

When the Deal Gets Personal: The Emotional Inflection Points of Selling a Business

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Selling a business is largely viewed as a financial transaction shaped by valuation, structure, diligence, and closing. However, for founders and owners, selling a business is also an emotional journey that can be a highly stressful event. That stress can be compounded when a corporate attorney is brought in late in the process when many sellers have already experienced the early and most precarious stages of the deal.

Many sellers work with an investment banker to take the company to market, vet buyers, and there may even be a letter of intent (LOI) on the table before an attorney is brought on board. While the seller feels they are making progress, from a legal and strategic standpoint, this early stage is where complexity and stress begin to escalate and legal counsel is critical.

We have discussed the importance of bringing in legal counsel early in the process in multiple posts, and that cannot be emphasized enough. Below, we examine the most stressful components for sellers in any deal and how bringing in legal counsel early can help to ease the burden.

Letter of Intent

The LOI is one of the earliest inflection points in the deal process. Sellers often underestimate its significance because they see it as non-binding on economic terms. But this is a false sense of flexibility because exclusivity and time restrictions are binding. Once that LOI is signed, the seller is essentially off the market for a determined period and cannot engage in discussions with other interested buyers.

This is where leverage begins to shift from the seller to the buyer. The buyer now has two things that are very valuable: time and access. On the other side, the seller is now increasingly invested, both financially and emotionally, in making the deal happen. It is now harder for the seller to walk away from the deal, even if circumstances change.

Diligence

The leverage shift becomes more pronounced when the deal enters the diligence stage. Buyers are highly disciplined as they approach this phase of the transaction, particularly when they are sophisticated financial sponsors. Diligence is not about buyers just confirming what they have been told, but rather testing assumptions, looking for weaknesses, and then recalibrating valuation based on their findings.

It is common for buyers to reassess price or deal structure because of what is uncovered during diligence, and for sellers who entered the process with a clear expectation of value, that can be jarring. The business they have spent years or even decades building is now being evaluated through a different lens.

Consistent Performance

Another layer that multiplies the pressure on the seller is the expectation that the business continues to perform at the same level throughout the entire process. Entering negotiations to sell does not equate to a pause in operations. It is simply a process that runs parallel to day-to-day operations. Sellers must manage diligence requests, respond to buyer questions, and engage with all their advisors, all while effectively running the company.

They cannot afford for performance to dip, even for reasons that have nothing to do with the transaction. That can lead to a reason for renegotiation, with buyers adjusting terms, implementing additional protections, or even revisiting the valuation entirely. This creates constant tension for the seller who is trying to execute the deal and simultaneously maintain the underlying business.

Delayed Engagement of Legal Counsel

When a seller brings in legal counsel later in the transaction, it can feel disruptive at first. This is because the job of an attorney is to identify and address risks, clarify what has already been agreed to, and ensure that the documents accurately reflect the intended deal. If they are not involved from the jump, they may have to revisit assumptions or unwind understandings that developed earlier in the process. This can feel like friction or a change in direction for sellers, and that can be avoided when counsel is engaged from the start.

The issues become even greater when the buyer is a private equity (PE) firm. These repeat players operate with well-established playbooks and experienced deal teams. This is in stark contrast to a first-time seller who sees this as a once in a lifetime event. For a PE firm, this is just a routine transaction. The imbalance this creates can heighten the emotional stakes, particularly when discussing complex deal components.

The Personal Dimension

The personal dimension of the deal overlays everything. For a seller, their business represents years of work, relationships, and their identity. Their company is not just an asset they are selling; it is often their life's work. Layer in concerns about their employees, customers, and their legacy, and the personal connection to the business complicates everything. Sellers often carry the weight of the transaction on their own, while they must continue to lead their company,

One other very important reality for sellers is that the deal is not done until it is closed. It is easy to get excited and assume that signing an LOI or moving through the diligence process means the outcome is assured. But the truth is that transactions can, and do, change late in the process. Terms evolve, issues emerge, and sometimes, deals fall apart. It is critical to maintain perspective and discipline and attempt to put emotions to the side.

The bottom line for sellers is that every transaction must be approached with preparation and support from the start to minimize the significant stress that comes with every stage. Bringing in skilled legal counsel very early in the process can alleviate that stress and help sellers to not only maximize value, but also bring clarity to the many complexities of a sale, resulting in a deal that truly reflects the seller's goals.