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M&A Nuggets: Listen, Listen, Listen

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In the first M & A Nugget five years ago, I discussed the importance of "Think Win-Win", which is Habit 4 in Stephen Covey's book "The 7 Habits of Highly Effective People". Habit 5 from that book is "Seek First to Understand, Then to be Understood". This Habit is equally important in an M & A transaction. While both sides in a transaction often communicate early on what each side wants to achieve, it is important for the buyer and seller to first understand what the objectives and motivations of the other side are. This is crucial at an early stage, to determine whether the merger has the chance to succeed. For example, from the seller's standpoint, what are the buyer's short and long term plans for the target company, what is the buyer's intention with respect to the employees of the target company post-closing, and what does the buyer want out of the owner of the target company post-closing? From the buyer's perspective, what involvement with the business does the seller's owner want to have post-closing, is the seller at a stage of life in which the seller desires to participate in an equity rollover and have a second opportunity to share in a future sale of the business, and what are the plans post-closing of the seller's key management team? Understanding the other side's answers to these questions goes a long way to help the listener decide whether to proceed and whether it makes sense to make any adjustments in the listener's thinking about how to proceed with the transaction before and after closing. If the parties decide that it is mutually beneficial to move forward after listening to each other, the detailed negotiations will follow. As the myriad of important legal, operational, financial and tax issues arise, understanding one side's viewpoint and overall objectives in the transaction is extremely productive in resolving these issues in a way that satisfies both sides. So, remember to listen first, and to then think and respond.

**If you have any questions about this or any other M&A issue,
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