

Why Small Businesses Fail

Success in business is never automatic. It isn't strictly based on luck - although a little never hurts. It depends primarily on the owner's foresight and organization. Even then, of course, there are no guarantees.

Starting a small business is always risky, and the chance of success is slim. According to the U.S. Small Business Administration, over 50% of small businesses fail in the first year and 95% fail within the first five years.

In his book *Small Business Management*, Michael Ames gives the following reasons for small business failure:

- 1:Lack of experience
- 2:Insufficient capital (money)
- 3:Poor location
- 4:Poor inventory management
- 5:Over-investment in fixed assets
- 6:Poor credit arrangements
- 7:Personal use of business funds
- 8:Unexpected growth

Gustav Berle adds two more reasons in *The Do It Yourself Business Book*:

- 9:Competition
- 10:Low sales

More Reasons Why Small Businesses Fail

These figures aren't meant to scare you, but to prepare you for the rocky path ahead. Underestimating the difficulty of starting a business is one of the biggest obstacles entrepreneurs face. However, success can be yours if you are patient, willing to work hard, and take all the necessary steps.

On the Upside

It's true that there are many reasons not to start your own business. But for the right person, the advantages of business ownership far outweigh the risks.

- You will be your own boss.
- Hard work and long hours directly benefit you, rather than increasing profits for someone else.
- Earning and growth potential are far greater.

(United States Small Business Administration)