



The essentials of setting up, building and running your practice.

Episode 3:

8 Reasons Why You SHOULDN'T Start Your Own Practice

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Hi and welcome to the third episode of Practice DNA. I am Matthew Holmes and I am your host. I would like get a quick shout out there and thanks to all those people that have popped on over to our facebook page at [facebook.com/practicedna](https://facebook.com/practicedna) and liked our page. It really helps to share the information that we have in the podcast when people pop on over to that page and like and spread the word in that way, so I would really like to encourage you to do the same if you wouldn't mind.

In today's episode we are going to be moving away from looking at the introductory topics of employment versus self-employment and how to tell if you are self employed. Today we are going to start at looking at running your own practice. Now, this isn't something to be entered into lightly, there are risks and responsibilities that need to be considered before you rush into it because once you are in there, getting out of a business can be quite hard. Hence we are going to discuss why you shouldn't start your own practice. Now, I am very much for people starting their business, I feel that there is a freedom that comes with having your own practice that can be attained in no other way and a certain development of you as an individual that can happen when you take on that responsibility but it is important that you know what you are getting yourself into before you make that decision. It may be that you would be much happier working as an associate in someone else's practice for the rest of your career. I have friends who have been very happily working at someone else's clinic all their working lives and just love being able to work out of the door and not have to worry about the things that we are going to be discussing.

So you shouldn't assume that the natural progression as a practitioner is for you to someday own a practice. Thus we have got the eight reasons why you shouldn't start your own practice.

The first reason why not, is perhaps the opposite of what appeals to most associates, that is that your profits are often not as high as you think they are going to be. When you are employed or working as a contractor for a clinic, you are often paid a percentage of the fees that you bring in to the practice. It is easy to look at that money and think why am I giving away so much of what I earn? The reality is that the cost of running a practice are more than many people realise, you have premises costs like rents, council rates, electricity, water and insurance, you have running costs like telephone, internet access and software costs and you have asset purchases like benches, furniture, computers, IT equipment as well as things like diagnostic equipment and you may have debt repayment if you have used financing to fund your start-up. Then you have your staff costs, initially you may have to function without a receptionist but eventually you are going to have to start employing staff if you want to grow your business. All of these eat into the profits of the business particularly when you are first starting out in your practice.

The second thing is you are going to have lots of learning to do. We are going to break this up to a number of parts. The first is that you have to learn about business structures and tax structures etc. This is one of the things that we are going to be hoping to explain with the podcast, however, for many people this can be a very dry and boring subject. While you can get advice to help you with this stuff, you really should start to understand it yourself so that you have some idea whether or not you are getting good advice or bad. Choosing the right business structure can have a big impact on your business. This influences the risks you expose yourself to as well as your tax obligations. Similarly you have to learn about completing quarterly and annual tax returns or at least providing your accountant with that correct information to enable him to do it for you.

The third thing you need to do is you need to learn about business setups, this is different from the business structure, but you need to learn about leases for business premises and how to decide how much space you need. You need to choose a business location which can have a big impact, not just in terms of monthly costs and overheads, but it is also going to impact your presence within the local community. A prominent location is generally going to result in more exposure but will often come with a higher price tag. Also, payments and regulations will impact upon your choice of regulations. You will have to learn about requirements that your local council places upon healthcare businesses in terms of zoning for certain types of businesses, parking requirements, health and hygiene requirements for certain types of practices, limits on opening hours etc. All of these can be really boring and very frustrating to deal with.

The fourth reason not to start your own practice as well is that you are going to have to learn a lot about hiring and managing staff as well as dealing with superannuation or pensions, tax reporting and withholding obligations and really, trust me this can be very boring and as tedious as it sounds. There is however a real skill involved in hiring the right person. This is going to be another future episode for the podcast but for now it is suffice for us to say that hiring the wrong person can be very costly for your business. Aside from the recruitment cost for advertising for someone as well as the cost of your time in interviewing candidates, the cost of training staff in both monetary and time cost is really substantial. While I am sure it is not as high as in high-end small healthcare practices, some businesses do report that recruitment and training costs can be as high as ten thousand dollars and there can also be there can also be the damage that the wrong person can do to your business in terms of customer goodwill and relationships. Managing staff also requires that you learn about tax requirements for your country, in Australia employers are required to withhold tax from their employees salary and pay it to the government quarterly. That is often very standard in most countries. There is also a requirement to make quarterly payments to employees superannuation pension plans and while the authorities usually do get plenty of advice on how to meet this obligations, if you fail to do so on time there are penalties associated with it.

The fifth thing is that you have to learn about the mechanisms of doing business. In fact you don't have to do that and many businesses do actually stand alone without it but to create a successful flourishing business that either meets or exceeds your customer expectations you

really do need to learn about this. What I mean by the mechanisms, is the process and procedures that you put into place to ensure that your businesses run smoothly and delivers a consistent customer experience. While this is a big and important topic that I will going into in greater detail in later podcasts, it is a big topic, however, if you love business and creating successful businesses like I do this stuff can actually be quite a lot of fun.

The sixth thing that you have to focus on is that you are responsible for the marketing and the promoting of your practice to a much larger degree. When I was an associate, I found that other associates would often criticise the practice owner for not spending enough time and money on marketing the practice. You can debate about whether associates should be more proactive about the marketing side. When you are the practice owner however you are responsible for setting up the marketing and the message that you are marketing to delivers. Now, if you are lucky enough to work in an area where there is little competition or lots of patients are seeking your services you may be able to get away with little or no marketing. However, many practices face greater competition these days and especially in the earlier stages of practice development you will need to learn marketing techniques and take responsibility for the marketing strategy and execution.

The seventh point why you do not want to set up your own practice is that you are going to be responsibility of your supply and maintenance of the office equipment. In the previous episode of this podcast I highlighted that one of the tests of being self employed is whether the contractor supplies the equipment or not for the execution of the job. In reality though, most practices supply the equipment for their practitioners to use. This point could perhaps be grouped under point one in terms of the cost of the business but there is also the time and effort involved in supplying and maintaining new practice infrastructure.

The last point about why you may not want to start your own practice is that the buck stops with you and that is that ultimately you are responsible for success or failure of your business. Personally I find this to be a freeing and invigorating point but many people find this responsibility just too much to bear. Certainly it can have the downside in that you can't just walk away from the practice at night and forget about it. However you do have the chance to run the practice in a way that you want and to develop the culture and environment within your business that you want and to me that is a definite positive.

Whilst much of this episode we focused on the negatives of running your practice, I do feel that if such a positive thing to do however it is really not for everyone. If after listening to this episode you think that starting a practice is still the right thing for you to do then go for it, great, but if you are thinking that this all sounds like too much work then hopefully I have saved you from making a big mistake.

So that is it for this episode, if you have any comments or questions please visit our website at [practicedna.com](http://practicedna.com) and post a comment below this episode. If you think you can give us a four or five star rating on iTunes, then please pop in there and do it. Otherwise if you don't feel we are worth four or five star then drop me a line and make me know how I can make things better.

Thanks again for listening and we will see you next time.

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