

Top tips on deal making

From **Generate**, experts in creative and innovative businesses



Running a creative business is full of unique challenges. But there's also a set of challenges common to all businesses. One of them is deal making, and it's a skill all creatives should learn to master, because it's an ongoing aspect of their careers.

Having good deal making skills is crucial to commercial success. Getting a good deal across the line can bring financial, creative and personal rewards. Striking a bad deal can mean just the opposite, and can be an albatross around your business's neck for many years to come.

Deal making isn't a skill set everyone has. And creatives can often feel out of their depth when faced with that moment when they have to negotiate for what they want.

We've put together this checklist of tips to keep in mind when making deals. The process of making a deal falls into three stages:

- ✓ Initiation
- ✓ Negotiation
- ✓ Closing

We've organised our tips in each of those stages. But there's an overriding theme through all of them: *preparation*.

1. Initiation

- a. Be clear about the outcome you want before you approach the other side. You should have some idea of three things:
 - i. Your ideal outcome
 - ii. Your compromise outcome
 - iii. Your deal breaker: the point beyond which you will not go
- b. Spend time working out what the other side needs out of the deal. Once you understand that, you can then work out how to get what you want by giving them what they need. What is their ideal outcome, ` compromise outcome and deal breaker?
- c. Know thy numbers – forecast the revenue and costs associated with your idea before making your approach. If it's the sale or purchase of business, get an independent valuation and review it carefully.
- d. If a deal is not mutually beneficial, you face an uphill battle. Be clear about why your position is a good outcome for all.

- e. If you're too desperate or too demanding, think again about trying to strike a deal. Any deal that is one sided will always have a short lifespan and is unlikely to be rewarding or renewed.

2. Negotiation

- a. Go into your negotiation period remembering that all deals involve each party getting something by giving something up.
- b. Be honest and speak your mind. If there's ever a time to do so, it's now.
- c. Ideally, there should be goodwill on both sides. Any negotiation where one party is trying to screw down the other rarely ends up well for either.
- d. Good deals are usually done in a very short timeframe. Do what you can to not let it drag on. Reply promptly to all communications. Keep up the momentum.
- e. Know the person you're negotiating with. What are they are trying to achieve? What sort of personality are they? What's the best strategy for negotiation with them? The more information you have, the better.
- f. Don't be too swayed by your instant reaction to any suggestion by the other side, good or bad. Although you may initially be outraged or offended (or even flattered and delighted) by something said by the person you're negotiating with, take a deep breath and give yourself time to process it. There may be something of value to take out of even the most unexpected contribution.
- g. During this stage, it's wise to seek advice from third parties; people with your best interests in mind, but who have nothing personally to gain from the deal. These people can offer useful perspectives. But don't canvas too many; a plethora of opinions can lead to confusion.
- h. You can also consider having someone negotiate with you, or for you. Having people take on these roles is useful if you feel too emotionally attached to the subject matter. But never leave it all to your advisers. Always make sure that you can communicate directly with the other side if it feels unnecessarily bogged down (you still have the option of doing this with your advisers by your side).
- i. You must be prepared to walk away if necessary. Remember what your deal breaker is.

3. Closing

- a. You may have sought professional advice during the negotiation period. But if you haven't, getting it now is crucial. Always get professional advice before agreeing to anything. Your lawyers and accountants can save you a lot of grief later if you engage them before you sign on the bottom line.
- b. If you're going to be the minority stakeholder in any deal, make sure you understand the implications, and what rights you have and don't have.
- c. Deals often have long term implications – make sure you know what they are. Your advisers can help explain the implications of such things as deferred compensation of set KPIs, key man clauses, clawbacks, warranties etc.
- d. Check the numbers are as agreed. Then double check them.
- e. Never be afraid to go with your gut. If it doesn't feel right, maybe it isn't. Go back and check everything.
- f. Remember that until the deal is signed, there is no point in time when it is too late to withdraw or go back to the drawing board.
- g. When it's all said and done, don't let your agreement sit neglected in a cupboard. Keep reviewing it to ensure everything's going according to plan, and raise your concerns promptly with the other parties.
- h. Finally, take some time to reflect on the process. What were the lessons learnt? Write them down and keep them for next time.

Want more help?

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We'd love to help.