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The Importance of Emotional Intelligence in Business Negotiations

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Developing the capacity for emotional intelligence can make the M&A negotiation process faster and smoother by encouraging cooperation and respect for the needs of the parties involved.

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The business negotiation process almost seems geared to bring out people's stress behaviors—particularly when it involves sensitive situations like the sale of a company. However, those managing the negotiation process have a powerful tool at their disposal to make the process more productive and pleasant, provided they're willing to invest the time and effort. Developing the capacity for emotional intelligence can make it easier to sidestep conflict, encourage cooperation, and respect the unique decision-making process of each person at the table.

Emotional intelligence is the ability to be aware of your own emotions and those of others, to regulate your emotions, and to use your insight into others' emotions to guide your behavior in social situations. It can be broken down into four primary categories:

- **Self-awareness:** A consciousness of your own emotions, motivations, and impulses.
- **Self-management:** Exercising self-control over your behavior, being able to adapt to circumstances that are out of your control, being trustworthy and conscientious, and managing emotions in non-destructive ways.
- **Social awareness:** Empathizing with the experiences and perspectives of others, and successfully understanding and navigating social environments.
- **Social skills:** Skills for specific situations, including conflict management, persuasion, collaboration, rapport-building, and leadership.

In the workplace, emotional intelligence can be applied to help team members bridge their personality types and work styles, helping their company achieve success. This approach, called team emotional intelligence, helps team members develop the ability to use emotional intelligence in their interactions with one another. Every workplace is filled with a variety of personality types, but by using team emotional intelligence to give equal deference to each person's emotions, behaviors and interests, you can achieve higher levels of cooperation and collaboration.

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For businesses that are preparing for a sale or contemplating a strategic acquisition, team emotional intelligence can make the period of transition less stressful. Once an organization has laid the groundwork internally to work in this style, executives often also begin to think differently about the way they approach external business activities, such as negotiations.

During the M&A negotiation process, executives use quantitative metrics and other data as they weigh their options in pursuit of the best deal available. But incorporating emotional intelligence can mean that qualitative metrics, such as the team cohesion or resilience of a potential partner, can become equally important considerations.

Let's look at how emotional intelligence can make a difference for both the buyer and seller:

Emotional intelligence for the seller

Emotionally intelligent executives eyeing a potential sale will inherently have an interest in finding a suitable home for their team, since they've worked to build them into a productive, cohesive unit. They'll probably have a clear idea from the outset of what a potential buyer looks like, rather than hoping that a potential buyer comes along that feels like a good fit. While they're not going to ignore certain basic criteria of a worthy buyer, such as one offering an acceptable price, a manager invested in emotional intelligence will be able to describe a good fit intelligently and actionably. This winnowing out of unacceptable candidates can lead to a much smoother, faster search process.

They'll also likely realize that the strength of their team is a potent selling point. Emotionally intelligent teams tend to have higher levels of job satisfaction and general employee happiness, which leads to more productivity during work hours, fewer mistakes, and better results. For a seller, this is added value that should be mentioned to potential buyers.

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Emotional intelligence for the buyer

Anyone who's participated in an M&A deal knows that some of the hardest work takes place after the papers are signed. Merging teams, putting new leaders in place, creating new workflows, and getting everyone on the same back-end system can take months to do, and a buyer trying to bring together two groups of employees with different work styles may have a hard job ahead of them.

Buyers can increase their chances of post-deal stability and success by:

- Determining the behavioral strengths and weaknesses of their current team, and how a merger or acquisition might bring complementary personalities or skills from the partner company.
- Understanding how the other company's team functions and communicates on a day-to-day basis, which members work best together, and what interpersonal issues exist.

Managing the M&A process using emotional intelligence

Finally, emotional intelligence can also affect the structure of the negotiation process itself. For instance, a party managing the process, such as an investment banker, might design a schedule that gives the right level of flexibility for a buyer or seller who doesn't want to be pressured into a hasty decision. Because some people are more comfortable discussing complex topics in a one-on-one setting, the process could mix two-person meetings with larger group conversations. Difficult or contentious issues can also be managed carefully to keep them from leading to conflict.

While business negotiations can be a stressful period, leaders can make the process less complicated by using emotional intelligence to build healthy internal team dynamics, and by bringing that same awareness into interactions with a potential seller or buyer. The result will be a more stable, supported team that has the tools it needs to flourish.

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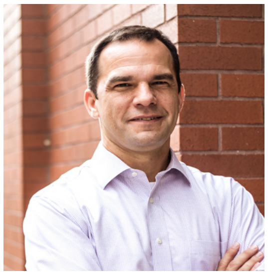

Frank Williamson is the founder of Oaklyn Consulting, a consulting firm that helps investor groups and private businesses, from startup to middle market, with mergers, acquisitions, capital-raising, investor relations, succession and other strategic corporate finance decisions. Oaklyn Consulting does not work as a broker but as an extension of clients' boards and management teams, charging time-based fees for investment banking advice.