Don't let deal disagreements get personal

It's no secret that the objectives of business buyers and sellers are fundamentally at odds with each other. Buyers seek a lower price, sellers a higher. Buyers often want terms that provide tax advantages — terms that may not match the preferences of sellers.

Typically, such details get hammered out satisfactorily at the negotiation stage. But sometimes M&A participants have trouble striking a deal when differences of opinion become personal. A festering conflict between rival owners or executives is one of the best ways to waste everyone's time and money.

KNOW YOUR GOALS

You're more likely to get what you want from a deal if you know what that actually is. Take time to identify your goals, and your tactics for reaching them, before you put your company on the market or start looking for an acquisition target. If you remain focused on these goals as the transaction proceeds, your deal is less likely to become sidetracked by your emotional responses to the topsy-turvy M&A process.

If, for example, sellers hope to realize an abovemarket price, they need to be able to speak confidently about their business's strengths and address any perceived weaknesses. Buyers gain negotiating leverage by highlighting an acquisition target's weaknesses, so sellers should prepare good arguments and not allow themselves to take offense at any perceived criticism of their leadership.

By the same token, buyers should focus on specific weaknesses — supported by numbers and facts — that affect value, and avoid blaming the company's owners or executives for poor management. Diplomacy is essential in such situations.

PERSONAL TOUCH

You don't have to become your buyer's or seller's best buddy, but a cordial relationship can go a long way toward a satisfactory deal outcome. Dinner or another social outing can help break the ice. If you're talkative by nature, speak less and listen more, and express interest in the other party's opinion. Retaining a good sense of humor further helps build your working relationship.

Going back on your word, exaggerating points or misrepresenting facts in an attempt to strengthen your position, on the other hand, can damage goodwill. And don't try to box the other party into an untenable position during deal negotiations — it's likely to backfire with the other side walking away.

4 SIMPLE PRINCIPLES

A principled negotiation process also can mitigate conflict. Don't think of the deal as a game you need to win, but as something that can result in *both* parties walking away satisfied. Consider these four simple rules:

1. **Separate style from substance.** Different communication styles (for example, analytical vs. emotional) often lead parties to believe they've reached an impasse, when in fact the substance of what they want is similar.
2. **Focus on interests, not positions**. Taking extreme positions for leverage can make negotiators lose sight of their true goals or interests.
3. **Seek solutions that benefit both sides.** Compromise and a show of good faith are critical if both parties are to "win."
4. **Rely on facts, not opinions.** Founding owners, in particular, often are emotionally attached to their company and may feel insulted when a buyer doesn't agree on its value. By sticking to industry standards and other objective measures, you can avoid personalizing what is, after all, a business transaction.

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PROFESSIONALS STEP UP

If you reach the point where you feel you can't communicate with the other party and are ready to give up, remember that you can always lean on your M&A intermediaries. These advisors lend a degree of detachment to the deal process that interested parties obviously lack.

Make the best use of your advisors by treating them as trusted business partners and considering their counsel seriously. And if communications with the other party have broken down but you still wish to go through with the deal, you can empower your advisors to make decisions for you.