

What Makes a New Small Business a Successful Business?

Jun 14, 2010 [Larry Slater](#)

Tradition decrees that 50 percent of new businesses fail within five years. Here are some strategies that make a new small business a successful business.

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Where Unsuccessful Small Businesses Go to Die

The Small Business Administration's massive [The Small Business Economy 2008: a Report to the President](#), shows that 3.3 million firms failed over 2004-to-2005. All of these firms are classified as small business operations. In a section of the report tagged [Business Creation in the United States](#), the writers point out that "in 2005, more than 12 million people were involved in trying to start new firms. For 90 percent of these beginning ... entrepreneurs, it takes more than five years ... [to succeed or fail]."

According to [About.com U.S. Government Info](#) the causes for small business failures include "... lack of experience, insufficient capital, poor location [and] poor inventory management" Still, thousands of new small businesses open every year, so there must a path through the business graveyard.

One hope is in [What Matters More: Business Exit Rates or Business Survival Rates?](#) released by the [Business Dynamics Statistics](#) analysis unit of the U.S. Census Bureau. According to the authors, "entry rates have been ... higher than exit rates"

How Not to Be Among the 50 Percent that Fail

There are reams of data detailing how many small firms have failed in a given year and what caused those failures. One daunting example is the spreadsheet *Business Establishments-Exits by State*, produced by the Census Bureau's [Statistics of U.S. Business](#) section. Selecting the largest economy in the country (California), for 2005, 82,000 firms tanked, while 104,000 new businesses debuted.

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Markers of a Successful Small Business

Doris Carson Williams, founding president and CEO of the 10-year old [African American Chamber of Commerce of Western Pennsylvania](#) heads an organization comprised of roughly 500 minority-owned and supporting small businesses. She has learned to spot small business success and how to "make it" with a new business.

Carson Williams notes firmly that success for a small business most readily occurs with: advance planning - both business and marketing plans; careful pre-startup analysis of the markets, the potential snags and the avenues that enable a firm to best its competition; control (of oneself self as business owner, of the business, of staff, of as many of the variables as possible); and adequate financing with a clear understanding of how much and for how long "adequate" may mean.

The Chamber CEO also feels strongly that another key to success is the effort and willingness to "utilize the network" of contacts a new business owner has AND those contacts he/she can develop in the business community. She concedes that active membership in an organized body (chamber of commerce, trade or professional organization, Rotary Club) tends to keep business owners more focused on the business world in which they operate.

Minority-owned firms have traditionally had an even tougher row to hoe, notes Carson Williams. Especially now, in an environment of increasingly tough access to credit markets post-economic crunch. A startup cannot work properly with that inability to generate the credit

funding when needed. In particular, past credit problems or issues on one's record need to be carefully repaired.

Strategies for a Winning Small Business

The previously discussed *2008 The Small Business Economy* lays out a formula for success comprised of six factors seen in almost all new firms that translated their idea into a successful new firms. The six largely match the points laid out above by Carson Williams.

These factors are: business presence, production implementation, organizational and financial structure, personal planning, personal preparation, and task or product emphasis. In addition to all that has been said, these six maxims seem to guarantee the success and prosperity of a new small business, if implemented up front. Not surprisingly, they mirror what those concerned day-to-day with business success have set as markers of winning small businesses.