There Will be Blood: Key Reasons That Start-ups Fail

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In the movie *There Will be Blood*, character Henry Brands says, "That part of me is gone...working and not succeeding—all my failures has [sic] left me....I just don't... care."

At the end, after the struggles, "I don't care" is a common aphorism of the wanton entrepreneur. Maybe it is uttered during the futile death throes of the dying business. Or, maybe after leaving the bank president's office. I suppose it really doesn't matter where it is said; the goal is to never find yourself in the position where your best retort is, "I just don't care."

Here are some common reasons that new businesses fail, and what you can do to decrease your risk of failure.

1. Wrong business form. There are many different ways to set up your business: S-Corp., Limited Liability Corporation, Partnership, C-Corp., and Limited Liability Partnership to name the most common. Using the wrong business form probably will not hurt you at the start; however, it may make your exit strategy more challenging.

Also, if the business entity is sued, the plaintiff may try to pierce the corporate veil and attempt to sue you personally. For example, if you chose a C-Corp. and did not ensure that it was set up properly, your personal assets could be at risk.

a. Solution: Find a healthcare business attorney who understands the urgent care space and who can advise you on what business form to use and how to protect yourself from individuals attempting to pierce the corporate veil.

2. Undercapitalization. One way that a plaintiff can pierce the corporate veil is to prove that the business was undercapitalized at the inception. Also, in all new businesses, cash is king and starting a business without adequate cash reserves to get you through the first 18 months is akin to walking the tightrope without a net, ala Karl Wallenda.

a. Solution: Wait to start the venture until you are adequately capitalized. I have known a number of physicians who have squandered their entire savings trying to get to the break-even patient volume only to run out of cash during the home stretch.

3. Waning momentum. At the beginning, it will seem like there are not enough hours in the day to accomplish all that you need to operationalize the urgent care. It will also seem like you have an unlimited supply of energy to accomplish these tasks. However, as time goes on, the energy dissipates and as B.B. King sang, "The Thrill is Gone."

a. Solution: Take baby steps every day toward the goal. The energy needed to take the operation from start-up through its first year is significant. Remember, it is a marathon and not a sprint. I have known a number of physicians who make it through their first year only to run out of emotional steam before they hit their second anniversary.

4. Losing your vision. Remember the movie *Castaway* ("Wilsoooooooon")? Tom Hanks is stranded on a deserted island for an unknown period of time. He never truly gave up all hope and he always did what he needed to do to survive. Surviving the start-up phase until the clinic hits a break-even volume is crucial.

a. Solution: Don't lose sight of the goal. Do what it takes to win by finding creative directions to ensure the business can make it through the lean years, even if it's not pretty or not what you bargained for. If you have to go work at the prison doing new inmate cavity checks (I had to do that once), so be it.

5. Isolationism. No man is an island. A common mistake many entrepreneurs make is to not enlist help or solicit advice. The common adage among physicians goes something like this: "I survived medical school, how hard can this be?" Business is different than medicine, though, and success in the latter does not guarantee success in the former. It is a

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greatest health and safety problem?"

By going this extra step, the prospect will sense that you and/or your physicians genuinely care about their company, and are capable of providing customized services.

Likewise, registration desk personnel should be instructed to mention the same thing (or ask the same question) regarding registration processes. What you know is a carefully orchestrated (yet easy to instill) process will be perceived by the prospect as a highly organized, efficient operation.

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Rule #8: Involve your prospect. Try to involve prospects in some type of hands-on activity. For example, have them complete a prototype registration, ask them to complete a patient satisfaction form, offer them a complimentary cholesterol check, or have them "try" a physical therapy modality. Let them "feel" your team in action.

Rule #9: Complete your paperwork and client prep. Use your clinic tour to review and/or complete all required information (e.g., "client profile forms") necessary to expedite communication and information flow. Introduce the prospect to a liaison in billing and have them exchange critical information to facilitate subsequent billing processes. Provide prospects with handout material, including maps and appointment cards, which in turn can be distributed at their workplace.

Rule #10: End on a high note. Walk the prospect to their car and summarize your visit. Show them that extra level of respect by "staying with them" until they drive off. Remember that the most important thing you say to someone is usually as they are leaving, so you must be certain to summarize the new relationship as you part company.

A carefully planned and well-executed clinic tour is an exceptional way to move a near-close to a real close, develop mechanisms that will smooth the way once the prospect moves to client status, and cross-sell additional services as multiple members of your team become better acquainted with the prospect.

Viable clinic tours occur too infrequently and, when provided, usually fail to fully capture the moment. Incorporating the tips here into your next visit is likely to help you make the most of the opportunity. ■

completely different skill set, and survival by relaying on your gut is fraught with danger.

a. Solution: Enlist the help of consultants or others who have tread the same path. Don't be penny wise and pound foolish by refusing to pay a consultant in order to save a few dollars when the advice they give could save you thousands. Another alternative is to find someone who can support you as a mentor. Identifying someone who has "been there and done that" in the business world is extraordinarily useful.

6. Not hiring help. A mistake I made early-on was to be so caught up working *in* the business that I was unable to work *on* the business. I could have saved myself thousands of dollars and years of trial and error if I had hired some talented people at the outset and been able to spend time on business strategy, as opposed to operations.

a. Solution: Even if you can only afford someone a few hours a day (or less) make sure you have time to be strategic. The return on investment for that small amount of strategy-time will be huge!

7. Wrong motivation. When I was just out of residency and wanted to start a business, a close friend of mine who was already a very successful entrepreneur offered this sage advice: At the end of the day, if you simply spent your time working and earning wages (for me it was in emergency department) and compared that to all the debt you will incur in a start-up venture, along with lost wages and the time you will spend, you would probably be better off simply practicing medicine—particularly if your goal is merely to make money.

a. Solution: Be honest with yourself about what you hope to gain. If you love all the different aspects of running the business and all the challenges that go along with it, then opening a business is a great adventure. However, if it is simply the money you are after, there are probably better ways to maximize your return on investment.

8. Failing to support the community. Your business, and you as founder, must be good corporate citizens. This means you should help with projects important to your community (i.e., school, town, or place of worship). People will identify the good deeds with your enterprise and, consequently, your business will prosper from your involvement with other not-for-profit ventures.

a. Solution: Get involved in local not-for-profit organizations. It is a great way to form lasting business contacts and derive pleasure from your philanthropic endeavors!

A wise person learns from their mistakes, a brilliant one from the mistakes of others. Starting a business is fraught with challenges and risks. However, many of the risks can be mitigated by proper planning and execution, coupled with partnering with others who have trodden the same path. ■