



Flattery is the infantry of negotiation in business sales

By Simon Palmer

There is a school of thought that in a price negotiation that the buyer should point out every fault, weaknesses, minor flaw and imperfection of the acquisition and talk down any strengths, in order to justify giving the vendor a lower than expected price.

This negotiating strategy may seem like a logical way to communicate your lower appraisal of the asset in question. It may be honest feedback and it may even work when buying assets like a second-hand car from a used car salesperson. However, when buying a business from someone who has owned, worked in and built up a practice for years (sometimes decades), this type of negotiation is more likely to be completely ineffective and counterproductive.

Why is a different approach necessary when dealing with a business? Effective negotiation involves putting yourself in the shoes of the person on the other side

of the negotiating table and trying to think like them in order to make an offer they will find attractive. A car salesperson doesn't have any emotional connection

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to the product they are selling and may be able to see and discuss that product objectively, warts and all. A business owner who has owned the business for any sig-

nificant period of time is likely to be very emotionally involved with the subject of negotiation and will not have this same level of objectivity in their discussions.

Where a buyer sees the four walls, equipment and cabinetry, the vendor sees the inner workings of their life. When a buyer is talking to the vendor/owner about plans for the staff and patients, the vendor is not talking about faceless people. The vendor is talking about people who are often like family, people who have supported them and their business with their trust and loyalty for years.

Granted that a business owner selling their business wants money... it is, after all, a financial transaction. And too often they want too much money. However, if you cannot give them the price that they are after, it is worth asking yourself what else they could want. Believe it or not, only a small percentage of business negotiations concern price alone. What else does a vendor want, other than money? What is the psychological currency that you can offer?

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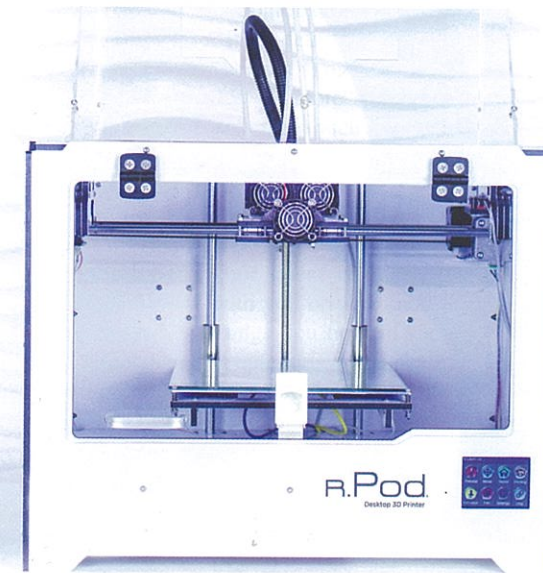
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1. Appreciation

A vendor who has owned and run a practice for decades has nurtured and cared for the patients and staff for all that time. Their practice is their baby. If the practice isn't worth what they think it is, they don't want someone to tell them that it is because their baby is ugly.

They want someone to tell them that they have a beautiful baby and that they should be proud of what they have built.

2. A caretaker

They want someone who is going to take good care of their baby when they are no longer there. They want someone who will keep the practice to high clinical standards and someone who takes their role and the trust of their patients seriously. They want someone who appreciates the staff, who have often become like a second family to them. They want to feel that they are leaving their patients in safe clinical hands.

3. Ego/relevance

A vendor wants to see that the purchaser appreciates the decades they have had on the job and isn't going to treat them like a new grad or a fossil.

Yes... change is expected post sale and a vendor needs to realise that a buyer will have a different (sometimes better) ways of doing things... but, in turn, if the purchaser acknowledges that a vendor has some wisdom to impart and asks for (private) feedback and input, it would help the relationship.

In almost every practice acquisition, there are things that can be criticised and things that can be complimented. If you are wanting the vendor to compromise on their price in a negotiation, you have two choices:

1. You can have a conversation where you tell the vendor all the reasons why they - and their practice - are unworthy of more money; OR
2. You could tell the vendor how much you appreciate them and their practice and that if entrusted with it, you will take good care of it, BUT that you and your finances cannot justify a higher price.

Time and time again, I have seen a vendor be more likely to lower their expectations for the purchaser who expresses appreciation and respect for them and their baby, than for the one who does not.

About the author

Simon Palmer is the Managing Director of Practice Sale Search, Australia's largest dental practice brokerage. If you'd like more information on practice sales or want to have a confidential discussion about your practice's circumstances, email Simon Palmer at info@practicesalesearch.com.au or call 1300-282-042.