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The Most Common Reasons for Small Business Failure (1279 words)

How many times have you heard it? A business owner complains about the government, the weather, the this, the that, for the failure of their business. When, in fact, for most businesses, the statistics you're about to see tell a very different story. A story that's important to understand so that you know just how much your own actions ultimately affect the success or failure of your business.

Some statistics tell it like it really is.

Some statistical research on the reasons why small businesses fail provides interesting results. 'Small businesses' were defined as having fewer than 100 employees. These results apply to one-person small businesses all the way through to larger 'small businesses.' Let's look at them and then analyze the ramifications.

32.1% of small businesses fail due to poor management of financial activities.

Not being properly funded or failing to keep a tight reign on receivables and payables are examples of such issues. If there's one area that's a 'weak link' for most businesses, this is it! Most business owners prefer to complete the work the business does instead of fussing over the details. As such, financial control is one of those detailed areas they often avoid.

14.6% of small businesses fail due to a lack of management competence or experience.

Business owners or managers are often very good at doing the technical work of their business. For example, you could be the world's best drywaller, carpenter, photographer, florist, or what have you, but unfortunately, that might not mean you automatically have the skills and experience required to really make the business go.

12.4% of small businesses fail due to inflation and economic conditions.

These are conditions affected largely by internal government controls on currency and interest rates and by other worldwide financial mechanisms. These conditions can also be altered by the effects of weather or natural disasters on an area, a country, or a region of the world. Obviously, these factors are outside your control as the business owner.

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12.3% of small businesses fail due to poor books and records.

It's staggering, don't you think, that the seemingly small task, although a detailed one at that, of keeping good books and records of sales, expenses, etc., can literally bring about the failure of a business! You see, keeping detailed financial 'books' or figures and records can be an issue some business owners or managers avoid. This is very dangerous, too. Do your computer backup systems really work? Test them. Some 80% of them fail.

10.7% of small businesses fail due to sales and marketing problems.

Sales and marketing are areas that many business owners or managers—unless these are their particular areas of skill—find challenging. The world of marketing is foreign to many people. All the techniques, the do's and don'ts, the costs, the results, or lack of them, can add to this feeling. For example, many businesses throw good money after bad simply because they just don't know whether their advertising or marketing actually works. And before they know it, they've literally spent thousands of dollars for little or no return.

9% of small businesses fail due to staffing problems.

When asked, 'What are some of the positives and negatives about being in business?' most business owners and managers unfortunately place 'staff' in the negative column. This is a sorry state of affairs, particularly when you consider that most people want more than a job, and most business owners want team members who will treat their work like more than a job! And despite all the best intentions and desires of both parties, often both will end up with a less-than-perfect situation.

6.2% of small businesses fail due to union problems.

As you may have seen, unions can affect businesses dramatically. In fact, union movement can affect whole industries or entire countries, depending on which union is taking action.

2.7% of small businesses fail due to failure to use external advice.

This small category represents the group of businesses that would not have failed had they sought external advice. In other words, people out there could have assisted the business. In fact, so much so that the business would not have had a difficult phase or certainly would not have failed. This external advice could have come from accountants, lawyers, business advisors, and so on.

So where does this leave you?

Well, take a look at the figures repeated for you here. As you do that, add up the percentages of reasons for small business failure that are external to the business—that is, outside the business owners' control.

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32.1%	Poor management of financial activities
14.6%	Lack of management competence or experience
12.4%	Inflation and economic conditions
12.3%	Poor books and records
10.7%	Sales & marketing problems
9.0%	Staffing problems
6.2%	Union problems
2.7%	Failure to use external advice
100.0%	

It's about 18.6%, isn't it? Inflation and economic conditions at 12.4% and union problems at 6.2% are the only two factors outside the control of business owners or managers. So, outside influences account for only 18.6% of the reasons why small businesses fail. That is just amazing!

Only 18.6% is outside your control!

You'll agree—every other factor is internal. **Which means that you are in charge—you are in control. YOU and your team actually control whether your business survives.**

You see, the statistics show that 81.4% of the small businesses surveyed failed because of issues under their control. So, 82% of the time when businesses fail, the owners really could have done something differently to stop that from happening. The problems were actually in their control. This is good news! Fundamentally, it means if you're having problems in an area of your business, you usually CAN do something about it. With the right help and more involvement with your team, you'd normally be able to get each and every one of these factors in order.

If more business owners had better control and management of the factors that create that 81.4% of the reasons why businesses fail, chances are their businesses would be booming regardless of economic conditions! These results show that as much as government policies and economic conditions affect business, your actions and that of your team have a far greater effect on your results than absolutely anything else. As such, it's important to look out for these 'hot spots' and take action to resolve any of these issues—quickly.

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Your Action Plan

Take action now to resolve each and every one of these trouble areas and succeed!

Action (what needs to be done)	Outcome (results to look forward to)	Person Responsible (make sure you involve others, if possible!)	Due Date
Review each one of the reasons for small business failure.	To check the conditions facing your business both internally and externally.		
As you do that, rate the level of success or failure in each area for your business. On a scale of 1-10, with one being the worst and 10 being the best, rate your control or success with that issue.	To take the "temperature" of your business. That way, strategies can be created to address the biggest problem areas.		
Now, repeat the process with your team and begin to work on strategies to address each area.			
Talk with your advisors for any assistance in this area.	To make sure you establish controls and put strategies in place so that your business succeeds!		

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