

Top 10 Reasons Small Businesses Fail

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About half of all small businesses fail within the first five years—a statistic that generates a shudder of fear in even the most dauntless entrepreneur.

Most of these failures, however, resemble one another in crucial ways. And once you identify these harbingers of failure, you can increase your own chance of success by avoiding these pitfalls.

1. PROCRASTINATION

When you own a small business, you'll find that tasks and paperwork pile up like snowdrifts on your desk. Putting them off is like piling up debt; eventually they could overwhelm you.

2. IGNORING THE COMPETITION

Consumer loyalty has declined sharply in recent years. Today, customers go where they can find the best products and services, even if that means breaking off long-term business relationships. Monitor your competitors, and don't be ashamed to copy their best ideas (assuming that doesn't mean violating patent law). Better yet, devote some time each week or month to devising new methods, products or services for your firm.

3. SLOPPY OR INEFFECTIVE MARKETING

Contrary to the popular cliché, few products or services 'sell themselves.' If you don't have time to [market your product effectively](#), hire an experienced person to do it for you. Marketing keeps your products selling and money flowing into your business. It's crucial that you do it well.

4. IGNORING CUSTOMERS' NEEDS

Once you attract customers, you'll have to work hard to keep them. Customer service should be a key aspect of your business. If you don't follow through with your customers and [address their needs](#), they'll find someone who will.

5. INCOMPETENT EMPLOYEES

Hire only workers who are essential to your operation. When you do [hire employees](#), make sure they're well-trained and able to complete the tasks expected of them. And remember that happy employees make good workers—try to create a work environment that keeps your staff happy and motivated.

6. LACK OF VERSATILITY

You may be great at making hats or painting houses or fixing computers, but that's not enough to make your millinery shop or house painting business or computer consultancy successful. Successful business owners tend to be adept at a number of tasks, from accounting to marketing to hiring.

7. POOR LOCATION

Even the best restaurant or retail store will fail if it's in the wrong place. When you're [scouting a location](#) for your firm, consider factors such as [traffic](#) (how many potential customers pass your firm during the course of an afternoon or evening?) and convenience (how hard is it for your regular customers to get to your location on a regular basis?).

8. CASH FLOW PROBLEMS

You need to know how to track the money coming into and out of your business—even a profitable venture will flounder if it runs short of cash. In addition, you must learn to make [cash flow projections](#) that will help you decide how much money you can afford to spend and warn you of impending trouble.

9. A CLOSED MIND

Everyone goes into business with some preconceptions—don't be surprised if you find that many of yours are wrong. Look for [mentors](#) who can give you advice and run your ideas by them before you make important financial commitments. Read books and magazines about small business; visit business-related websites and [network](#) with your peers in the business community.

10. INADEQUATE PLANNING

Start with realistic but precise goals for your firm, including deadlines. For example, don't just say that you want to increase sales; instead, decide that you want sales to reach \$100,000 by next holiday season. Then, write down the steps you can take to meet those goals on time, and set deadlines for completing those steps. Consult your goal list every day, and make sure you are doing what you need to do to meet your objectives.

STILL HAVE QUESTIONS? CONNECT WITH US!

Women's Enterprise Centre is a non-profit organization devoted to helping BC women start, lead and grow their own business. If you own a business, or are thinking of starting one, connect with us for business loans up to \$150K, skills training, personalized business advice, mentoring, practical resources and a supportive community to help you realize your business potential.