

19.11: Why Some Ventures Fail

Learning Objectives

- Explain why some business ventures fail



Denbow's point about the importance of planning is cited in virtually every list of causes of failure. Why is this so critical? Failure to do the research, analysis and financial projections that business planning entails makes a small business more vulnerable to the following common causes of failure:

- Inability to execute on the business concept
- Lack of or insufficient market demand
- Lack of product or service (competitive) differentiation & other marketing issues (the four Ps of marketing)
- Lack of awareness of and/or ability to respond to emerging trends, relevant developments (technology, regulatory, geo-political, environmental) and competitive actions
- Overdependence on a single customer
- Inability to manage growth
- Inadequate cash reserves or failure to effectively manage cash flows. Related point: inadequate cash controls or personal/business separation, including using business revenue as a personal slush fund
- Insufficient management experience or product/services expertise
- Lack of self-awareness and related personal/professional development
- An inability to acknowledge weakness and/or compensate for skill and expertise gaps

One of the most critical risk factors is the founder's attitude and self-awareness, including the ability to objectively assess his or her management skills (or accept external feedback on this point), recruit to address skill and expertise gaps and effectively delegate responsibilities.

Statistics aside, it's important to understand that failure isn't final. The upside of failure is experience, a factor that contributes to success. Thus, the phrase "fail forward." As Mike Maddock notes in his take-off on this concept: "the most inventive people are usually the best at failing forward, i.e., learning from what went wrong."

? Practice Question

<https://assessments.lumenlearning.co...essments/11033>

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