

Title:

The Number One Reason For Business Failure!

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Summary:

Ralph Waldo Emerson said, "Build a better mousetrap, and the world will beat a path to your door."

But when you're starting your own business, there's no guarantee that your "mousetrap" is going to survive, especially in today's fast-paced business world.

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Article Body:

Ralph Waldo Emerson said, "Build a better mousetrap, and the world will beat a path to your door."

But when you're starting your own business, there's no guarantee that your "mousetrap" is going to survive, especially in today's fast-paced business world.

Nearly half of all small businesses fail within the first two years of operation. The number one reason for business failure is inadequate planning. The second reason is under-capitalization.

So before you mortgage your house, or go into debt financing your business, you need to know if your business is going to do more than survive -- you want to know if it's good enough to thrive! Here are three things successful businesses that have stayed in business for five years or longer have in common:

1. The idea. A successful business start-up always starts with an idea. Something that makes your business stand out from all the rest. So how do you know if you've got a good idea?

You've probably got a good idea if you can answer yes to any of the following questions: Does your idea provide the solution to a significant problem for your target market? Does it satisfy a need or want? Does it create an opportunity?

The most successful businesses either fix problems (either real or perceived), or they increase your customer's pleasure. They create a repeat need for a product or service among the target market.

2. The market. Your chances of survival are better if you can answer the following questions with a yes: Is there already a market for your product or service? (It's much easier to fill a need than trying to create an entirely new market.) Can your target market afford to buy your products or services? (If they can't afford it, it doesn't matter how great it is, you won't sell any!) Will your target market perceive your product or service as valuable? (If they want it, but don't think it's worth what you're selling it for, you won't make any sales.)

3. Your ability. Do you have the people, the resources and the knowledge to be able to consistently provide your products or services to your target market? Can you maintain a competitive advantage? Do you have enough manpower? Can you purchase the supplies and materials you need over the long run?

Your first step always is to create a solid business plan. Your business plan is more than an essay on "Why I deserve to get funding for my idea" however. Don't spend all the time creating a business plan and then toss it in the bottom drawer of your desk. Your business plan should be a living, breathing roadmap that helps you make sure you're on course and reaching the goals that you set for your business.

The second step to business survival is getting enough financing. Although the term "bootstrap entrepreneur" describes most small business owners, having enough capital to be able to keep your business afloat is vital to your survival.

When you're creating your financial analysis of your business, make sure you're being realistic about costs and expenditures, so that you give yourself the cushion you need to succeed.

If finding financing is a problem, either because you don't have enough credit or equity, or there are other problems, take the time to look into the resources that are available in your community. There are a wide variety of grants and loans (including microloans) for entrepreneurs, if you know where to look.

Some great resources will be:

- The Small Business Administration
- Local Small Business Development Centers

- Women's Organizations
- Local University or Community College
- Chamber of Commerce
- SCORE (The Association for Retired Executives)
- Nonprofit organizations that work on economic development in your area

Use other successful business models as a guide. When you're getting started, look around. What businesses are successful? Why? What is it they're doing that is working? What attributes do you admire, and why? You stand a better chance of succeeding if you're modeling someone who is already successful.

Find a mentor. Most entrepreneurs have great skills and abilities, but no one does everything well. You probably already know what your strengths and weaknesses are. (If not, there are many resources and tools that can help you figure it out!) Rather than ignoring your weaknesses, find a mentor who can help you either build your skills in your weaker areas, or offer advice for getting what you need.

If you take the time to plan to succeed, you could be creating a legacy that will be enjoyed by future generations, and that other entrepreneurs will look at as a model for building their own businesses.