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20 M&A Mistakes to Avoid

By Meghan Daniels (http://www.axial.net/author/meghan/), Axial | September 7, 2016

Deals can be difficult. Whether you're exiting, recapitalizing, going public, or making an acquisition, it can be hard to balance the transaction with day-to-day operations, get the support you need, and be confident you're making the right choices.

We talked to 10 professional CEO coaches who have worked with hundreds of business owners to get their advice on mistakes to avoid when going through a transaction.

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(http://www.axial.net/forum/ebitda-adjustments-from-crazytown/)

1. Conflating your identity and your business

"Although business owners intellectually understand their identity is not their business, it can be hard to separate the emotional attachment. Understand what your business goals are and what your personal goals are. Remember that you have value as a person, and not just as a business — this is crucial. There is a life after the business."

-Bob Berk, Master Chair, Vistage Chicago

2. Forgetting the three P's

"Your purpose, your people, and your processes. If you focus on the three P's, you'll have a successful acquisition. Do we have the right people in place? Do the cultures align? Do we have the processes and systems in place to execute properly?"

-Roger Blackstock, Vistage Chair, Atlanta, GA

3. Exiting when things are bad

"When things are going well for an organization is the best time to look for an exit. Unfortunately, most business owners aren't looking to exit because that's the time they're having fun."

-Bob Berk, Master Chair, Vistage Chicago

4. Not getting objective advice

"The role a CEO coach plays is vastly different than a deal negotiator, advisor, lawyer, or accountant. The coach doesn't have skin in the game, so he can provide objective advice to business owners to make better decisions when circumstances are confusing and help ensure the CEO is confident with their decision making."

-Tom Leonard, Vistage Chair, Seattle, WA

5. Forgetting the day after

"A big part of what we do as coaches is challenge business owners to look to the future. Some will sell for financial gain, others to take the chips off the table, but many don't think about what they're going to do on a day-to-day basis after the exit. Where a coach adds value is in asking really tough questions about their future."

-Arturo Lopez, Vistage Chair, Houston, TX

6. Forgetting your exec team

"If you've done right by your hiring, you need to lean on your C-suite during a transaction. The business of doing a deal becomes a full-time job. I've seen many situations where owners have taken their eye off the ball — their trailing revenue suffers, and it's reflected in the purchase price. Some buyers even get scared away."

-Jack Gelman, Vistage Chair, New York, NY

7. Not holding yourself accountable

"Sometimes [coaches] tell owners what they don't want to hear. As they're going through the process, we help them through the challenges. We always ask them, 'are you sure you want to do that?' and we're always honest through the process. Most of the time they find value because they know that they are going to get the complete truth. Everyone needs to be accountable to someone. Absolute power corrupts."

-Stephen McFarland, Vistage Chair, Indianapolis, Indiana

8. Underestimating stress

"I tell people, you think it's going to be difficult, but it'll be 10-100 times more difficult than you anticipate. That's an important thing, because during stressful times, sometimes we look the other way on things we shouldn't. The process can have a way of wearing us down, and we need to stay strong on the long haul."

-Kirk Dando, Dando Advisors, Loveland, CO

9. Letting a good opportunity go

"Timing is critical. If you lose an opportunity it may never come again... Market conditions often dictate the time to sell."

-Hank O'Donnell, President of Positive Traction LLC, Philadelphia, PA

10. Forgetting about the customer

"During a transaction or not, you've always got to keep the customer at the center of whatever you're doing. The customer is depending on you to add value and so if that's already built into the way you operate, it's going to help during the deal too."

-Kirk Dando, Dando Advisors, Loveland, CO

11. Losing discipline

"Structure is crucial. Have regular disciplined check-ins with your management team. The urgency of the deal is important, but it can quickly overcome the operational issues of the business. You need to delegate as much as you can. Slowly bring key members into the process. Schedule at least 50% of your time to the deal."

-Hank O'Donnell, President of Positive Traction LLC, Philadelphia, PA

12. Not knowing what you want

"It always gets back to the question of what you want. Do you want a check, do you want a legacy, do you want to go out and acquire before you sell? I'm constantly coaching CEOs to help them clarify what their goals are so that they can formulate a strategy for their decision-making process. At the end of the day, many don't know what they want so it can be hard for them to get there. CEOs and owners are constantly coming from a place of fear. It comes back to security and safety, and sometimes they just need a little bit of reassurance."

-Phil Akin, Vistage Chair, Waterloo, IA

13. Forgetting your family

"Be real with your family about how hard a process this will be. There are seasons when you are busier than others, and this process may go on for a year or more. You need people to support you in that. If you don't have that support, it can be very difficult."

-Kirk Dando, Dando Advisors, Loveland, CO

14. Not creating a deal team

"Selling your business is an exciting and emotional time. Having objective feedback and being challenged will maximize your outcome. When you decide to sell your business, you will need a team. So many times CEOs focus on the deal and forget to run the business. "

-Arturo Lopez, Vistage Chair, Houston, TX

15. Trying to keep a secret

"If you're going to share that you're going through a transaction with your employees, depending on how open your organization is, my advice would be to keep people informed. If you try to keep a secret, it adds another layer of complexity. I strongly encourage you to have a contingency plan in that case, because it will leak. Even when people sign NDAs, it always leaks. Think about whether you want to be on the front end telling people, or the back end reacting."

-Kirk Dando, Dando Advisors, Loveland, CO

16. Banking on sweat equity

"You don't get paid on sweat equity. Sure, you built this business, and that sounds really nice. But it's not worth anything. I would have appreciated somebody telling me that at the beginning of the process."

-Ken Proctor, Vistage Chair, Houston, TX

17. Falling in love

"Often times the owner gets emotionally involved in a transaction, so as the deal ebbs and flows, we work through the issues. We try to keep the owner from falling in love. You need to be able to step back and understand whether the deal is really a good thing or not. You need to constantly ask yourself, 'Does this still make sense?'"

-Stephen McFarland, Vistage Chair, Indianapolis, Indiana

18. Not having the right network

"Oftentimes, CEOs seem to be the most well-connected people — they have a large reach as far as people around them, but they don't necessarily have people who can help them pressure-test their ideas and expand the way they're thinking and broaden their perspective. This is hard to do with a board member — they have certain expectations. It's hard to do with your team — you don't want to scare them by thinking out loud without full-formed thoughts. It's hard to take it home to your family. A coach has experience and is an objective person who can help pressure-test ideas."

-Kirk Dando, Dando Advisors, Loveland, CO

19. Assuming the deal is done

"No deal and no promise is done until there's actually ink on the paper. There are so many things that can go wrong up to the transaction being completed."

-Jack Gelman, Vistage Chair, New York, NY

20. Leaning on hope

"Hope is not a strategy. You don't have to have a perfect plan, but you need a strategy with goals. You need a management framework and a cadence to review that framework on a monthly or quarterly basis. Everyone needs to obsess over the strategy, otherwise going through a transition is going to be even more difficult."

-Kirk Dando, Dando Advisors, Loveland, CO

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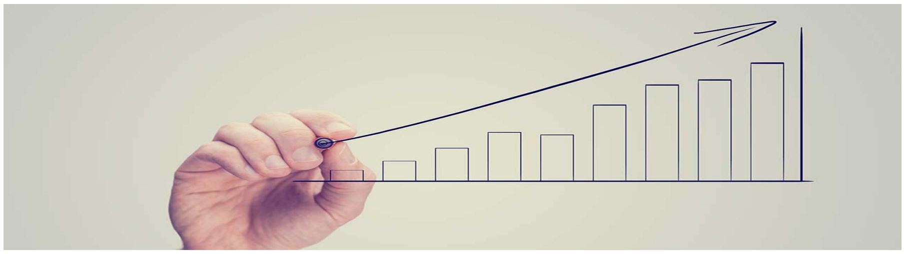
***By Karen Sibayan** | **January 13, 2016** ()*



(http://www.axial.net/forum/what-is-ebitda-and-why-do-investors-care-about-it/)

During negotiations in an M&A deal, buyers and sellers look closely at several factors in order to agree on a price that properly captures a company's value. One of the closely examined metrics in this process is EBITDA, which stands for earnings before interest, taxes, depreciation, and amortization. EBITDA is used as a way...

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