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### Want to Start a Startup? Avoid These Pitfalls

Welcome to the Perfecting your Practice podcast where we will talk about finance for the health care professional and medical practice owner. This series is brought to you by Bankers Healthcare Group, the leader in financing solutions for health care professionals. Since 2001, BHG has worked with more than 100,000 licensed practitioners to help them reach their financial goals.

Perfecting Your Practice is designed to talk about ways you can invest in your career and practice in order to set yourself up for success.

Now here's your host, Chris Panebianco Chief Marketing Officer at BHG.

Chris P.: Welcome back to the podcast, everyone. Thank you for tuning in. Have you ever thought about starting your own practice? Or maybe even a small business outside of your practice? Maybe it's a dream you're working toward right now. Today's guests are gonna talk about common business startup pitfalls, and how you can avoid them so your dream doesn't turn into a nightmare. With me today, and this is not the start of a joke because I am a Chief Marketing Officer and I love marketing, but I do have Gene Marks and Jessica Page. Gene is a world renowned author, and soon to be knighted author.

Gene Marks: World renowned?

Yeah. So, I'm writing for The Guardian now.

Chris P.: For The Guardian?

Gene Marks: I prefer to be called Sir Gene.

Chris P.: Sir, Gene. Jessica, we will refer to him as Sir Gene.

Jessica Page: From now on, [inaudible 00:01:15].

Chris P.: Gene is, you can also find him in Ink magazine, and the Washington Post, and on Perfecting Your Practice podcast.

Gene Marks: Yes. You said it right.

Chris P.: I said it right. This isn't for, we've mentioned it before, but for some reason, this host cannot say Perfecting Your Practice podcast.

Gene Marks: You just did it two times in a row.

Chris P.: I did. And I'm going to keep saying it. Repetition, guys.

Jess, we are very lucky to have with us, she's our senior tax manager at Bankers Healthcare Group. I get to see her on a daily basis. She gets to see me, and I think she regrets that.

Jessica Page: Oh, no. I'm the lucky one, Chris.

Chris P.: But, I learn about taxes every day. We're lucky to have her at BHG. We've heard a lot about great business startup ideas from our customers in the healthcare space, whether it's a medical practice, a medical related business, or something completely unrelated, a dress shop, a flower shop, an ice cream store, whatever it is, whatever the dream might be.

Jessica Page: That is the dream, or that is everyone's [crosstalk 00:02:12].

Gene Marks: That ice cream store.

Jessica Page: Well, you could ask everyone, "Hey, if you could open your own business today, what would it be?" Everyone has an answer.

Chris P.: A tattoo shop.

Jessica Page: There you go. See? Everyone has an answer.

Chris P.: So I'm taking notes while we're talking here.

Gene Marks: I find that, by the way, when I meet people from companies like BHG or companies that are even larger. Every employee that works at companies always has an idea of the business that they want to start. You know what I mean?

Jessica Page: Mm-hmm (affirmative).

Chris P.: Yeah.

Gene Marks: It's like this romantic thing about starting a business.

Chris P.: It's that jumping point.

Gene Marks: It is, it is. And meanwhile, every business owner is like, "Ugh, if I only had your healthcare." Right?

Chris P.: Today, we really want to talk through this, and educate our listeners about some of the pitfalls, what to watch out for, and really give them the tools or the confidence to go into it, because I think everybody I've talked to that has their own business, I'm always so jealous, because they were not afraid to take that leap. You guys know better than anyone, and I'm really looking forward, so please fire away.

Jessica Page: All right, I think one of the big ones is your startup capital. It's tough, especially if we're talking about starting a healthcare practice. It's not making widgets in your garage in your spare time. You can't set up a dentist's chair in your garage and start building a business that way. I think coming up with that capital, or what do you even need? Where do you even start, is a tough one.

Gene Marks: Yep. You're 100% correct. Listen, we live in a capitalist society, and when you are starting a business, you need capital. I always thought, to me, capital comes in two forms Jess, all right? So one is money, and we can talk about that in a minute, because there's a whole bunch of different things that have to consider to have the right amount of money. But then, time is the other one, is the other big piece of capital that a lot of people just don't have. Sometimes you don't realize how much time it's going to take.

When I started up my company, it was back in 1994, and I had a full-time job at another company at the time, and then I was starting this business up. We had little kids at the time as well. I was working a lot of hours, and weekends and all that. My wife was very understanding where we were going with this and all of that, but sometimes I meet people that didn't think about that, or weren't ready for the time commitment involved, or their families weren't ready for the time commitment involved. It can rip you apart.

Chris P.: And all three of those, I think are very important. Money, time and family.

Gene Marks: Yep.

Chris P.: And any lacking or deficiency in any one of those three can really take you down.

Gene Marks: Yeah. You know what happens when you start a business, is that you get consumed by it, and you don't want to fail, obviously. You're all about it, and you've made the decision and you quit your job, or you made the leap to do something like this, so you don't want to look like a dope for making that decision. Sometimes you start giving preferential treatment to your business over your family, because that's your baby. Sometimes that can have really negative effects.

Chris P.: Let me ask you a question. Time, money, family considerations, what about people talk or they immediately go to branding and marketing, but one of the interesting things I've learned, is their lack of knowledge of accounting and how you run the backside of your business. Can you guys talk about that a little bit?

Jessica Page: That's tough. You run into a lot of business owners who are amazing at what they do, and don't know how to speak to the economics of what they do. If you're going to be smart about it, when you're first starting to get in there, you don't need to be an accounting expert, you don't need to have an accounting degree or a business degree, or anything like that. But, talk to someone who does. You can find a business advisor, or find a friend who does it, and just say, "What are the basics? What do I need to know? How do I start thinking about cash coming in, cash coming out," and just get a sense of it before you start to help you ... you do need that business savvy, you are starting a business, so you do need a little bit of something, a little bit of background.

Gene Marks: Yeah. I couldn't agree with you more. The business owners that I meet that have been running businesses for a while, they all have this one thing in common. They're all fairly decent at math. They all kind of learned how to buy something for a buck, and sell it for three bucks, or how to read a P&L, how to understand just some basic financial numbers that they're tracking. Like, what are my margins? What are my receivables? What are my gross profit per product line? Certain things like that.

These are all accounting concepts, and you cannot just cover your eyes up and poo-poo accounting, "Oh, that's for the accountant, bean counters and all that." First of all, you get Jess and me very upset when you say stuff like that, because we're nice people. But, secondly, this information is really important to running your business.

You have to know a little bit of accounting, and like you said, Jess, if you don't know it, yes, by all means, work with an expert or an advisor, but you should also get some training in it as well. I really feel you should take an accounting class so you can understand ... because accounting is how business is run. In the end, it's all about money. People something like, "Oh no, it's all about what I'm doing with my life and trying to change the world." Like on Silicon Valley, they're always making the world a better place.

Chris P.: Yeah. Oh yeah.

Gene Marks: That's all good, but really, it is about the money. You want to make sure that you are accounting for your money correctly, because if you're going to be hiring employees, people, they have livelihoods, they're relying on you to make sure that you're tracking your money correctly.

Jessica Page: And all the great ideas of the world can't save you if you're making poor financial decisions.

Chris P.: Or the best marketing.

Jessica Page: Or the best marketing, right. If you're making poorly timed investments or anything like that. So, you really have to have

an understanding, and have a good advisor to help you, too.

Chris P.: So, you touched on two points. And I'm sorry to cut you off. You touched on two great points. One is get an expert, but Gene, you also said take a class.

Gene Marks: Yeah.

Chris P.: Now, give me a quick, how do you choose an expert? Where do you go to find a class? Do you just go to your local community college and take any? What do you guys? Walk me through both.

Gene Marks: Actually, yes. Taking a class is a commitment, don't you think? I mean, you've got to sign up and go, and learn it and whatever. But, I think it's a really important thing for you to do. So, yeah. You go to your community college, take an intro to accounting class. I think that there are online classes that you can take as well, that can teach you a little bit about the ins and the outs.

Or, frankly it depends on how we all learn. Buy Accounting for Dummies, or a book that you can read that will teach you how to do your accounting. That's fine.

As far as selecting an expert, do you have any thoughts?

Jessica Page: I mean, you can ask around, obviously. You're probably not the only person in the area running the type of business that you want to set up, so see what advisors are around in the area who could help you. There might be a resource like a small business development center in your city or your town or your county that can help you, point you in the right direction. They might even through one of those, they might have resources like classes and things like that, that you can take, too.

Gene Marks: Another resource, by the way, you mentioned small business development centers, SCORE is another good one as well. They're also funded by the Small Business Administration. They offer mentors for your business.

Jessica Page: Yes.

Gene Marks: A lot of them have financial backgrounds that can teach you [crosstalk 00:09:26].

Chris P.: How do you find out more about SCORE?

Gene Marks: First, you can Google SCORE.

Chris P.: Okay.

Gene Marks: And it'll take you right to their site. You can go to the Small Business Administration's website. You can also Google like Jess was saying, small business development centers, and they're usually attached to universities all around the country as well. They provide free resources as well.

Another place, if you're looking for an accountant or somebody to teach you, is your local chapter of your CPA society. In Philadelphia, where I'm from, there was the Pennsylvania Institute of Certified Public Accountants. There's a Philadelphia chapter. Go to their website. They can refer you accountants, and also have a lot of resources for you as well.

Chris P.: Let me ask you one question to both of you. What do you look for? What do you watch out for? Because again, you're entering a world, it's almost like when I talk to developers in marketing. I'm like, "Oh, gosh." I don't know their language. What are some things that our listeners should watch out for when trying to find that expert when it comes to tax, it comes to accounting?

Jessica Page: They should be able to speak your language. That's very important. They obviously have a lot of technical knowledge, and that's what you're paying them for. That's what you're hiring them for, but at the end of the day, they should be able to break it down for you, in language that you can understand, that allows you to make the decisions you need to make. If there's a language barrier, that relationship's not going to work for you. If they can't translate tax code into human speak, it's just ... you're not going to be able to communicate with them, and the information they're giving you isn't going to be helpful.

Gene Marks: Gosh, that is so true. The other thing is we're actually have been looking for a new accountant for myself and my wife personally and my business, and not to go into details about the old accountant, but we got referrals, because that's generally the number one way people find accountants and attorneys is referrals, friends, whatever.

I reached out to three accountants, and two of them didn't call me back.

Jessica Page: Huh.

Chris P.: Really?

Gene Marks: One of them just did, it was like three weeks ago, when I initially reached out. The other one still has not called me back. The third one called me back right away. Maybe they looked me up online, and they're like, "I'm definitely not calling him back." There's always that possibility.

Chris P.: They listened to our last podcast.

Gene Marks: Yeah. They listened to our last podcast. But, what is up with that?

Jessica Page: That's odd.

Gene Marks: So, you talk about speaking your language, that's the number one most important thing, and then also just somebody that's just going to respond to your emails, or call when you have a question, or have a need. The last person who should be blowing you off is your accountant. Do you know what I mean? You've got your kids to do that for you. So, you have a financial question, or you need somebody to provide advice, you want your accountant to be responsive to you. It's very important.

Jessica Page: Yeah. You may not be a client yet. But, you want someone who is as open to talking to you not as a client. You know they'll bring you on board, and they'll treat you correctly. That is very strange.

Gene Marks: Industry experience is important as well. If they've got some other clients in your industry, because one of the biggest ... in the end, if an accountant's a CPA, I always say you get a CPA. I'm a CPA, so we went through you know what ... it was difficult to become a CPA, so for goodness sake, hire [crosstalk 00:12:20].

Chris P.: That's why I'm in marketing now.

Gene Marks: Yeah, yeah. Once you have that, so there's a certain level of financial knowledge that you're going to get when you hire somebody that's been licensed by the state, so that's good. But then, when they have knowledge in the industry, that's really ... and the good accountants will provide you that insight saying, "You know, I have another client, and they're margins are a little bit lower than yours, or their advertising expenses are higher than yours." You want to hear how other people in the business [crosstalk 00:12:44].

Jessica Page: Absolutely. Especially because you're not talking about just doing your personal return. Personal return is a personal return for the most part, but when it gets into your business, the different rules that correspond to reporting for your business, it could matter a lot, depending on what industry. It is very important to have somebody who understands the business that you're in. And also, if they're going to be your advisor, and not just doing your taxes or anything like that, they're actually going to be advising you, you need someone who understands what's the ebb and flow of your business like? What are the cycles like? What are the needs of your business? Industry experience is huge.

Chris P.: Very good. I think there's a lot of people listening, again, it's very relative to the healthcare profession, there are referrals out there, there are review sites, people are doing their homework, and I think this is an area that you need. It sounds to me from what you're saying, this is an area that you really need to do your homework.

Gene Marks: And when you're starting up a business, it's a really critical expert that you want to have right at the very beginning.

Jessica Page: Mm-hmm (affirmative).

Gene Marks: I like to talk about outsourcing a lot, and you bring people, let them do what they're going to do, and don't cut corners. You should have a good accountant with you when you start up a business.

Chris P.: Great. Let me ask you guys, we talked about a lot of things for potential pitfalls. Are there any other quick hits that you guys have, or suggestions in that, as we wrap up?

Gene Marks: I do say, when you're starting up a business, we were talking about having that capital, or having time, knowing math, having a good accountant, those are all things that you really want to make sure that you do. The number one thing that I always tell people when they start up a business, is to make sure that you have customers.

Jessica Page: Small thing.

Gene Marks: Yeah. I mean, people start up businesses, sometimes they have a fantasy that they're going to sell [crosstalk 00:14:28].

Chris P.: If I build it, they will come.

Gene Marks: Yeah.

Jessica Page: Open the door, put my name up, and we're good to go.

Gene Marks: Yeah.

Chris P.: This is Field of Dreams all over again.

Gene Marks: And in the end, the reality is, and I'm actually talking to you guys, because you guys work for companies right now, so you get a paycheck. You have health insurance, you get whatever. There's a lot of great things about BHG. You leave your job, and it is a cold hard dark world out there, and you have a lot of people saying you know, "Wishing you the best." And cheering you or whatever, and then they're gone after that, and you're out there on your own.

So, when you make the leap, the reason why, when I started my business, and I had my one job, and then I started my other company, is I was having clients for like two years, so that when I finally quit my job, I had some cash flow from existing clients, so that at least I could pay the bills. So, you got to have customers when you start up a business. If you don't, you better make sure that you've got a good two years worth of cash in the bank, and a really good chance that you're going to be getting customers sometime during that period of time.

Chris P.: If you're not going to roll over customers into a new business, if you come out like you said, you better have two years of capital. What are some quick ways, if you're starting a business, that you would go out, I know from a marketing standpoint, what I would do, but what would you guys do? What do you see out there?

Jessica Page: I don't know. Your friends and family can only take you so far.

Gene Marks: Are you talking about raising capital?

Chris P.: Yes.

Gene Marks: Is that what you mean?

Chris P.: Right. Or your customer base.

Gene Marks: Yeah. First of all, most of my clients, when they have capital, it usually comes from their own savings. It came from my own

savings. Nobody was lending me a dime. If you ... traditional banks and all that kind of stuff, is they want to work with you, but you really do have to have a history, and you have to have collateral and assets and all that. So, the number one thing is savings. People ask, and I don't know how you feel about this Jess, about would you borrow money from your family if you were starting up a business?

Jessica Page: That's a [crosstalk 00:16:19].

Gene Marks: I know. [crosstalk 00:16:21] you guys can't see this, because it's a podcast, but [crosstalk 00:16:23]. We're nodding, or shaking our heads.

Jessica Page: There's a lot of family dynamics you got to consider before you do that.

Gene Marks: I would never borrow any money from a family member. I cannot even imagine [crosstalk 00:16:30].

Chris P.: I've had family members borrow money from me, and I'm like, "This isn't working well."

Gene Marks: Yeah. And then a month later, they're going on vacation somewhere and you're like, "That's strange, they're going on vacation and they still owe me."

Chris P.: You went out to dinner five nights in a row, and you still owe me money? What are you doing?

Gene Marks: It's just a bad idea, and a lot of people do it, and can be successful doing it. You just got to make sure that you've got the personality if you're going to borrow from somebody else. I think that that's really important. So, really it's about starting out with your own capital that you've raised. But, there's no better capital than having cash flow from customers.

Chris P.: Okay. What's a quick way, when you started out, you rolled over a few customers into your new business, but what were your first steps once you got outside of that? Or did you rely on them for referrals going forward?

Gene Marks: Oh, I relied on them for referrals, and then was asking them hard for referrals.

Chris P.: And it's okay to do that, by the way.

Gene Marks: It is okay to do that, but one of the tough things when you start a business, is that sometimes you take work that you shouldn't be doing, because you're involved. Now, because my business is matured, I can feel comfortable turning away work.

Jessica Page: That's a good point.

Gene Marks: And saying no to things, because I'm just going to screw that up if I do it.

Chris P.: Sure.

Gene Marks: Whereas, when I start up a business, you wind up doing things. So, you have to be really careful that you don't extend yourself too far, or promise too much.

Jessica Page: You can go both ways with that, actually. You could over promise something that you're not qualified to deliver, but you can also start taking work that's really not almost worth the time you're putting into it.

Gene Marks: That's also true. And when you're starting up a business, sometimes people offer you work to do that you're not ... it's not part of your main goal or strategy. I know this is a crazy answer to the question, but customers should be financing you know, when you get referrals, and try and stick to your model for what you want to do. And try not to over extend yourself. Don't be too desperate for the money, because you really might get yourself into trouble.

Jessica Page: You asked earlier, just any other thoughts, and I did finally think of one, but one thing to watch out for is being afraid that things were going to be different than what you had envisioned. You spend how ever long you spend dreaming about this business that you're going to have, things will change. So, don't be afraid of that. You're going to have to make new decisions and go in different ways than you expected, but that's a big one.

Chris P.: It's the ebbs and flow, or the ebb and flow of business.

Jessica Page: Yep. And just don't run away from that.

Chris P.: This is all great information. We've covered a lot that I know our listeners can take, from getting capital to watching out and really paying attention to the effect it can have on your family, on your friends, on your own personal time. We're only allotted so much time around here. We've also talked a little bit about getting the right professional, know accounting, take a class. I think again, I'd love for anyone listening to us, if they have follow up questions, to reach out to us. Jess and Gene, what's the best way to get a hold of you guys?

Jessica Page: Email. JPage@BHG-Inc.com.

Chris P.: Great.

Gene Marks: I'm on Twitter. @GMarks.

Chris P.: When are we going to get the new Twitter handles? @SirGeneMarks? It's coming. And everybody know that Gene will be, he's going to hire an expert in marketing once he is knighted. Again folks, I can't thank you enough. This was a lot of fun, especially for a marketing guy to sit with two such smart people.

Gene Marks: And you didn't fall asleep.

Chris P.: I didn't. You did kick me twice, but that's okay. People can't see it, we do have video cameras up now. But folks, we really appreciate you listening. We're really hoping you're finding the value in our podcast, Perfecting Your Practice podcast. That's the third time now I got it right.

Gene Marks: Third time.

Jessica Page: Very good.

Chris P.: We'd love to continue the conversation. Please shoot me an email at [ChrisP@BHG-Inc.com](mailto:ChrisP@BHG-Inc.com). Or you can connect with me on LinkedIn. Jess, Gene, thank you very much. Look forward to talking to you again.

Jessica Page: Sounds good.

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