Mind Games: Coming to Grips with Selling Your Business

At some point, nearly every business owner will want or need to think about selling their business. As you prepare for that day – *Is it already here?* – you should anticipate the wide range of obstacles that can stand in the way of a successful sale.

Those obstacles can be tangible – *Will the buyer come up with the money at closing? Will the deal survive the due diligence phase?* – and they can be intangible. This article will focus on the latter.

From your side of the table, the attitudinal and psychological factors involved in selling a business must not be overlooked or underestimated.

For example, many sellers have unrealistic expectations about their company's market value and the time and process required for a successful sale. Sellers should enter the selling process with their eyes open and realistic expectations in place, and an experienced M&A advisor or business broker with many successful closings under their belt can be invaluable in shaping the seller's proper expectations.

Even with their expectations in line, it's a rare business owner who can emerge from a business sale or purchase without having paid a high emotional price. We have scar tissue that bears witness to the stress experienced in buying or selling a company, which often causes abrupt behavioral changes:

- Normally calm people become volatile.
- Expressive people become stoic.
- Confident people become vulnerable and defensive.
- Meek people become bold (but awkwardly so).
- Normally accessible people go into hiding.
- People who normally keep their professional advisors at or beyond arm's length become clingy.
- And people who you think would sell their company to their worst enemy if he were the highest bidder will end up selling to the second-highest bidder – perhaps at a cost of hundreds of thousands of dollars – because they have decided that the top bidder is not their kind of people.

Most owners have a strong personal connection to their company. It is not just the source of their income and wealth; it may also be a major source of their identity and purpose. If they built the business from scratch, they might liken that process to parenting – nurturing the company through sleepless nights, protecting it from threats, helping it recover from illness, constantly leading and nudging it in the right direction, and preparing it to survive without them. Regardless of their motivation in selling, they will likely revisit that motivation and second-guess their decision over and over, up until, and probably for a time following, the closing.

Roller Coaster

The separation anxiety that sellers experience is magnified by the emotional roller-coaster that both buyers and sellers must ride, and that is largely defined by the process of the transaction.

First, there is the courtship. The buyer and seller meet, find a certain amount of chemistry between them, and then fall in love (figuratively speaking), coming to an initial agreement as to price and terms.

Next, infatuation and optimism usually give way to less blissful emotions, as the parties negotiate the details of the transaction.

The decline in bliss may lead to suspicion, resentment, anger, and outright fury, as the parties proceed through the due diligence phase. Offended sellers ask *Why does he want that?* and *Why doesn't he appreciate what he's buying?* while skeptical buyers demand to know *What is he hiding?* and *Why won't he just give me what I need?*

Professional Buffer

It is sometime during the due diligence period – about five minutes after the buyer's latest request for this or that scrap of minutiae is interpreted by the seller as calling his company an "ugly child" – that the parties' professional advisors can make their biggest impact. When the buyer-seller relationship appears headed for the rocky shoals, whether the ship returns to safer waters may depend on whether the M&A professional or the parties' attorneys and CPAs view themselves as "consensus builders," focused on helping their client get what he or she ultimately wants (i.e., to buy or sell the company), or as "stake drivers" who may inflate the importance of the deal's risky aspects to the point that their clients are needlessly (and perhaps harmfully) scared away from completing a deal that they really want.

As professional buffer-providers between anxious buyers and sellers, how your M&A professional responds is key. From offer through closing, the broker provides the greatest value to everyone involved in managing the emotional ups and downs of the process.

An M&A professional who can fulfill that role – of getting both parties back on the same page – is invaluable. A common expression among The Oil & Gas advisors is this one:

"When the parties are telling each other to go to hell at the same time, they're finally starting to think alike."