BY DEAN ZUCCARELLO

KISS that Deal Hello!

Keep your negotiations straightforward

"Life is really simple, but we insist on making it complicated." (Confucius)

Overcomplicating things is part of the human condition. Whether it's something as basic as choosing an outfit for a job interview, or something as monumental as selling the company you poured your heart and soul into, people tend to overthink both their choices and their actions. It's not hard to understand why someone might overdo it when selling their company, but the bottom line is that most transactions are complex enough already. So making the effort to curb any overthinking will deliver the best chance of reaching a successful close.

Interestingly, although perhaps not surprisingly, I have noticed a sort of "Jekyll and Hyde" dichotomy, depending on the type of transaction a client is pursuing. Typically, clients looking to recapitalize their business are more like Dr. Jekyll, remaining more rational and reserved during the process. On the other hand, we find our buyers and sellers presenting themselves in a Hyde-like manner. Sure, theirs are inherently more aggressive transaction circumstances, but that doesn't account for the massive attitude shift that occurs in many people.

While there are multiple factors that induce this change in behavior, I'd argue that they all come back to one central theme: objectivity versus subjectivity. Each deal I have worked on in my 25+ years of experience has had its own unique characteristics, but there also has been an unmistakable trend. Although not always the case, I have often found that clients seeking some form of capitalization or financing engage in the process with an objective mindset, while those pursuing an acquisition or divestiture go about things in a more subjective manner.

Think about it this way… The Dr. Jekylls operate in a straightforward fashion, with their efforts intended to accomplish a specific purpose, based solely on the facts of the situation. Our Mr. Hydes are more likely to emphasize their moods, attitudes, and opinions, basing their actions on their own perceptions, as opposed to evaluating a deal opportunity in an unbiased fashion and on its merits alone.

It should be no shock that dealing in a subjective manner makes any process more complicated than it needs to be. When people are wrapped up in their own emotional response, it becomes exceedingly difficult to understand the true motivation and reasons for their actions. Take a step back and look at the big picture. Why did you decide to pursue this course in the first place? How is it that you can best achieve this original goal? If you instead choose to focus on the granular details that hardly matter in the long run, you're letting the deal process dictate the outcome, when it's actually the deal *opportunity* that should drive your decisions.

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To be a legitimate player in the industry today, you should only engage in an acquisition or divestiture once you have a clear plan of action and a specific, resolute goal in mind. Know what you want to accomplish and have the confidence to stand by your decision. If you want to sell your business, be prepared to sell. If your intentions are wavering regarding any aspect of the deal, you are automatically hurting your chances of reaching a successful close, not to mention the significant effect this could have on your reputation. If you're known as someone who is difficult to work with, you're severely hindering your chances of being taken seriously in the future.

One portion of the deal process stands out as that which arguably would benefit most from taking this logic into consideration: due diligence. Above all else, on top of being objective, buyers and sellers must remember to be reasonable.

Sellers: Don't withhold pertinent information. Excluding excessive requests, the buyer has every right to view your updated financials and any additional metrics necessary to substantiate a valuation.

Buyers: Don't submit a 30-page due diligence request list. Diligence is meant to assist you in understanding and subsequently confirming your bid. It's certainly not the time to enlist an army of accountants and lawyers to take a fine-tooth comb to everything, with the hope that their reports will tell you what decision to make. Most of these items should have been addressed before this point anyway. Additionally, keep in mind that you are purchasing a business, not a guaranty. If you want a guaranty, buy an annuity.

At the end of the day, you need to be able to rely on your own business judgment, because this is what should ultimately produce your decision. Think back to your original goal: *Viewing this transaction objectively, does it accomplish your core purpose?* Don't let your answer become muddled by a process that was unnecessarily complicated because of an emotional and irrational human brain. MUF

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