

## **White Paper: Seller Expectations – Mitigated Emotions in a Business Sale Process**

### **How to Control Emotions In a Business Sale**

In this article we discuss emotions during business sales. How can business owners best control emotions? What are issues or items that can turn emotions on during a business sale? But also, what does a M&A advisor need to do to keep emotions under control in order to run a smooth sale of the company?

To get to a quick conclusion it is best to be as objective as possible and keep your emotions under control. This is sometimes easier said than done as we are dealing with a major event for the business owner who is selling his life work.

Further, it is a one-off event that only occurs once (although business owners these days tend to sell more than one company during their life). Every business sale is unique which makes the job of a merger and acquisition advisor so diverse. Every acquisition has its own characteristics and requires a specific analysis and approach. This also relates to the management of emotions that may occur.

### **Be Aware of Emotions**

Given that emotions are a part of every person the first step is to recognize and be aware of emotions. In the negotiation process, it is important that you are not only aware of your own feelings, interests and goals, but also of the emotions and interests of other parties involved.

In the best scenario this should incorporate feelings and interests of all people involved like buyers, advisors, key employees, lawyers, etc. However, most important are your own expectations and feelings that you should control. It all starts with realizing that emotions exist and understanding where they come from. The next step is to make a plan how to cope with these emotions and feelings.

## **Which Role Do Emotions Play in Business Sales and What Is At Stake?**

In the end business owners that can deal with their emotions increase the chances of a successful acquisition considerably. Hence, it is very important to have a clear understanding why emotions occur and what is at stake. You have to know yourself and what type of personality you are. You also have to understand where your emotions come from and what the cause is. Once you know the importance and understand the cause you can determine your action plan.

## **Possible Causes for Emotions During a Business Sale**

- Very high (unrealistic) price expectations that cannot be realized
- High burden due to personal time to be invested by the owner
- Negotiation tactics of an interested buyer
- Lack of experience with due diligence or legal documentation
- Costs related to a business sale (higher than expected)
- Required documentation and amount of questions of buyers
- Difficulty to give control out of hands for the process
- Many other ones showing up on a case by case basis

In the end there are many reasons why emotions can occur in a business sale. They all depend on your expectations before the start of your project and how they play out in reality later on.

## **How Best to Cope with Emotions During a Business Sale?**

In the end it all comes down to your expectations before the start of the process. If the reality is different than the expectations people will be disappointed. However, emotion is not something you can turn off easily.

Feeling and intuition are associated with business and many owners have used their intuition a lot when running their business. In my profession as a mergers and acquisitions advisor I have seen that emotions often play an important role. It is important to be aware of your feelings if you want to sell or buy a company. It is good to discuss these feelings between client and advisor.

As for your own feelings and emotions, the best is to name them and understand where they are coming from. Then talk about these emotions with your advisers and your close contacts or relatives. Be open to their feedback, listen to what their opinion is and what it is based on. Try not to be defensive or too quick in taking decisions. Impulsivity during an acquisition can be even more dangerous than normally. Think through the situation and what your alternatives are. Then find a way to adjust your expectations to the new situation.

Sharing your emotions with others is a good way to get a new positive attitude again. People you can share your feelings with can be your merger and acquisition advisor, fellow entrepreneurs to have already sold a business in the past or your private partner or a good friend. If they dare to be critical to you and you are willing to listen it will bring you a lot.

If the emotions mainly relate to a specific buyer it is wise to find a way to communicate and discuss issues with a trusted person within the buyer. Often this can be the CEO of the buyer's company. If you find a routine to discuss issues, speak openly about these and find a way to solve them, this can make the difference and help in getting to a successful business sale.

### **The Role of an M&A Professional in Controlling Emotions**

An M&A professional's mission is to guide a transaction toward a successful conclusion. The best approach a M&A advisor can have is to be open and upfront at the start of a business sale.

It is wise to spend quite some time with a business owner before the process has started. In this meeting various issues are to be discussed. This gives a business owner a more realistic perspective on the sales process and creates clearer expectations. Items that can be discussed are in essence all the points as described above that can cause emotions during a sale.

The best for an advisor is to be open and explicit about all the items and to give a realistic perspective on these matters. On the other hand it is also important for a business owner to be open about his or her expectations. If the future reality doesn't appear to be similar as the expectations this can be a cause for emotions to occur.



## **Conclusions About Managing Emotions and Further Discussions**

Hence the advice: let emotions not be the killer of your business sale. Try to be objective and professional as much as possible, find a good process or procedure to solve issues and finally involve good advisors!

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