

## Reality Check: Why Startups Fail

SUMMARIZE THE  
MAIN POINTS OF  
THE ARTICLE IN 10  
BULLET POINTS.  
TYPE YOUR  
SUMMARY IN EITHER  
WORD OR  
POWERPOINT.

Most would-be business owners envision short stints of activity followed by endlessly flowing checks from happy customers. As the visions of the perfect business progress, long days of leisure financed by free-spending clients

serviced by hard-working minions eventually lead to a big bank account and an early retirement. While it is a compelling vision, the Small Business Administration reports that new ventures have only a 50% chance of making it through the first five years. Many would-be moguls just aren't prepared for the reality of running their own businesses.

### No Understanding of the Business

Many small business ventures are launched by well-intentioned but poorly prepared entrepreneurs. Being a good cook doesn't mean you will be a good restaurateur, as cooking food is merely one part of running a food service business. Similarly, being a good accountant doesn't mean you have the skills to market the business and win new accounts. Being a good mechanic doesn't mean you'll be good at running an auto repair business.

And yet, every year, countless numbers of people rush heedlessly down the path of launching small business based on nothing more than their passion for a particular area of interest. Although holding the necessary skill set and interest for the business area are few of the ingredients required for success, they do not guarantee it.

All too often, the result is failure. Cooking, reconciling spreadsheets and fixing cars are activities. Just as marketing, filing taxes and addressing customer concerns are activities. Successful business owners must either be good at all of the activities and have the proper business acumen or smart enough to realize their limitations and hire the necessary expertise.

### No Concept of Reality

Many entrepreneurs go into business for themselves because they can't stand the daily grind of working for somebody else. They envision a life of leisure with little work and large checks. Spend any time at all with the owner of a successful small business, and reality will set it.

You won't work fewer hours - you'll work more. Everything won't be perfect. A few common challenges include a lack of customers, problems with suppliers, problems with employees, problems with equipment

and problems with bill collection. These challenges aren't "one-off" items or the results of a bad day; they represent the challenges you will face all day, every day.

### No Backup Plan

At the risk of raining on an otherwise happy parade, the cold hard truth of the matter is that dreams don't always come true. Just as smart investors save for rainy days, entrepreneurs should have a back up plan. Yes, we have all heard stories about people who bet everything on their big idea and struck it rich. We've also heard stories about people who enter casinos and bet their life savings on the throw of the dice. Despite the rare and notables winners, casinos don't thrive on losing money, just as a 50% failure rate for startups doesn't bode well for those who don't plan for the possibility of failure.

### No Exit Strategy

All new business ventures are launched with the idea of success in mind, but few are launched with any idea at all about what to do if those big dreams come true. What are you going to do when you win? Do you want to run the business forever? Do you want to give it your family or sell it to a bigger company? What about retirement? How will you get out when you are ready to go? Is there equipment to sell? Are there leases to break, employees to terminate or a business to sell?

Smart business entrepreneurs begin with the end in mind. They know exactly what they want to do with the business from the day they open the doors. An exit strategy can be a beautiful thing, especially if it helps you capitalize on all your hard work.

### It Sounds Hard: Why Do It?

Once you assess all of the risks, running a business has a lot less appeal. It's the reason most people work for someone else. You show up from 9 to 5 and the boss signs the check. Of course, not everybody chooses that path.

Despite the challenges of running your own business, going it on your own does have its benefits. First of all, you'll have the freedom to spend your time on something that you chose rather than priorities set by your boss. You'll also get to do something that you are passionate about as opposed to punching a clock and putting widgets into a box or shuffling meaningless papers from one side of your desk to another. Better still, you just might make a profit.

If the challenges don't seem insurmountable and the downside doesn't give you cold feet, you just may have what it takes to run your own business.