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TEN TIPS TO AVOID SAME OLD BUSINESS FAILURES

Failure in business is no mystery. Over and over again, small and medium enterprises (SME's) make near identical mistakes.

Up to 90% of SME's make the same financial mistakes leading to high failure rates.

Many SME's are only earning wages and receive no profit return for being in business. Often the cost of these mistakes would employ one or more staff members. Many of the problems arise from poor business planning.

The ten most common mistakes are: -

1. **Insufficient Capital.** Most SME's are undercapitalised. They do not have any buffer for quiet times or unexpected expenses. This problem is compounded when they don't have arrangements in place with their bank.

2. **No business plan**. Statistics show that top quartile businesses are twice as likely to have a written business plan in place. As the majority of SME's do not have a business plan, they tend to be too easily distracted from the right strategic course.

3. **Tendency to work in the business not on the business**. Many SME's fall into the fatal trap of believing that because they are good at what the business does they will be good at running that type of business. They are so caught up in what they are doing, that they do not have time to manage the business.

4. **Inadequate Records**. Too often the paperwork is left to last or forgotten. People cannot manage what they cannot measure. They can get into a lot of trouble with authorities such as the Australian Taxation Office.

5. **Lack of Profit Focus.** Too many businesses do not plan for profits or adequate profits and tend to focus simply on survival. This leaves them with nothing in reserve or revenue to fund growth.

6. **Cash Flow Management.** SME's often get into trouble because they run out of cash. They do not differentiate between profits and cash flow and they do not understand the cycles that occur as their business grows.

7. **Inadequate Systems**. Too many SME's are run out of their owners' heads. A lack of systems can cause differential standards and an inability to provide consistency within the business.

8. **Failure to Plan for Taxation**. The average business is responsible for a number of different taxes with differing systems/methodologies for each. Failure to plan and manage these can put a company out of business.

9. **Inadequate Resource Management**. Successful businesses manage their resources well. Profit simply flows from good management of resources such as time, people, plant and equipment and cash.

10. **Don't Know their Break-Even Point.** The break-even point is one of the most critical pieces of information for any business. It is only when a business owner knows this that he or she can make effective pricing and costing decisions.

Here is an 11th one just for good measure.

11. **Your Accountant.** Too many businesses use their accountants only at tax time. The best way to handle complex financial pressures is to get an accountant's advice on how to structure the business throughout the year.