

10 REASONS WHY SMALL BUSINESSES FAIL



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1. **Inadequate financial records.** This seems like a simple task, such as keeping detailed books and appropriate records of sales and expenses, can affect the success of a business. You need to understand how much money is on hand and how much is owed in order to understand the financial picture. Keep records detailed and current and if you have someone do it for you make sure you follow-up.
2. **Disregard for financial records.** Improper funding and failing to keep a close eye on debtors and creditors are examples of disregarding or misinterpreting financial records. Because business owners are handling all aspects of the company, financials tend to be overlooked. A business could experience profitable years on the books and have solid accounts receivable, but due to poor control, be cash poor. Keep a handle on payables and receivables, don't let customers get too far out, and be tough.
3. **Failure to control costs.** Controlling costs requires building an information system that tracks costs in each business function or process. For example, if you fail to track the amount of time it takes to complete a project or build a product, the incremental labor cost cannot be determined. Develop systems which track actual time expended so that labor costs can be controlled and employees have incentives.
4. **Lack of internal control.** Fraud can occur when owners fail to watch their financial systems. If you delegate this job to a business partner, bookkeeper or employee without personal involvement you are asking for trouble. **Take responsibility** by putting controls in place to prevent any theft of funds, property or inventory.
5. **Poor sales and customer relations.** Generating sales and sustaining customers is a challenge, but a high level of customer satisfaction contributes to increased revenue and profitability. Talk with your customers about their needs and focus on client interests. The extra effort to increase customer service and sales will set your business apart from competitors and increase sales. As a small business you are often operating at a disadvantage to the a

larger company, so you have to stay in tune to your customer. Remember, it's cheaper to keep them than to get a new one

6. **Lack of working capital.** Most businesses start with a small amount of capital, that is ok, watching those funds is more important or the money will run out. The initial development of a business is crucial and should be supported with a financial cushion for unexpected costs. Determine your daily cash flow requirements and maintain a financial safety net.. Make sure the business is operating within a capital structure that is sustainable.
7. **Lack of adequate and appropriate insurance.** This is a major cause of failure not often considered. A family dependent on income generated from their business should carry long-term disability insurance. The business is far more likely to file a disability claim than file a claim on a life insurance policy. Adequate life insurance is still critical, as it protects owners and family from financial hardship. If inventory and/or other assets are not adequately insured, a disaster can destroy the business. Companies should also have the proper level of insurance for flooding, workers' compensation and other potential liability insurance. You are the most important asset in your business.
8. **Failure to adequately train employees and develop employee relations.** Create a work environment that keeps staff happy and motivated. Harness an environment where team work is valued and appreciated, instill a sense of ownership. Well-trained, happy employees will treat their work as more than a job. Communicate clearly and often.
9. **Improper strategic planning.** Develop realistic and precise goals in a organized, strategic, and operational business plan. Include employees in this process and consult the business plan regularly to confirm that objectives are being met.
10. **Track key business matrixes.** If more business owners had control over factors that cause businesses to fail and tracked their key matrixes, their business would succeed regardless of economic conditions. It is extremely important in the beginning stages to track all of your financial information. Monitoring your sales figures, financials, customer service with a radar focus is critical to your future success.

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