Don't Even Think About M&A Until You've Mastered These 5 Practices

By Tasso Roumeliotis; May 13, 2015

If you run a startup, you've probably already fantasized about being acquired. And that's okay. Sometimes you have to indulge the fantasy to help get you through the grudgery of getting there.

You also have to establish healthy physical, mental and professional habits and outlooks early on, so that when M&A overtures do begin, you're more than ready. Some of your hardest days as an entrepreneur will happen between that first email from a suitor and shareholder approval, 12 to 18 months later.

I honestly wonder if I would have made it with my sanity (not to mention the deal) intact, had I not developed the following practices long before that first overture from AVG (which acquired my company, Location Labs, for $220 million last fall).

1. Take care of yourself. By the time the year-long M&A process began, my daily routine of waking early, running and taking an ice bath (really clears the head!) was second nature to me I ate well, maximized REM sleep, made time for play. And that year still pushed me to every one of my limits. This wasn't because AVG was particularly difficult to work with; it wasn't. But even if the marathon you're running is all downhill, it's still a marathon. You'll collapse if your mind and body are malnourished and flabby.

So, don't wait to train, until you're shopping your company. By then, the starter pistol will already have gone off, and you'll never catch your breath.

2. Cultivate loyalty. You may think your company's value is its revenue or customers or product, but those are just the result of work done by your most valuable asset: your employees.

Your acquirer will want you to keep doing what you did to become so desirable in the first place. So you'll need everyone moving forward together. Your employees will be shocked, worried and excited when you announce. These people, who have made this incredible milestone possible, will stay if they already trust you and already feel valued. So, be trustworthy from day one, by rewarding employees who perform. Promote from within, and stand by your people during hard times and life changes. Loyalty is a two-way street. And without employees, there's no company.

3. Have a sense of humor. At 2 in the morning, when you're pacing your office, ranting like the hothead you can be (what can I say, I'm Greek), and your senior staff are saying, "Don't send that email," listen. Also, make sure you can laugh at yourself along with them, 10 minutes later.

Never underestimate the intensity and unpredictability of the M&A emotional wringer. Your company is your baby. And people will be putting a price tag on it. If you think you'll never get defensive, you're kidding yourself. You need a VP, finance head and COO who will correct your perspective, check your ego and crack good jokes.

4. Remember your responsibility. If you care only about investors, you're doing it wrong. Your job is to lead the organizational family you've built. If the deal fails, people's mortgages and health insurance may fail, as well. And if the deal succeeds, your team has every right to count on you to keep leading. Your responsibility is to live up to that honor.

For employees, the end of M&A is the beginning of new roles, rules and routines. To respect yourself, post-acquisition, as a person, never mind as the CEO, you must come through for your employees. Acquisition isn't just about money. There is no price tag on acting with integrity.

5. Trust your gut. Venture capitalists can be angels or demons. The right backers will actually believe in you, as DFJ's Andreas Stavropoulos and BlueRun Ventures' Kwan Yoon. have They have supported us through every up and down of the last decade. So, beware of investors with inflated expectations or disrespectful attitudes.

Still, even the best investors won't have your instinct for the right buyer, time and offer. I have a friend who founded a company, was appointed chief strategy officer by the board and then turned down a $200 million offer. He knew he should've taken it. But, instead of paying attention to that prickly feeling at the back of his neck, he listened to the replacement CEO, who just wanted to keep his job. The board wanted to hold out for an impossibly high price, the market changed and the company sold for barely a tenth of that.

Bottom line: Don't be overpowered by VCs. No one can know better than you when to take the offer. This is your moment, so own it.

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