

## 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, roughly 50% of small businesses fail within the first five years.

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

- ◆ Lack of experience
- ◆ Insufficient capital (money)
- ◆ Poor location
- ◆ Poor inventory management
- ◆ Over-investment in fixed assets
- ◆ Poor credit arrangements
- ◆ Personal use of business funds
- ◆ Unexpected growth

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

- ◆ Competition
- ◆ 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.
- ◆ A new venture is as exciting as it is risky.
- ◆ Running a business provides endless challenge and opportunities for learning.

Taken from [http://www.sba.gov/smallbusinessplanner/plan/getready/SERV\\_SBPLANNER\\_ISENTFORU.html](http://www.sba.gov/smallbusinessplanner/plan/getready/SERV_SBPLANNER_ISENTFORU.html)