



Selling Hearing Aid Practices — The Psychological View

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Grant Smith is blogging today at Hearing Economics. Previously, he blogged in Hearing Views on the importance of hearing professionals differentiating themselves to today's hearing aid consumer.



Grant Smith

Grant has worn many hats in the hearing aid industry, one being to broker hearing aid sales and acquisitions.

It is in that role that he writes today's post, giving readers a view from the inside of what goes on when owners consider selling their practices and what happens when they don't.

This post is all about a key economic concept of opportunity cost of choice and foregone opportunity. Assuming that selling is the best choice, the second best choice — to not sell and enjoy the benefits of owning — must be foregone. Anyone who's been there knows it's a hard choice to make. Here is where economics and psychology converge. How to put a value on "lost time, pleasure, or any other benefit that provides utility" accompanying the most efficient choice?

A Worst Case Selling Scenario

The call came on a cold winter weekend in 2014 from a number that I did not recognize. A longtime professional associate/friend of mine had a medical condition, his health had taken a turn for the worse, and he was entering hospice. His son was on the line at his father's request, carrying out instructions to call me to assist with the sale of his practice(s). All of this was news to me.

Of course I instructed my friend's son to attend to his family and assured him that I would assist in getting that task accomplished as a final favor to my friend. It was the kind of call that brings your heart to your throat. I silently vowed to start working on it

in the following weeks – which didn't turn out to be near enough time.

By Monday morning my friend had passed away and I moved the timetable for selling his practice to the top of my list. It all happened fast. There was no list of passwords. No access to bank accounts. No corporate paperwork... AND rent was due in less than a week, not to mention bills, utilities and payroll. This was the worst possible scenario.

What usually takes me 30-45 days took a long and sorrowful 6 months. I will always miss my friend, but I can't help thinking that the dragged out process took an additional toll on his family and that eventually finalizing the sale brought them some comfort and peace of mind. Why didn't my friend contact me earlier and have time to enjoy retirement with his family and friends? His practice was successful, easily able to underwrite the next chapter of his life. I can't say with certainty, but past experience working with sellers makes me think inertia and guilt played big and tragic parts in the story.

Mental Associations of Creating, Developing, and Selling a Successful Practice

The worst scenario happens more often than you'd think or hope. It leads me to examine some of the

mechanics and specifics that seem to be excluded from most of our conversations in the Professional Hearing Health Industry.

I have always felt that the most accurate description of a hearing health practice founder and owner is that of a proud and ambitious parent.

You give birth to it and breathe life into it by incubating the concept, starting it, naming it, feeding it, observing its growth, attempting to correct its shortcomings, ultimately accentuating its expertise, capacity and positioning. You nurture it as you would a child, surrounding it with staff chosen to assist in promoting it as well as protecting the integrity of your business and personal vision. Your practice is your figurative offspring.

Then, when you contemplate selling your practice, you essentially say,

“Now that you are grown-up and flourishing... I want to sell you. For money.”

Harsh for the parent/owner, harsh for the figurative child, harsh for those hired to nurture it.

But not as harsh as selling on your deathbed.

The Seeds of Your Future

I suggest that the thought process of selling a practice can be narrowed down to four “seeds” that are planted in your mind as your business progresses through its development. These four factors seem to be present in nearly every discussion I have with practice owners as I interview them before they sell. They are thoughts that race through the mind as one secretly entertains the pros and cons of selling. See if any of them sound familiar.

- **Seed One. You can't take it with you.** There is an ultimate end to your involvement in your practice. Whether it's passing the business to an offspring, a mentee, or using it as your retirement plan, you know you will not be running things forever. Embedded somewhere in your psyche is that fact.
- **Seed Two. Strong bonds are hard to break.** There is the allegiance to your patients that makes it seem wrong to sell. The care and concern for these people is what probably motivated you to get into this profession initially. Unlike clients of other types of businesses, transactions with a consumer with hearing loss are more intimate and recurring. You know their stories, their burdens and challenges, the changes in their lives. You provide solutions to some of their problems. Ultimately, your relationship is

personal and relationship-based. You don't want to leave them behind.

- **Seed Three. You're the head of the family.**

Your employees are an extension of you and your practice. It may just be a group of co-workers, but for many it is an extended family, which holds more of a bond than can adequately be described here. Your staff has been a growing and thriving part of you and your influence on the communities that you serve. What will happen to them if you leave?

- **Seed Four. There's the money.** The hearing industry is fortunate in having the distinct reputation that our practitioners are seldom greedy. Many owners consider their practices as their unofficial retirement plans, to which they contribute every time they transition a patient from testing and diagnosing to fitting and follow-ups. It's okay. You're normal. This is just the part of you that is all business – your business.

Making the Future Happen on Your Terms

If those four seeds resonate with you in your own practice, then accepting them may help you feel less guilty about selling and getting a new life while you're still alive to do so. The next post will walk you through how to sell your practice, on the assumption that you have bridged the emotions connected to selling and you are ready to move forward. Steps will include an honest assessment

of the business; makeovers as needed; assembling the sale package; maintaining confidentiality while working with interested parties; finding and qualifying buyers; and evaluating offers for acceptance or rejection.

Selling is a process—one that’s best done when you are sound of mind and body.

Editor’s Note: Today’s post and next week’s continue the M&A series begun on August 26 of this year, with Craig Castelli’s post on the influence of interest rates on sales. Mr. Castelli’s presentation 3 days ago at the ADA conference (11/8/2014), entitled “Transitioning your Practice to a New Owner” also addresses issues raised by Grant Smith’s posts.

Grant Smith has served the Hearing HealthCare market for 27 years. He has been in senior management positions in sales, marketing, and product management for some of the industry’s leading hearing aid manufactures and has been Co-Founder of some of today’s buying groups and networks. He founded Elysium Fields, LLC, in 2004. He can be reached at grantalexs@me.com.

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Opportunity Cost Selling a Practice

Stakeholder Paradox theory of the firm Utility
