While small business continues to be the fastest growing segment of American business, experts say the failure rate of small business ranges from 10 to 18 percent. A significant percentage of entrepreneurial ventures will die a premature death because they have failed to implement necessary life-saving strategies to succeed.

Research conducted of nearly 100 small businesses nationwide over the past five years by The Price Group reveals the following operating failures:

- 75 percent of the businesses failed to use readily available financial information to determine shortfalls or to make necessary planning adjustments.
- 30 percent of the companies failed to produce monthly financial reports – up 50 percent from research five years ago.
- While 97 percent of the business had accounting and management software programs, 54 percent of these businesses failed to use technology for little other than printing out financials and letter writing.
- Only 52 percent of the companies had any kind of formal organizational structure, and of that percentage, 80 percent failed to effectively implement the structure. The remaining 48 percent had no formal structure at all.
- While 71 percent of the companies had done an effective job of identifying their core customer market, only 13 percent had any formally planned marketing strategies. Eighty-seven percent operated with no marketing plan whatsoever.
Internal communication problems existed within 79 percent of the companies—many were very seriously impacting productivity.

Ownership failed to let go of the reins in 88 percent of the businesses further impeding unproductive performance by the company's primary leaders.

Although business leaders recognized the need to adapt to changes in the marketplace, 59 percent failed to do anything about it.

In a startling statistic, more than half (55 percent) of the business leaders recognized stagnation within their companies, yet of this percentage, 66 percent chose to do nothing about it.

Herein lie the fatal flaws that entrepreneurs fall prey to when starting or growing their businesses. The resolves demand strategic solutions—sometimes very simple, sometimes more difficult, yet all require a strong commitment. Here are five fatal flaws and strategic solutions:

**Fatal Flaw #1: Failure to Work From A Plan**

Whether your business is a germ of an idea or well into its growth cycle, it is suicidal to not have a plan. We’re not talking about formal business plans the likes of which are required when securing funding from a bank or venture capital organization. What is necessary, however, is some written plan identifying the current stage of your business, where you expect it to go growth-wise within the coming year, and how you intend to get there. It needs to be realistic and specific so that you can benchmark your performance along the way and make necessary alternative plans. All business planning should also have a contingency plan. What will you do if the economy declines? Your best customer goes bankrupt? Your product or service is no longer in as great a demand? Ask the tough
questions as they relate to your specific business and be prepared with realistic answers of how to shift your strategies if necessary.

**Fatal Flaw #2: Failure to Understand and to Effectively Use the Concept of Marketing**

Planning includes specifics from a marketing perspective. Unfortunately most small businesses throw money at unproductive marketing tactics rather than seek expertise on developing marketing strategy that is aligned with their company’s core values. On the reverse side of this issue is the fact that all too often small businesses fail to allocate adequate funding to provide the marketing efforts necessary to fuel profits. Both issues must be carefully addressed in order to maximize marketing efforts. What percentage of revenues need to be allocated for marketing will vary from industry to industry, but, suffice it to say, it must be understood that money must be spent to make money.

**Fatal Flaw #3: Failure to Effectively Deal with the People Factor**

This flaw requires a leadership strategy in which the ownership of the company must understand that it is not the leaders role to take a hands-on approach in running the company, but must trust those whom they have hired to perform in their respective roles. Far too often entrepreneurs are reluctant to let go of the reins--often at the cost of losing valuable employees who are talented and could play an integral role in the company’s growth. Gone are the days when the best workers are willing to be treated without respect and to feel values. Entrepreneurs who cannot trust to turn responsibility and accountability over to their employees need to begin to be trusting enough to let go of the reins or replace those they cannot trust with those whom they can. Money alone is no longer a measurement of fulfillment. Caring counts. And it must be authentic. As Len Roberts, Chairman and CEO of Radio Shack says, "You can’t fake caring. If you really understand why leaders fail,
it’s because they are unable to care.” This should be good news to leaders who have as much care and concern for their employees as they do their bottom line.

**Flaw #4: Failure to Communicate**

Entrepreneurial leaders must be powerful communicators who connect with their people in order to convey what is most important. They don’t have to be charismatic, but they do have to be compelling in their ability to help others capture their passion for the company’s vision and purpose and to embrace the cultural values that drive the company’s success. Listening becomes critical to their success. Listening taps the wisdom of future success because a good leader learns from everyone. When they don’t, the whole venture suffers. Even the leaders of global giants know this as reflected by Tricon Global Restaurant’s Chairman and CEO who says, “When people feel that a leader thinks they are smarter than everybody else, you cut about 75 percent of the intellectual horsepower out of the organization.”

**Flaw #5: Failure to Adapt With the Times**

Change is as fluid in entrepreneurial ventures as it is in major publicly held corporations. Future planning is therefore critical to the enduring success of any small business. That requires both an attitude that embraces change and the allocation of resources to identify and make necessary shifts. Those unwilling to adapt with nimbleness will see their profits plateau— even fiercely erode.

Entrepreneurship will continue to be a driving force of America’s economy. The question is, will your company be willing to deal with its fatal flaws and remain among those that flourish and not merely survive?
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[As a possible sidebar addition, ask for the self-administered quiz: How Fatal Are Your Flaws?]