

7.9: Reading- Why Do So Many Small Business Startups Fail?

Valuable Lessons

With four out of five small business startups ending up in failure, the odds are stacked against small business owners and would-be entrepreneurs. That's why it's so important to understand how and where things go wrong—such information offers valuable lessons on what to avoid. There are six main causes of small business startup failure:

Lack of Planning

We've said it before: starting a business without planning where you want to go is like starting a car journey with no idea of your final destination or a map to get there; you're bound to get lost. To avoid this mistake, set a clear goal of where you want to be and how you plan to get there.

Failure to Delegate

Within every business someone needs to keep an eye on the bigger picture; and have an overview of everything happening internally and externally around the company. That person should be you and if you have your head buried in the accounts you won't. So delegate and outsource all the tasks that can be done by others and free yourself to focus on the bigger picture.

Unwillingness to Change

As a small business you cannot afford to remain motionless as your market and the world around you drives forward. Adapt and develop your small business so it is forward-thinking and innovative, not behind the times.

Forgetting That Cash is King!

A small business needs to keep its eye firmly focused on cashflow. As soon as it loses sight of this, it's prone to failure. Plot and analyze your incomings and outgoings to make sure your small business stays on the right track. Don't expect massive profits from the outset, but don't accept a loss.

Lack of Objective Targets

Not measuring the success of campaigns, products, or services can be disastrous for a small business. Is that PR campaign your running really worth the money? Does Twitter really bring traffic to your website? Know what to measure, and you'll know how successful you are.

Failure to Ask the Right Questions

When you're a small business start-up, knowing which questions (and whom) to ask is difficult. There are numerous resources, such as the SBA, local economic development agencies, and chambers of commerce, that are a great place to start. Part of the process is "knowing what you don't know," and such organizations can help you figure that out.

While avoiding these pitfalls won't guarantee small business success, knowing *what not to do* can help you to be proactive and focus on the things you should do.

Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does **not** count toward your grade in the class, and you can retake it an unlimited number of times.

Use this quiz to check your understanding and decide whether to (1) study the previous section further or (2) move on to the next section.

<https://assessments.lumenlearning.com/assessments/196>

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