

Preparing to Sell: The Most Common Deal-Killing Mistakes Business Owners Make, and How to Avoid Them

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For many middle-market business owners, 2026 could present an ideal window to explore a sale. With financing markets improved and private equity (PE) sitting on significant amounts of dry powder, strategic buyers are in a prime position to pursue acquisitions that offer them growth and efficiency. Smart sellers will be prepared to take advantage of these improved conditions and strike while the iron is hot. But even in healthy deal environments, deals can fall apart, and most of these failures are preventable.

As a corporate M&A attorney, what I typically see are the same avoidable issues that derail transactions. Below, we look at the most common mistakes business owners make before going to market and most importantly, how to avoid them.

Sloppy or Unvetted Financials

An easy way to erode buyer confidence is to present unreliable financials. Buyers expect clean financial statements, normalized EBITDA with clearly supportable add-backs, transparent revenue recognition policies, and thorough documentation. This requires significant preparation and engagement of advisors early in the process (at least 12 to 24 months before a contemplated sale). Taking the time to get your financials in order can help reduce friction, prevent re-trades, and ultimately protect your company's valuation.

Failure to Clean Up Your House

Failure to clean your corporate house before going to market is a very common mistake owners make. Before engaging in any sale process, sellers should take a critical look at everything in the business, making sure it is all in order. This includes ensuring customer contracts are in writing, properly assignable, and free of any change of control termination rights that can present problems. Vendor agreements should also be scrutinized, making sure they clearly document pricing terms and are commercially sustainable. Do your debt structures contain restrictive covenants? And are your equity records and governing documents accurate and up to date? Is your intellectual property ownership properly documented?

A deep dive into all of this and more is critical. Buyers do not like surprises in the diligence process. Further, having to "clean-up" the business in front of the buyer can cost credibility as well as deal value. Conducting a thorough pre-sale legal audit can help eliminate surprises as well as the costly delays (or worse).

Limiting the Potential Universe of Buyers

Assuming you already know your ideal buyer can be a major mistake. Many owners assume they will sell to a competitor or a PE firm, but the universe of buyers in 2026 is much larger. Limiting yourself to only certain types of buyers can materially

depress value.

Today's buyers span strategic acquirers seeking bolt-on growth, family offices in search of long-term cash flow, international buyers looking to enter the US market, and more. To ensure you are maximizing your valuation and considering all options, there must be a broad, well-run process to vet buyers. This will increase competitive tension, which in turn, drives up the price and lays the groundwork for better deal terms.

Overlooking Tax Structuring

Tax structuring is not an afterthought. It must be a part of the strategy. After all, taxes drive transactions. How your transaction is structured matters. Whether it is an asset sale, stock sale, rollover equity arrangement, or partial liquidity event, it can materially impact net proceeds. Therefore, it is important to coordinate early with both legal and tax advisors who can dramatically change the "after-tax" outcome of your transaction. That is the number that truly matters.

The Owner is the Business

There are some red flags that buyers look for in an acquisition in relation to the owner and their role within the organization:

- Is the owner the primary salesperson?
- Are they the sole keeper of customer relationships?
- Are they the only decision maker?
- Without the owner, does the organization run into an operational bottleneck?

If the answer is yes to these questions, then you do not have a truly transferable business. This creates a real issue for buyers, as they discount businesses that rely entirely on a founder. They want systems and processes in place, depth of management, and a company that can exist without its owner. Start working early to develop a solid management team, formalized processes, and institutionalized customer relationships to decrease risk and increase value.

Failure to Incentivize Key Employees

When key employees start to feel uncertain or that they are unprotected, it can negatively impact a transaction. Employees want some clarity, and buyers are looking for continuity. That means you must plan and communicate regularly and effectively. Retention plans, bonuses tied to the transaction, or equity offers are all incentives that can help preserve stability during and after the close.

Failure to Plan Ahead

Selling a business is a major financial event, but it is also a significant life transition. Most owners have spent years, if not decades, building their business, and it has become a part of their identity. So, it is surprising that they don't often consider the role they will play (if any) with the company moving forward. Nor do they consider what's next. What lies beyond the day after the sale? These might seem like afterthoughts, but they are not. They must be considered upfront so that expectations with the buyer are clearly communicated and there is no tension or dissatisfaction on either end.

Waiting Too Long to Involve Advisors

If you wait too long to involve your legal and financial advisors, you may have already lost your leverage. You cannot wait until you have received an unsolicited offer. Involving advisors early in the process is the key to success and to avoiding the mistakes we have discussed.

Reach out to your advisors 12-24 months before considering a sale so that you can address any issues and ensure preparedness. By engaging experts early on, you are shortening diligence timelines and strengthening your negotiating position. And remember, valuation can be significantly eroded by avoidable preparation failures. Prepare your business, and

yourself, for the outcome you want.