

Everything's Negotiable—Are You?

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Editor's note: this post is part of a [series](#) on the six steps towards successful mergers and acquisitions.

“Negotiation: Mutual discussion and arrangement of the terms of a transaction intended to produce a settlement or agreement.” That’s the dictionary definition, and it’s an accurate description of the process. What it doesn’t convey is how nuanced and emotionally complex an undertaking it can be for buyers and sellers of printing businesses.

Negotiation is the most critical step in our six-stage journey toward a deal—the phase in which the transaction either comes together as the negotiators want it to or falls apart because their efforts have worn them out. As Peter Schaefer notes in his introductory column to this series, negotiation is a lengthy exercise that starts early in the sequence with the signing of a letter of intent and often continues all the way down to the wire at closing.

Cooperation, transparency, and flexibility are the business virtues that enable buyers and sellers to get what they want—or what they can reasonably expect to achieve—from negotiation. Each side enters the discussion with a prioritized list of the “musts” and the “wants” that define its negotiating position. Then, the process becomes a real test of listening skills as the buyer strives to understand what the seller’s real objectives are, and vice versa.

Instant agreement on all points is rare, so the best tactic is to focus on clear areas of common ground first and then move on to the things that will be harder to resolve. Continually clarifying positions and seeking compromise on tough issues will keep the process moving forward; evasion and recalcitrance only hold it back.

Nothing will stall negotiation faster than one party’s suspicion that the other party isn’t communicating openly and honestly. This happens when information is deliberately withheld or, worse, when false or misleading statements are made. Playing games with the truth kills deals. Both parties must project personal and business integrity at all times to preserve the confidence and trust that closing the deal requires.

The less fraught a negotiation is, the likelier it is to succeed. This is why it’s vital to engage a qualified third party as a mediator and a fact-finder. An advisor who knows the industry, understands valuation, and possesses financial expertise can resolve issues that the principals, emotionally invested in the companies they may have spent their lifetimes building, can’t settle by themselves.

If the discussion shows signs of growing heated, the advisor will know when to call a time out so that the negotiation can get back on track with everyone in a calmer mood. The advisor can steer the parties from zero-sum stubbornness to win-win partnership by showing them that with a little willingness to compromise, they may be able to strike an even better deal than the ones they originally had in mind.

In negotiation, concessions aren’t signs of weakness—they’re smart dealmaking moves that repay more than whatever they may appear to be giving away. Letting the other party save face by offering to scale back a demand or sweeten an accommodation is often the catalyst that clinches the transaction.

Admittedly, some attempts at deals have too much going against them to succeed. In most cases, however, given good faith and friendliness on both sides, solutions can always be found.

Somewhere between the aspirational target price and the unacceptable walk-away price is a zone of cooperation where the deal can be consummated. That is the ground where buyers and sellers, guided by professional M&A advisement, find the outcomes they are looking for.

New Direction Partners is an investment banking and financial advisory services formed by Peter Schaefer, Paul Reilly, Jim Russell and Tom Williams to serve the printing and related industries. Services include merger advisory services through the representation of selling shareholders as well as buy side representation, valuation services, financing and refinancing efforts, turnaround and restructuring services, and temporary/interim management consulting. To learn more about New Direction Partners, visit New Direction Partners’ website at www.newdirectionpartners.com.