set of criteria for assessing which firms have a large percentage of desirable talent. Once those criteria are set, recruiting leaders need to have a process that identifies and assesses the talent quality at each of the potential acqui-hire purchases.

## **Final Thoughts**

It’s unusual to hear M&A strategy discussed in the same conversation with corporate recruiting, but a handful of firms have learned the advantages of combining the two strategies. A few firms have tried “lift outs,” where they recruit a single intact team but this acqui-hire strategy brings in multiple teams. Although companies like Facebook report phenomenal successes, others like Apple have had problems (they reportedly used the strategy to acquire their mapmaking talent).

If you have been striving to be more strategic and bold in your recruiting, you should seriously consider this option.