Small Business Survivors Plan for Success

Again, this week I was visiting with a group of folks who were thinking about starting a new business venture. A common thread of the questions and concerns from the group was how can we make sure that we are not one of those businesses that will be forced to go “out of business” after the first couple of years. What is it that causes businesses not be successful?

Fear of failure is an understandable concern that can give even the ablest of prospective entrepreneurs cold feet about starting a new venture. Those doubts are amplified with every news story heralding the number of failed or closed small businesses.

But a look behind the numbers reveals that small business entrepreneurs have a better chance at success than they may realize. In fact, a review of business closings by the Wall Street Journal’s Small Business editors shows that the number of outright failures is highly exaggerated.

Nearly a third of business closures that government statistics assume to be failures are not really failures at all. These businesses were considered a success by their owners who simply sold off the pieces or closed them to retire or pursue other activities.

Data from the U.S. Census Bureau’s Business Tracking Series show that about 65 percent of new small businesses are still operating after four years. That means new ventures actually succeed more often than not.

But the more resources a new business has to start with, the better its chances. That includes money, of course, but other assets such as market savvy and the right people. Here are five factors that improve the odds of new business survival:

1) People. If you can afford to hire employees, do it. Well-staffed businesses have better survival rates than solo operations.

2) Startup capital of at least $50,000. Not easy, perhaps, but businesses that start with less have higher failure rates.

3) A college degree for the owner. Better yet, enroll in a college-based entrepreneurship program.

4) Home beginnings. To keep costs low, start initial stages of your business from a home office if your type of business is suitable for this location.

5) Business plan. It is demonstrated, time and time again, that those entrepreneurs that take the time and effort to do a comprehensive business plan and follow it are much more likely to succeed than those who do not do a plan. The important part of a plan is the process that it forces you to go through to put the plan together.

So why do small businesses fail in the first few years? The most common reasons include lack of complete planning before you start up the business, competition, mismanagement, high rent and insurance costs, high debt, inability to get financing, loss of clients and difficulty with collections. Most of these factors can be addressed early on through good research and planning, having a thorough.
business plan, and getting advice from trusted, objective sources. Unforeseen and uncontrollable factors that lead to business failure may still arise, but doing your homework will definitely put the odds of success in your favor.

To learn more about building your small business, contact SCORE "Counselors to America's Small Business." These volunteer counselors provide free, confidential business counseling as well as training workshops to small business owners.

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