

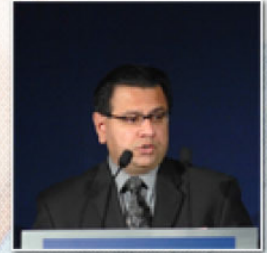
SMALL BUSINESS FAILURE



MOST COMMON REASONS

By Dr. Muhammad AzamRoomi

I have been teaching, coaching and training a number of aspiring small business owners/entrepreneurs. Some enter into business some don't. Generally speaking those who enter into small businesses do not plan well and once in trouble start looking for quick fixes.



Recently I met with a young and quite influential entrepreneur who acquired a degree in Business Administration from the UK. During his stay in the UK, he worked at Burger King. This working experience gave him some insights in the restaurant business. While working in cash management, he was astonished to see the profitability in food business and decided to open a restaurant on his return to Pakistan.

He was convinced that in addition to oriental cuisine, his restaurant will also target younger generation with mouth watering fast food. Objective was to give his customers a unique dining experience. A perfect location was chosen and finally a 100 seat restaurant was opened. First few months were excellent. Customers were happy, sales were high.

He was lucky to find a dedicated employee to manage the affairs. This young lad would deal with the staff, manage supplies and also resolve nitty-gritty issues. Problems started arising when complaints regarding food quality started appearing!







Chef told the owner right in the beginning that his kitchen was not equipped enough to deal with a wide variety of dishes, an advice which was ignored by the owner. The next major issue was dealing with service staff which was expecting a fare share in gratuity (TIPS). Frustrated with complaints from customers and staff, the owner decided to deal with issues himself. He called the manager and gave him hard time.

Staffs' morale went down, Manager became less interested in fixing things and taking decisions that made the owner's position more venerable, he now had to get involved in all petty issues. He started replacing staff which did not work. Manager did not see his future in the organization and left.

Owner decided to take on the responsibility of running the restaurant himself. It was tough, he had to supervise every bit, remained engaged with the kitchen, services staff, making sure that the customers are well looked after, etc. He also introduced various promotion schemes, but nothing worked out.

Majority of the small businesses fail in the first few years of their existence and this was one of them. In my view, this restaurant owner failed (like most of other small business owners) because of the following reasons:



-  Lack of proper organisational structure
-  Inadequate hiring practices such as nepotism, hiring of unskilled staff and not being able to forecast future HR needs
-  Customers' dissatisfaction and poor customer service
-  Poor communication (both within and outside the organization)
-  Ineffective cash flow
-  And many others.....

What do you think, in your opinion, are the most common reasons of any small business' failure around you?

Interested in learning more from Dr. Roomi? Please visit his website at <http://mroomi.com>.