

The Chief Cause of Business Failure & Success

By [Sharif Khan](#)

Business rises and falls on leadership. According to business guru, Brian Tracy, "Leadership is the most important single factor in determining business success or failure in our competitive, turbulent, fast-moving economy." Still not convinced? Based on a study by Jessie Hagen of the US Bank, here are the main reasons why businesses fail:

- Poor Business Planning
- Poor Financial Planning
- Poor Marketing
- Poor Management

Proper application of these key factors is a function of good leadership. Let's look at some of the conclusions of the US Bank report. According to Hagen's study, in the Business Planning category, 78% of businesses fail due to lack of a well-developed business plan. It boggles my mind that so many people go into business without a plan, as if it were the ice cream flavor-of-the-month! Is it any wonder that when I came across the DEA Police & Government auction site of confiscated property, there is a gleeful statement that declares, "Most businesses fail within their first two years, so chances are, you will come across some relatively new merchandise. At (our) auction, get what you need without paying full price."

If you just rolled out of bed with 'a great business idea' and don't want to be a part of this grim statistic, run to your nearest bank, get a free business plan template, and write your plan now! Honor the time-proven cliché, "If you fail to plan, you plan to fail." Leadership is about planning for success before it happens. Sun Tzu, the 6th century Chinese philosopher, in his epic work *The Art of War*, gave some sound business advice that still applies today: "When your strategy is deep and far-reaching, then what you gain by your calculations is much, so you can win before you even fight. When your strategic thinking is shallow and near-sighted, then what you gain by your calculations is little, so you lose before you do battle."

In the Financial Planning category, a whopping 82% of businesses failed due to poor cash flow management skills followed closely by starting out with too little money. Business leadership is about taking financial responsibility, conducting sound financial planning and research, and understanding the unique financial dynamics of one's business. Before even starting a business, show your plan to your accountant and get their counsel. What a concept! Asking for the advice of someone who sees the bottom-line realities of business day in and day out; someone who sees the birth certificates, successions, and autopsy reports of thousands of business entities. It just makes good business sense. But many people will ignore this advice and eventually meet with business disaster. [Word of caution: don't rely on just one opinion. Get at least two or three opinions from different accountants to get a more informed view].

The third business failure factor profiled in the report, and a critical one, was Marketing. Over 64% of the businesses surveyed in the Marketing category failed because of owners minimizing the importance of properly promoting their business followed by ignoring their competition. Again, as a business leader, you must be able to effectively communicate your idea to the right people and understand their unique needs and wants. Leadership is all about taking initiative, taking action, getting things done, and making decisions. If you're not doing anything of significance to market and promote your business, you are most likely headed for business failure. I recommend every time you get up in the morning, jot down 5 new things you can do to promote your business and go DO them! If you can't think of anything to jot down, I

highly recommend reading Jay Conrad Levinson's book, Guerrilla Marketing, which has oodles of useful information and tips on promoting for small business.

Know your competition. Leadership is also about providing value to people. If your main competitors are all providing a better quality and lower priced product than yours, how can you possibly create any value? Either you harness your strengths to provide different benefits such as speed, convenience, better service; lower your price and improve quality; create a different product for an unmet demand; or get out of the game.

Finally, one of the most important reasons why businesses fail is due to poor management. In the Management category, 70% of businesses failed due to owners not recognizing what they don't do well and not seeking help, followed by insufficient relevant business experience. Not delegating properly and hiring the wrong people were major contributing factors to business failure in the Management category.

Leadership is about knowing yourself – understanding your strengths and weaknesses. Leaders are aware of their potential. Losers ignore their potential. Leadership is ultimately about influence and delegation. As a leader, you must have the humility to be able to surround yourself with people who are brighter than you and who can make up for your weaknesses and limitations so you can do what you do best: seize the day and lead! ?

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