

Small Business Success or Failure?

by Sophia



WHAT'S COVERED

As we've already learned, two-thirds of small businesses end up failing within their first two years. Why does this happen? More importantly, what is it that we can learn from these failures and successes that can help us when we run our own business? This tutorial will cover why a business is likely to fail or be successful. Our discussion breaks down as follows:

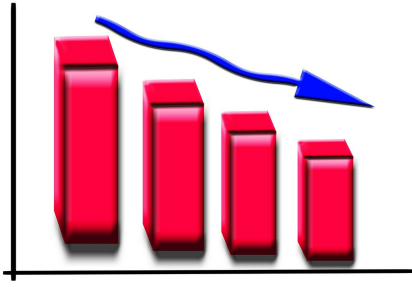
1. Business Failure

2. Business Success

1. Business Failure

Some of the big reasons that businesses fail include:

- **Mismanagement:** There is a management failure of some type; management takes their eye off the ball and fails to do its job in creating wealth for the shareholders.
- **Financial Miscalculation:** There's simply not enough money to make it through the growth of the business. They didn't anticipate how much it would take or they anticipated incorrectly.
- **Lack of Focus on the Part of Management or the Employees:** This happens a lot with small businesses. A small business owner simply may not have enough time to focus on the things that he or she needs to focus on. You might say they're "getting into the weeds" of the business.
- **Uncontrolled Resources:** Things like groupthink (a psychological phenomenon that occurs within groups, where the desire for harmony can lead to poor decision-making) or starting to believe your own press, can lead to failure. There may not be adequate checks and balances on different departments within the organization, so there's no control system on decisions that are made. Any large-scale decision that is made, no matter who makes it, should involve an audit process within the business. If there's no auditing process to ensure that the decisions are based on sound data, then one small mistake can have a very large impact on the business as a whole.



IN CONTEXT

An example of small business failure is a website called Wesabe. Wesabe opened in 2006 and closed in July 2010. During this time, it was considered a leader in online personal finance. However, 10 months after Wesabe's introduction, a competitor, Mint, appeared. Mint had a better name, better design, and was easier to use so people stopped using Wesabe and started using Mint. This led to Wesabe having to close its website in 2010.

Another example of small business failure is Iparents, which was a website for parents and families that opened in 2008 and closed in 2010. Although Iparents was a popular social network for parents and families, too much time and money was spent on things such as text alerts for appointments and the ability to turn family photos into magnets. This was not something its customers wanted, which led to business failure for Iparents.

2. Business Success

Many small businesses experience failure, however, a lot of small business experience incredible success.

Small business success can come from:

- **Management and Leadership:** Business success tends to come from both sound management of both finances and people. If you can't keep good employees, they're going to go to your competition.
- **Planning and Organizing:** This involves correctly analyzing the demand for your product--and not overestimating it--and planning correctly and realistically on how to meet those demands. Over-promising can be a very big problem.
- **Hard Work and Effort:** Especially in a small business, this is the key to success. It's not easy to run a small business, as we've talked about before. The workload is simply tremendous. Therefore, keeping your eye on the ball and putting in the hours that are necessary for the business are vital. In addition, a little bit of luck certainly helps.



IN CONTEXT

An excellent example of small business success is Oak Street Bootmakers, which is owned by George Vlagos. He realized that in Chicago it was really difficult to find a pair of quality shoes. So he opened his small business, Oak Street Bookmakers, and now there is a six-week waitlist to get a pair! He was able to meet the demand for custom made shoes.

Another great example of small business success is Bamboletta Dolls based in Vancouver. Bamboletta Dolls is about community and using all-natural materials to create hand-crafted, one-of-a-kind dolls for children of all ages. The owner, Christina Platt, was able to meet the demand for all-natural dolls that felt real to children, while also focusing on community.



SUMMARY

Today we learned about the factors that contribute to **business success** and **business failure**. We looked at examples of both success and failures and discovered what went wrong or what worked.

Good luck!

Source: ADAPTED FROM SOPHIA INSTRUCTOR JAMES HOWARD