



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* ("Wilsooooooooooo")? 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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