



## Stanford eCorner

### Reasons to Acquire a Company

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Video URL: <http://ecorner.stanford.edu/videos/2511/Reasons-to-Acquire-a-Company>

Dan Rosensweig, former COO of Yahoo! and current CEO of Chegg, speaks about the value of acquisitions for organizations who face operational pressures that can inhibit internal invention. Yahoo! bought other companies for either their team or their technology, but the ultimate goal of any acquisition on their radar was to use it as a magnet for broader advertising sales.



#### Transcript

When we were at Yahoo!, we had determined that we could iterate but not invent because once you're a large company, you have operating metrics. Once you're a public company, there are numbers that you need to make. And almost everybody you hire is about executing on what you need to do right then and there. And one of the big difficulties, the dilemma that they talk about, is the fact that it's very difficult to invent. So, if you look at what Yahoo! did, if you look at what Google is now, look at how many companies Google has acquired over the last couple of years, because you don't have the DNA in the company. Things change in technology. So, what we were looking for were things where we thought the fire hose of Yahoo! could be a kingmaker. So, if we could put our audience against something, we could make it big and we could run the table. And most of the acquisitions we made were extremely successful as a result of that. Sometimes we were buying things for our team.

And sometimes we were buying things for technology. How many of you use Flickr? So, at the time that we bought Flickr, it had something like 600,000 users and it has 40 or 50 million, maybe more than that. I think it left at 40 million. We knew that it was never going to be a business. But we knew that it was going to be an unbelievably valued utility for people, where we could attract audience, bring them back and benefit our core business model at very low costs. And so, we were willing to buy it. And the thing has been incredibly successful for Yahoo! So, our business was advertising. People always ask is Yahoo! a media company, is Yahoo! a technology company. We're an advertising company. We made our money off advertising.

And so, we needed to attract eyeballs and get the highest value we could for each eyeball. And so, we were looking for things that could fill in those gaps and create a reason for people to start their day and end their day with Yahoo!