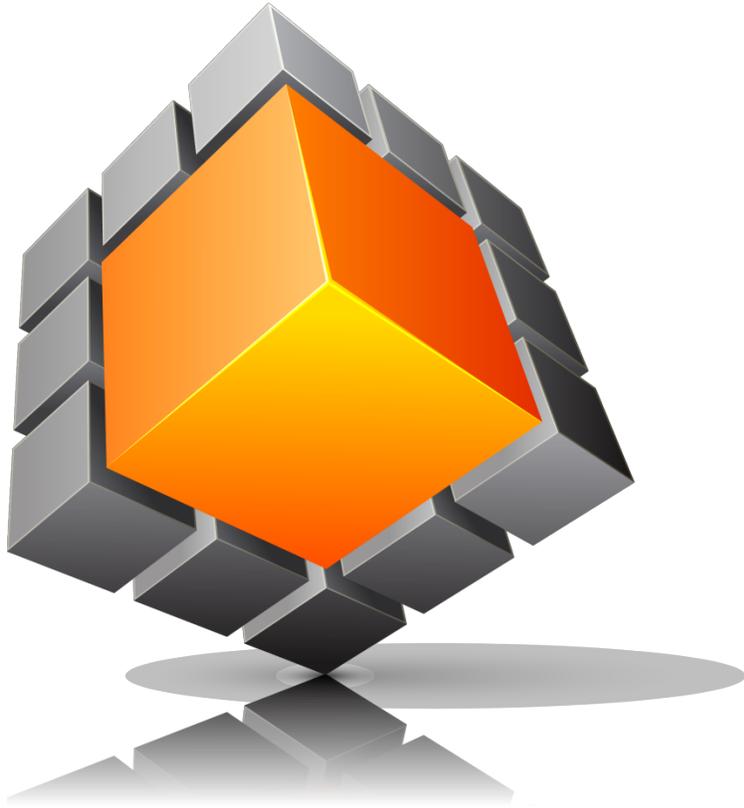

How to Avoid Startup Failure

Presented by





Why do so many start-ups fail?

I've been pondering this question for over 35 years. The frustrating part is that over the last 35 years the numbers have not changed. Figures compiled from both the Bureau of Labor and the Census Bureau indicate that out of every 100 start-ups 80 are still operating after 12 months, 69 are in operation after 24 months and 50 are left after 60 months. Another 26 will disappear over the next 60 months. That's a 50% failure rate in the time it takes to pay off a car loan. Undoubtedly many of those whose businesses "failed" will start-up another in an effort to maintain an income. So, what is the problem? Why do folks have so much trouble starting a business that lasts? I believe the way "experts" approach the start-up of a microbusinesses is wrong. The reason – They come at microbusiness from an organizational point-of-view, as if these 1 to 10 people businesses are the same as any large business organization. It's like taking a young boy and putting them into an adult's suit. No matter how you roll it up, pin it, or tuck it in, it's too big to work.

And, after a long career as an independent business owner, who has had some failures and some successes, I've come up with 3 sets of questions that anyone looking to start a business must be able to answer before they attempt to start any business. When you have the answers to these questions you have more of a foundation for starting a successful business than most people. Not having the answers to these questions has you starting a business based on just an idea.

Three Set of Question:

- 1.) What do you believe you can sell that will make you money? Why do you think people will buy it? What qualifies you to be able to offer these products or services? Don't get wrapped up in all the hype about doing what you "have a passion for". At the best, that thinking will get you into a "hobby" business that may or may not make you enough money to support yourself. There are a boat load of "coaches" out there espousing this idea, most of them are starving.
- 2.) What are the true problems that are creating painful symptoms for your prospective customers? What symptoms will your product or service address? What are they buying now to address the symptoms? Where are they buying this? Answering these questions will pin-point the products and or services and what they want. Do not start a business around what you believe is a market "need". Needs take more time and money to turn into a "want" than you have to invest. Only big companies have the where-with-all to pull that off. If you learned how to do this at a big company, unlearn it when it comes to your own business. And never forget this lesson.

3.) Identify and describe the group of people who you believe suffer from these problems / symptoms and who you believe are willing and capable of buying what you want to sell. Where are they located? How many are of them are in your "Trading Area"? How many of them do you need to become customers in order for you to make a living? How much must they spend daily, weekly, monthly? If you're like a majority of business owners you can easily become enamored with your business idea and you can start believing that "everybody" wants what you're selling. The entire city isn't going to line-up at your door just because your there – the "build it and they will come" conversation.

The sum of the answers to these 3 sets of questions need to come directly from the people you want to become your customer. Without talking with your prospects directly to validate your assumptions, it's like diving off a riverbank with no idea of what lies below the water's surface – you wouldn't do that, right? Don't do it with your business idea – validate it. This one concept could save you thousands of dollars and months of time- something I learned firsthand.

At the [Small Business Learning Center](#) we believe that another major contributor to business failure is not understanding the parts that make up a business and how they are linked together. This is why we have included the overview of the BizCube. Working from this point of view will enable you to construct a strong business foundation and framework on which anyone can build a business capable of providing a sustainable income.

The BizCube Paradigm

Most people believe that what they sell or do is their business. "I clean and fix teeth. My business is being a dentist." WRONG - cleaning and fixing teeth is what you do to make money. It's what you do to generate revenue for your business. It is not your business. It is only the operational part of your business.

A business is a five part entity that supports what you do to make money. The five parts must work together for the business to thrive. Without this perspective you will not create a business that is capable of supporting what you do and the business will eventually fail. The BizCube is a model of your business. It's a way of "seeing" the parts that are your business. It's the starting point.

In the BizCube paradigm a business has only five (5) functional parts:

1. **The foundation:** This is the person or persons that make up the ownership of the business. Like a building, all the other parts of the business are supported by the foundation. Its strength comes from the knowledge, skills and the vision the owner(s) bring to the business. This does not mean how well

the owner(s) can do the work of the business. It has to do with how well they organize and run all the parts associated with the business.

2. **People:** A business is really about people. It's about the people who work in and on the business. It's about the people who become customers of the business. It's about the people you buy things from, the vendors and suppliers. It's about your banker, your landlord. It's about everyone who is in anyway touched by the business including your family, your friends, and the families of the people who work for the business

3. **Operations:** The operations section encompasses everything that has to do with delivering products and services to the customer. It's what you do to generate revenue for the business. It's also the physical operations and even the legal structure of the firm. It's the storefront or website depending on whether your business is brick & mortar or virtual. It's the truck you use to haul materials and tools or the clothes you wear when you meet your client or make a proposal.

4. **Marketing:** This aspect includes everything you do to communicate and sell your products and services to potential and current customers. It's the website they come to. It's the business cards you hand out at networking events or the brochure you leave behind after a sales call. It's the way you talk with prospects about their problems and the way you relate how your products and or services can eliminate their problems. It's important to change your attitudes about selling. Selling is the same as servicing when it comes to your clients.

5. **Finance:** Money is the fuel on which all businesses run. Finance encompasses everything that has to do with money coming in and money going out. And it's very important to understand that money is not the primary goal or objective. Money is an outcome. It's what comes out of delivering value to your customer. When money becomes an objective the heart of the business is diminished.

Working from the BizCube paradigm your business looks like a cube with an open top. As the owner, you and your vision for what your business is about, form the base of the cube. The four key elements are the sides of the cube. And, the top is open because the cube has to hold the important things you'll invest in the business; things like your time, your energy, your money, and commitment. The cube also has to hold all the people that depend on the business; your family, your employees and their families, your suppliers, and your customers. The picture below is what we call the BizCube®.



So, why is having a new paradigm for microbusinesses important? Because with a clear picture of what microbusinesses look like anybody can organize and create a business. It becomes the blueprint for a strong framework upon which you can hang a business concept. Without such a framework, a business is merely a conversation, an idea that exists only in the mind of the inventor. It is difficult to share, difficult to complete or know where you are in the process of creating it. We use the BizCube as the framework for an action plan but that's another conversation.