



## Reasons your small business could fail and how to future-proof yourself

### Description

If you run a business, the odds are greater youâ€™ll fail than youâ€™ll succeed, by quite a margin. The numbers are not concrete but [range between 50% â€“ 94%](#) youâ€™ll fail. Small business failure is actually a lot more common than the heartwarming stories of entrepreneurs beating tough odds and making it we are used to hearing.

This might not be what you want to hear when [starting a business](#), but itâ€™s definitely something you need to. Not fun, but true, thereâ€™s a good chance your brilliant idea will fail. Thereâ€™s an upside though, you donâ€™t necessarily have to fail. You can beat the odds and be that future inspirational story we read about.

The silver lining from these odds is that theyâ€™ve given us a lot of lessons to learn from. From the big brands we thought were invincible, to the brilliant ideas we thought would change the world, we can learn what causes business failure, and how you can avoid those pitfalls to steer your start-up in the right direction.

Together weâ€™ll not only tackle business failure from these tragic cases but from the small engines that could too. Weâ€™ll be balancing our analysis by looking at lessons from entrepreneurs who beat insurmountable odds to succeed. Because we all love a good success story, the lesson should stick a bit better with these cases.

## Small business failure is a product of poor planning

â€™If you fail to plan you plan to failâ€™• Benjamin Franklin

This adage just rolls so well off the tongue it's easy to repeat it a hundred times without letting its meaning sink in. A [good business plan](#) can set you well on your way to dealing with the points on this list.

It'll pretty much guarantee you don't fail or make sure you don't invest in a business doomed to fail. Maybe guarantee is a bit of a stretch, but it'll go a long way. Even with limited skills as an entrepreneur, a business plan can help you start and grow your business successfully.

Coupled with [a good company profile](#), it'll form the basis for your communication with all your stakeholders. A well-planned business immediately makes it clear the impact you intend to have, on clients, investors, employees and the greater community.

If you can't find a compelling impact to propose, don't bother starting, your business will fail. Good products and services don't succeed, the [value proposition](#) they carry is what people go for.

With your impact in mind, you can then plan for what you want to bring to life. You can understand what talent and funding will be needed. Without any sort of plan, it's easy to just get the most out of what you can and fall into the [traps of early business funding](#).

The most important part of your planning is properly identifying your market. A lot of entrepreneurs give up going to market for fear of businesses that are quite honestly not their competition.

Worse off are entrepreneurs who face business failure from pursuing the wrong market entirely. Combine your plans with the [advantages you enjoy](#) and all external factors to best position your business to fully take advantage of those who could use your value.

## Understand your market, fully

Not every result in your Google search constitutes your potential clients or your competition. A poorly defined market results in a lot of business failures. It actually results in a lot of businesses not getting started at all.

As a small business, there are [advantages](#) you can leverage that give you access to clients larger businesses can't. Conversely, there are factors that mean you cannot even think of competing with these giants.

Because of this, it'll benefit you to run your lane. Invest enough time drawing up your personas to gain an intimate understanding of your potential market. This understanding should drill down to their challenges, how they want to communicate, how they want to be marketed to.

You should use this information to position your business. Any business that meets these needs on these exact terms is the competition you should be worried about. Any business that falls short, you have the advantage and you should craft a strategy that lets you come out ahead.

That is, after all, what entrepreneurship is about, overcoming challenges on a daily basis to come out on top. It's definitely not running from a little competition. Ultimately though, such a good definition of your market will save you from the dreaded lack of market fit.

It'll outright tell you if there's no market, saving you a lot of trouble. Where there is a market, you'll know where to find it, how to market to it and how to capture it.

## Stay ahead of compliance issues

As a small business, you can generally get away with ignoring compliance issues. Not that we encourage it, but you can definitely go a while before any authority comes knocking at your door. Particularly for non-brick-and-mortar establishments, it can be a while before things like licences are questioned.

The taxman may also be preoccupied with your bigger counterparts so a few returns can go un-filed. Matters like data management can seem to be the problems of Facebook, Google and other online giants, but laws like [POPIA](#) apply to your business as well. You know you are not supposed to send unsolicited emails, but who's going to mind.

The thing though, these issues will definitely come back to bite you in the future. Suddenly worrying about protecting your client's privacy a while later could mean large sums in audits, changing policies and changing cultures.

Paying your tax burden lumped up in the future could out and out bankrupt you. Worst of all, imagine the lawsuits you could be saddled with if it's discovered you somehow operated without the right licences.

Instead, take the time to deal with issues ahead of time, piecemeal, in bite-sized chunks. This way, you don't find yourself overburdened at some point in the future. Do some in-depth research on compliance matters that affect your industry, area and business model.

Understand even the potential pitfalls that could arise from your day to day operations. Small things, like how you can be sued [\\$8k for an image that sucks](#). That unassuming image you used on your website, it can bankrupt you. It's not all doom and gloom, but definitely stay informed.

## Ensure access to reliable funding

It's no secret just how much [Mut-Con](#) is a fan of the [lean start-up](#). But, at some point seeking funding may be a necessity. Some businesses don't lend themselves too well to bootstrapping. Additionally, a lack of access to funding is also still one of the most noted causes of small business failure.

Keeping a handy list of [organizations that could help you meet your financing needs](#) is important to your strategy. Remember, not all funding is made equal, approaching the wrong funder at the wrong time could do more damage.

Instead, keep a good plan of your future financial needs, and have a good idea of who can meet them best. If you've already run out of funds or your financial health is already poor, it's too late to engage funders.

You represent a risk, thinning down your potential pool, and those that remain will do it at a higher price. As little as an hour can have a difference on who you can approach and how much they'll fund you for.

## Master the essentials of good financial management

Ultimately, the financial health of your business will determine if it succeeds or fails. Even for non-profit businesses, when the financials go into the red, closure is inevitable. Moreover, financial factors make up the biggest contributors to the definition of business success or failure.

Mastering good [financial management](#) will help you keep a pulse on financial factors that could negatively and positively affect your business. Though you can outsource, it's a good investment to master the [basics of accounting](#) for your business. These basics should extend to not only recording transactions but [analysing this financial data](#).

### Keep a close eye on your investment

As an entrepreneur, it can be tough to recognise when your business has failed. It can even be tougher to accept this failure and pull down the curtain. Good financial management means having a threshold that defines the venture as failed, and a contingency plan for such an event.

This means not artificially sustaining your business with increased investment. Continuously pouring money into the business is not the answer to a failing model. It's perfectly fine to attempt a [pivot](#), but if nothing is being changed while more money is invested then there's a problem.

Not only will it burn you out, but it'll also make the failure so spectacular you may not have much left for future investments. At the right time, save your time, money and energy, they could be

successfully applied to another venture.

## Avoid travelling the beaten path

With a good understanding of your market, you can build a successful business even in a competitive niche. The first thing youâ€™ll want to do is avoid reproducing what already exists. As obvious as this sounds, many entrepreneurs canâ€™t resist the urge to replicate the actions of their competition

The fact that they succeeded a particular way does not mean youâ€™ll be able to replicate success in the same way. Itâ€™s one thing to learn from your predecessors and apply your knowledge, itâ€™s another to completely duplicate the formula.

In a world increasingly defined by choice more than anything else, all this strategy will help you achieve is drowning in the noise. You need to make a compelling argument for your potential clients changing loyalties.

Whatâ€™s worse, modelling yourself after whatâ€™s working leads to a serious lack of consistency. Successful entrepreneurs and brands adapt to their markets and environments consistently. This means while their overall strategy remains the same, their tactics shift consistently.

Carbon copying means youâ€™ll often shift goal posts without even considering how it fits or unique circumstances. So itâ€™s important to think incrementally. You should learn from your forerunners mistakes not to repeat them, but you should build on these lessons to craft your own path.

## Manage your growth

Business growth is like the food of entrepreneurship, itâ€™s essential, but can be dangerous in excessive unmanaged quantities. Seriously, [even water can kill you](#) under the right conditions. Granted you have to drink a lot of it in a very short space of time, but itâ€™s easy to get carried away with a good thing.

While growth may not be the goal, or even necessary for some entrepreneurs, itâ€™s important for most businesses. A good growth strategy can go a long way in helping you to,

1. Fend off the competition
2. Stay relevant to your market
3. Retain the best talent

#### 4. Consistently give a good return on investment

With this in mind, it's easy to see how entrepreneurs can overindulge in growth to disastrous consequences.

Usually, when a business scales too fast, it's in one area at the expense of others. Scaling sales too fast, for example, could cause shortfalls in customer services and support. Scaling production capacity too fast could force you to choose between sitting on excess capacity or tying up working capital in inventory.

Neither is a good position to be in. To [build a business that stands the test of time](#), plan and consistently execute your growth with precision. Make sure to be aware of the overall picture and grow at a sustainable rate.

The long and the short, to make sure your business survives, grow it, just enough. Prioritize all areas equally and make sure they grow in tandem. And while the core of your business grows, make sure you have the support systems in place to hold it up.

If you genuinely feel growth is not necessary for your business, just make sure to stay relevant. Build a set of strategies to keep your clients satisfied while keeping the inevitable competition at bay.

## Have a long-term view, always

Entrepreneurs make the very bad mistake of giving up strategies for tactics. It could be because of [poor planning](#), or not understanding the difference between the two, but this almost always means business failure.

A strategy is a long-term plan used to achieve long-run goals. It should be consistent and not changed and revised too often. A tactic is a short-term effort that achieves short-run goals and should be changed often. The sum total of your tactics should spell out your strategy.

Because good strategy takes time to bear fruits, it's not uncommon for it to be abandoned for short-term tactics. In the long run though, tactics that aren't tied to overall strategy fall flat. A good example is buying leads.

Be it followers on social, email addresses or phone numbers for cold calling, this shortcut tactic never works. It may pad up the numbers in the short run, but it will not deliver results in the end.

Strategies like good content and SEO, on the other hand, [may take up to three years](#) to bear fruit, but when they do they send qualified constant and consistent leads that won't get marked as SPAM.

Because of this, it's always good to start with a good strategy and work backwards. Building a good strategy will empower you to craft short-term tactics that don't sacrifice your brand for short-term results.

Everything done today should be influenced by where you want your business to be in ten/ twenty/ hundred years. Your values, culture, product development, employee retention, spending, research, and expenditure should support a long-term vision. How you act on a day to day basis, should contribute incrementally to this vision.

## Build a solid team and get the skills

African wild dogs have a successful hunt rate of [about 85%](#). Their Guinness world record lists them at a [modest 50-75%](#), but that's still an impressive figure. A lot of their success can be attributed to their incredible teamwork. They have a strong family dynamic, sharing kills with the young, injured and sick.

They have a strong leadership structure that encourages sharing of knowledge within their communal pup raising. Long story short, wild dogs have a big, strong team that shares skills and knowledge, and they are winning.

Entrepreneurs can learn a lot from these adorable killing machines. No matter how good you are in your domain, that sharp edge will not last forever. You need to invest in fresher minds that will consistently bring a new perspective and keep you innovating.

While leading from the front, enrich your work environment by allowing your team to tackle some of the tougher questions. Invest in their development and give them the requisite skills to grow in their positions.

You can encourage them to make the most of [free resources](#) online, or splurge a little on paid ones. While it may be tough to spend on staff development as a small business because you are afraid they'll leave, you should be more afraid of what happens if you don't develop your staff and they stay.

Instead, remind yourself that people [don't leave bad jobs, they live bad bosses](#). A lot of employees would stay at a small company with good prospects and a great leadership style. Your investment in staff development is a testament to your commitment, but you need to walk the walk and promote internally.

Be as loyal to your employees as you reach new heights as they were when you couldn't offer them more. If you should do one thing as an entrepreneur, build a strong, skilled team that is as invested in your business as you are.

## Starve off burnout and keep the passion

Entrepreneurship is a gruelling journey. Among a lot of things business owners agree on, just how tough it is to find success is one of them. In addition to dealing with the stress of the astronomical rate of small business failures, it's a lot of work.

You'll be putting out fires left right and centre, wearing more hats than you ever thought practical. Unfortunately, many business leaders tend to take this as a sign they need to work round the clock. And as a small business owner, they'll always be something to work on.

work expands so as to fill the time available for its completion • Parkinson's Law.

What quickly follows is burnout and a loss of passion for the business. Small problems suddenly seem insurmountable and victories don't even seem worth celebrating. A lot of business failure can be attributed to this change in perspective, not the reality on the ground.

Entrepreneurs need to be careful to build [coping mechanisms](#) while navigating this very tough challenge. Even as a business owner, set your working hours and honour them as far as possible.

This will force you to focus on your productivity, and the rest you get will benefit your efficiency. While it's admirable that you want to lead from the front, remember to lead, not carry everyone on your back.

Resist the urge to do everything and delegate duties, decisions, and control accordingly. Lean on your team as much as you wish them to lean on you, and you can keep your perspective fresh enough to appreciate that things are probably going right more than they are going wrong.

## Understand business failure rates for your industry

While small business failure rates are generally high, they are not uniform across industries. Understanding the different rates affecting your potential industry could help you prepare accordingly.

Not that you can afford to be unprepared in any industry, but the intensity you fortify yourself should be related to the risk you face. Additionally, knowing how your industry fares will be the foundation for your research on specific industry failure factors.

Generally, manufacturing and extraction sectors tend to have the worst [start-up track records](#). This could be attributable to high capital outlay and strict compliance standards. It could also be a result of the high skill levels required to thrive in these industries.

One could also argue that being a tax consultant is no cake walk, but service businesses tend to be started by individuals with domain expertise. Conversely, a lot of professionals would consider agriculture, but agriculture as a business requires relevant knowledge too.

This is not to say you can't have a successful SAAS business as a non-programmer. It just means understanding the risks your business is exposed to and preparing yourself accordingly as a leader. [Failory](#) took the time to outline industry failure rates and explore the potential pitfalls small businesses face.

## Conclusion

You don't need to learn your lessons the hard way, you can learn them from those that came before you. If you going to be part of the turnaround of this statistic, you are going to need to be armed to the teeth.

Working hard alone will not be enough, work smart. Know what you are getting yourself into, and do a Neo on those bullets every single time. To truly [future-proof](#) your business, you need to be completely proactive.

Besides knowing what your predecessors learnt the hard way, develop methods to anticipate and handle future shocks and stresses. We are curious to know how you've managed to keep the odds in your favour and keep your business afloat.

Gif by Jkuperfman, <https://wifflegif.com/users/jkupferman>

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## 8. Sustainable Growth

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