

Why do so many businesses fail?

In the USA the statistics show that 90% of companies that start up — with high hopes — fail within the first year. Then, of the remaining 10%, 90% of those will fail within 5 years of start-up. That is 99% of businesses fail. How many of those failures are repeats. How many entrepreneurs will try, and fail; try again, and fail again? I suspect these statistics are not isolated to the United States, but are replicated in many other economies, because the reasons for failure are to do with the way we perceive business and success, and that is common worldwide.

Many businesses start when a person is working as an employee, doing a complex technical job. He sees how the company is benefiting from the fruits of his labour and thinks, “I should be the one reaping in all this money. I will quit this job and set up offering this service on my own account.” Along comes a day when his boss is in a foul mood over something, and picks on Joe — or whatever his name is. Joe slams down his tools and picks up his possessions and walks out, slamming the door hard behind him.

Joe has a product, and it is known to be valuable. He has a good idea of what income he was generating in his job, and decides he can make that easily for himself. He sits down and makes a list of what he will need to get started. Fortunately he has a small inheritance sitting in the bank. He decides he will use that to set himself up in business.

He needs equipment and premises to work from. He decides to rent a small industrial unit just around the corner from his former employer, thinking, “Their clients new it was me doing the work, so it will be easy to get them to come round the corner to my place.”

There is a proverb which says, “The poor are always ruled over by the rich, so don’t borrow and put yourself under their power.”

Joe paints a rosy picture for his wife, how things are going to be fantastic for them, once everything is up and going. She, Joan, is more pragmatic. “How are we going to pay the school fees, my salary alone won’t cope?”

Joe quickly consumes the whole inheritance, and has to start earning soon to pay the rent. Joan has some savings and investments, but she hasn’t bought into his scheme fully, and is not going to let him use them too. Where is he going to get some money? His old company phones and asks what he is going to do about the money he paid into their pension scheme. “What can I do?” he asks. They say, the recommended thing is to put the money into some other retirement vehicle, perhaps a retirement annuity. The intention was to build a pension for his old age, so it makes sense to do that. There is another option, which they would strongly recommend that he does not take. He can draw the pension as a lump sum, but because he has had tax relief because of building a pension, there would be penal tax implications. Without a moment’s thought he says, “Pay it out. How soon can I get it?” The tax is heavy, and it seems so little when he gets it. He needs more.

So, reluctantly he approached his bank. His only surety for the loan is his home — which belongs to the bank anyway. He is met by a friendly adviser, who looks at his ideas and says, “No, a loan is not possible. But what about borrowing against your mortgage bond? You have built up quite a bit of capital there. The bank may be willing to release your capital portion.”

With friends like that, who needs enemies?

Joe does not realise that over the years he has been paying about three parts interest to one part capital. By taking the capital he is undertaking to pay all that interest all over again. He might as well tie a rock round his neck and jump in the nearest dam!

He spends some of this on fancy signs outside his premises, and furniture for the clients to sit on when they visit. Then, the infrastructure is ready, and he sets off to go and get

customers. His first port of call is the biggest customer of his old company. He see the boss, who listens to him very politely, they had got quite friendly.

The boss asks him, "You have never seen our factory, have you?" Joe shakes his head. "I would like to show you around, and explain some things as we go."

As they walk around, the boss asks, "Where did we get that equipment from? ... And that? ... And that?" Joe doesn't know. "They all were supplied by your former company, on rental agreements. Part of the agreement is that maintenance is costed into the purchase price, and financed as a lump sum, giving us certain tax advantages, and also the knowledge that maintenance would happen effectively. So, all the things you fixed for us, were pre-paid. The repairs did not cost a bean. So, although I know you are very good at what you do, there is no way we can switch from them to you, even if we wanted to." He saw two others, with the same result.

That night he is in deep despair. Joan asks, "What is it, dear?" He tells her. She has deliberately distanced herself, after asking about payment of school fees.

He pours out the whole sorry tale. She gets angry when he tells about milking money out of the mortgage bond. They have a screaming match, worse than ever before. Eventually Joan says, "Joe dear, we have a problem. I believe problems are not obstacles but opportunities. Let's go to sleep now, and look at it again tomorrow, with fresh eyes."

In the morning Joan goes off to work, saying, "I am going to do some research on the Internet today, and we will talk again tonight."

During the day, Joe goes to his former employer, and sees his former boss. He sees they have not employed anyone in his place yet. He apologises for the way he stormed out. He talks with him about what he has done so far, and the dead end he is up against, and begs for his old job back. His boss says, "We have worked together for a long time, as friends, and I accept your apology. With your leaving you actually solved a problem for the company. We were going to have to restructure, and that meant one, or more, jobs would have to go. You made the decision for us. We will not be replacing you, but using other technicians to cover that area as well. I may have to jump in and lend a hand. I did your job before you came on board. So I am sorry, there is no way back here for you."

With nothing to do, Joe went and had a pub lunch, and sat morosely drowning his sorrows. He did not have a lot of money to hand, so he could not do it as well as he would have liked. So, when he got home, he was only slightly pickled. He walked in to the house, and turned on the television, fetched a beer and sat down to continue where he left off at the pub. Joan came in a few minutes later, with someone else. She ignored his semi-drunken state, and introduced her guest. "Joe, meet George. George, this is Joe, the trouble in the household!" Joan switched off the television.

"I told you I was going to do some research on the Internet. I found George, and the service he provides. I have told him about the situation we have, and he thinks he can help. Let him explain," said Joan.

Joe asked, hostilely brewing for a fight, "What will it cost?"

Joan replied, "Yes, there is a cost." I spoke to pastor Maurice, and he said the parish would take care of it, to help you get back on your feet."

Joe, still hostile, said, "Why would they do that. I am not one of their regulars, although you are."

George seeing the fight brewing intervened. He said, "As you walked out on your job, and have now spent all your capital, and see no way forward, the normal route now is for you to go under financially, losing your home to your friendly bank, having to sell your equipment for a song, and you will find your workshop doors padlocked when you can't pay the rent. Joan

will divorce you because of what you have done to destroy the family, and you will be destitute — a down and out begging on the streets. If the church can prevent that happening somehow, they actually end up saving as if you follow the normal route, that is the first place you will go to beg, and for Joan's sake they would help you. Part of the slippery slide downhill is already starting, as you have been drinking today, and will quickly slide into alcoholism."

Joe was so stunned to say anything. He took a pull at his beer bottle.

George went on, "Joan said to you that a problem is not an obstacle, but an opportunity. That is what I am going to do with you, try and turn this problem into an opportunity so you can make a huge success of things, much bigger than you had imagined possible when just taking your old company's customers away."

Joe asked, hostility gone, "How are you going to do that?"

George asked, "You know that you have a problem, but have you really owned it? You cannot go forward while blaming anyone for what you have done to yourself — your former company, former boss, customers, your wife, or anyone else. One of the dangers of drinking alone is that, as you get more maudlin you find new people to blame. 'It is my parents' fault for not sending me to university,' or a whole range of unlikely victims. You take on a victim mindset. If you accept all the blame, you can then take on a victor's mindset, and then I can help. Well?"

Joe said, "Yes, I accept all the blame, and I want to win, be a victor. Please help. And thank you, Joan, for opening a way forward."

George explained, "You are going to develop a business plan. That starts with defining a vision to work towards. You are going to do that. I am going to guide you through the process. I am accustomed to working with a fair sized group of people, so there is quite a bit of interaction. Joan has taken the day off tomorrow, and your pastor will join us, with one of his elders — they both have solid business experience. He will bring some chairs, and we will meet at your workshop. You must drink lots of fluid — water only — tonight, and have a good meal. You must be clear-headed in the morning — no hangover. We will be busy all day. I will bring all I need."

Turning to Joan, he said, "Lots of salad and some watery vegetables, like pumpkin, spinach or gem squash, or carrots. Oh, and beans, or lentils, rather than meat. Can you rustle up something like that?"

Joan beamed, "Yes. I will go and soak some lentils straight away. You have described the way I love to eat. I am accused of eating like a Hindu sometimes. Would you care to join us?"

"No thanks. It would make it a long evening. You both need a good night's sleep. Joe is going to be up often to pee."

When they met the next morning, bright and early, Joe was alert and well, and raring to go. Joan, and a friend from work were there. She had invited the friend to bring a computer, to make a record of all that was discussed.

George asked Joe to describe everything as it had happened, without too much editorial comment, just the size and scope of the problem.

George then described the sequence they would follow. He described the marketing mix, the four Ps of marketing — Product, Place, Price and Promotion. He said, "Most people setting out to develop a business have an idea of their product. Joe did too. He was going to do what he had been doing in his job, and the place was defined — his former company's customer base. I do not think he had spent much time thinking about price and promotion. Now we have to develop a vision for Joe's company to work towards, and key to that will be

defining the four Ps. The problem has happened as Joe's vision of the product he had to offer was flawed. We have to think creatively round that and find and define a new product, trying to work with what Joe has already set up, in terms of his equipment, tools and skills."

"We will start by brainstorming ideas. I will write them on flip-chart paper. There are some game rules. This process involves listening to everyone clearly, so do not dismiss anyone's ideas. Before writing it up I might suggest a re-wording, but that is my role as facilitator. The walls will be covered in ideas soon. Then we will rework some or all of those into a vision statement. None of this will be lost, that is why Betty is here, to get it all into a computer file. While we are embarking on a listening exercise, pastor please offer this time to the Lord in prayer, asking that we be open to hear any input he has for us."

After the prayer, George had to write really fast to keep up with all the ideas that were flowing. Then it all dried up for a while. Everyone scanned the sheets of paper on the walls, for more ideas. Joe had not made a major contribution. He seemed distant, almost despondent, but listening.

Suddenly, he jumped in his chair, as though he had had an electric shock. He said, "The pastor's prayer really opened my ears, and I have been sitting there with the words of the prayer going round in my head. Suddenly, as clear as a bell, I heard the Lord speak to me. I have a vision for the way forward, let me feed it into this process." George had to do some fast writing again. Then everyone dried up, and looked at what Joe had contributed, and the whole group was amazed. George said, "Joan is going to phone for some food for our lunch — Portuguese-style chicken and salads. Give her your preferences in terms of chilli-heat. We can talk over lunch, but not to debate the merits or otherwise of anything on the walls. We will be doing that after lunch. But while we wait for the food, Joe will pour us all some fruit juice, and we can quietly ruminate, chew the cud, over what we have explored together."

After lunch, the group explored what they perceived to be the kernel of the vision, and fairly quickly refined that into a good workable vision statement. George had occasionally to intervene and stop the tendency to reduce things to a mere slogan, or a 'mother-hood' statement, a vague generalisation. The exercise became involved in words, in saying what they wanted to say, exactly, precisely and concisely.

Joe was very excited by a new vision he now had for making a real success of his enterprise. George thanked everyone for their help, and said, "Now Joe, you and I will work together to define the goals you will need to set, and the action plans to achieve them, which will become your business plan. We will start tomorrow, same place, same time. Our thanks to everyone else. I hope it has been a revelation to all of you, but I think we can manage without you from here on. You will be kept up to date with the business plan as it develops."

Joe and George met the next day. Later in the day Joe asked to be excused, he had to meet with the pastor, as a result of his message from the Lord. Joe said to George, "I didn't tell everyone all the Lord said to me. But I could hardly sleep last night, because of the vision and because of what he said to me. I want the pastor to pray with me, I have given my life to the Lord, and want him to be my guardian and my guide."

George kept in touch with Joe and Joan. They became close friends. After three years Joe's business was flying like he had never believed possible, and he now had a dozen employees, and was involved in discussions with his former company with an eye to taking them over. His mortgage bond was paid off, and he had made successful investments in property and partnering with other start-up entrepreneurs, getting them up and going quickly, using George's services to get them working to a vision.

Joan was very happy as Joe was fully involved in church activities, and had been invited to be ordained as an elder, and to preach sometimes.

George is available to help your business which may be floundering, to find a vision, and

generate more and more. See his web site www.qei-growth.co.za/qei-edit.html, or contact him on +27 (0) 74 432 0361. Do not wait till you sink to seek help.