Fleetridge Pacific
Mergers & Acquisitions
3725 Talbot Street | Suite C | San Diego, CA 92106 | P: (888) 220-2270

Successful Negotiations

At Fleetridge Pacific, we have closed enough transactions to learn much about the features of successful negotiating. In countless self-help books, courses, and lectures, negotiation is presented as if “secret skills” are required to come out a winner every time. We believe, however, that there is no true mystery to good negotiating. Rather, we see it as a discipline that requires simple focus and thoughtfulness, mixed with a bit of creativity.

Closely following the following five principles has led to the successful closure of many transactions for Fleetridge clients. Applying them to the sale of your business will lead to a similarly good result for both you and the buyer – a true “win/win” scenario.

The Five Principles

PRINCIPLE ONE: Make sure the decision to sell your company is the correct plan

Selling your company is a life-changing event, and should be considered thoroughly on every level before proceeding. You need to be sure you are ready to relinquish ownership. This may seem obvious, but business owners can nonetheless occasionally find reasons to hesitate with the sale during negotiations. Without strong underlying motivation, a seller may negotiate too selfishly rather than toward a meeting of the minds with the buyer. Having a buyer who wishes to buy and a seller who wishes to sell is first requirement of successful negotiations.

PRINCIPLE TWO: Set realistic expectations

Before offering your company for sale, it is important to understand its market value and what characteristics add to, or detract from, the value. Intermediary firms like Fleetridge will provide this information to you. When selecting a merger or acquisition advisor, you should select one that specializes in understanding the market in which your company is found.

For healthcare companies, Fleetridge is therefore ideally prepared to help you set the most realistic expectation for the likely market value and selling price of your company. Once this is determined, a strong framework for negotiations will be set.

PRINCIPLE THREE: Communicate clear and consistent objectives

Generally, neither seller nor buyer wants to begin the price discussion since each wants to hear from the other party first. But, once the conversation has begun, sellers should be clear and consistent about what they are willing to accept. Changing the objectives about value during negotiations sends a message that the seller may not have clear objectives on other issues too. We occasionally see a business owner change previously agreed terms after talking with his or her CPA, lawyer or relative. This type of uncertainty often delays or even ends negotiations.

PRINCIPLE FOUR: Negotiate in a conciliatory and reasonable manner

Counter offers should be fair to both the buyer and the seller. This requires give and take – unilateral negotiations from either side rarely end in closing unless there is pressure on one side to buy or sell.

Counter offers should be presented with a thankful tone to the buyers, even if you are not thrilled with their original terms. Remember that most buyers having large cash balances and are disciplined and systematic in their approach to acquisitions.

Counter offers should also be well thought out and rational. Sometimes it requires "sitting in the buyers seat". Consider what would be reasonable if you were buying your company, and not just what you think you "deserve". Keep in mind that buyers won't pay more just because they have significant resources to make the purchase.

It is important to understand that when putting forth a counter offer, it often negates the first offer. Sellers too often assume that a first offer is always negotiable with regard to price, and may inflate the counter offer well above their goal, assuming that the final price will always result in the middle. Buyers may choose to terminate negotiations if they view the gap as too large to bridge. The strategy should be to keep everyone talking and get to a place that satisfies everyone's objectives.

PRINCIPLE FIVE: Don't major in the minors

Consider each issue as a part of the whole picture of the deal. Too often sellers get hung up on issues that are insignificant relative to the entire transaction. We have seen multi-million dollar deals get stuck because of something very small such as a copier lease. Focus negotiation energy to the big items, and don't burn up goodwill by focusing on too many minor issues. Send a clear message about what is important in the scope of the whole transaction.

To make sure you are considering these five principles, we recommend asking the following questions of yourself when negotiating and formulating responses to offers:

1. What is most important to me in the transaction? Have I clearly and consistently communicated my objectives?
2. Is my response fair? Am I using a "give and take" approach?
3. Is my response defensible?
4. Are my demands significant with regard to the overall transaction?

Using this approach from the beginning, combined with patience, honesty and kindness, will increase the likelihood of closing any transaction and result in a win7 win scenario for buyer and seller. We will guide you through the entire negotiating process, and help ensure the continuation of the legacy you have built.

Give Us a Call Today

Fleetridge Pacific is a mergers and acquisitions advisory firm specializing in hospice, home health, and other healthcare business sectors. For more information or to schedule a confidential consultation, please visit contact us at 888-220-2270.