

Ask the Broker

December 2011

Q

Do different types of practices require different types of negotiations?

Yes! This is an interesting

question, especially in California. We are a melting pot of diverse cultures. The licensed dentists and enrollment in our dental schools reflect this fact. Both buyers and sellers would be wise to understand the different culturally-based negotiating tactics they might encounter. For instance, it is common in some cultures to automatically and immediately offer approximately 50% of the asking price to start the negotiations. Some sellers may be so offended that they might not even respond to that type of an offer. Other cultures start with a full price offer, even sign all the paperwork and get close to the finish line, and then reduce their offer for a perceived reason that something was not to their expectations. Another culture may be extremely polite and excited about the practice, repeatedly spending time with the seller reviewing all the details, but never make a formal offer until after a great deal of work and time has been invested, only to make an offer well below the asking price.

My advice to the sellers is to be cognizant of the differing cultural norms. That is easy for me to say but hard for me to do, even after completing hundreds of negotiations. While I understand that hot markets with a desirable practice demand quick decisions, I still believe that a written agreement carries weight and expectations, unless something **very significant** is discovered that was not represented accurately in the beginning. There are some reasonable expectations to finish the transaction as offered once time, effort and money have been spent on the details of finalizing the transaction.

My advice to the buyers is to understand that in most cases, **goodwill** is the greatest part of the asset you are purchasing. It is then best if your offer matches the cultural expectation of the seller, as to not damage the eventual goodwill by engaging in a 'tough' negotiation. Every seller expects some negotiation, but eventually, *how* it is done **will** affect the tone of the transaction. Creating ill-will during the negotiations may reflect negatively in the transition with the patients and staff. Of course, there are some practices where this relationship with the owner may not matter, but those are usually the exception, even in a PPO driven practice.

A good "back-and-forth" negotiation can solidify value for both the buyer and the seller in the process. However, the buyer must beware of harming the transfer of the goodwill if the negotiations are not handled properly. This includes properly managing the consultants and attorneys the buyer chooses to help in the transition.

Questions? E-mail wps@succeed.net

Timothy G. Giroux, DDS



is the Owner & Broker at Western Practice Sales and member of the nationally recognized dental organization, ADS Transitions.

A graduate of Creighton University School of Dentistry (1983), he and his wife, Mona Chang, DDS (LLUSD 1984) were in private practice together for 15 years in Scottsdale, AZ, before establishing their home in Northern California.

800.641.4179

visit us on the web
westernpracticesales.com

