

Why Do Small Businesses Fail To Grow?



For small businesses, the contemporary marketplace is as rife with risk as it is overflowing with opportunity.

The need to look beyond immediate expenses (and potential profits) to strategize realistic and effective measures for not only surviving, but growing, is essential.

Seeing as the Small Business Administration (SBA) reports a third of small businesses fail within two years and more than half fail within five, knowing how to stimulate and sustain small business growth is key to beating the odds.

Small Business Growth Killers

While small business owners can run into any number of walls as they race toward profitability and growth, the most common causes of stalled growth (and even total business collapse) are similar across industries and verticals.

When you're formulating your growth strategy, consider the following challenges and their potential impact on your current and future success.

The wheels of commerce need money to turn, and without adequate funding

(from whatever source) to produce working capital, your small business might wind up joining the roughly 50% of failed businesses each year that dry up and blow away (so to speak) due to a lack of cash flow.”

Flying Blind

No matter what’s coming off your product line or how ambitious your market penetration goals, you need a formalized business development plan focused on economic growth.

You’ll never hit benchmarks you haven’t set, and investing time in industry and competitor research puts you ahead of the game.

Having a business plan gives you the tools you need to recognize potential pitfalls *before* you’ve fallen into them.

A well-structured and successful business development plan should contain:

- A concise and accurate business overview demonstrating a clear understanding of the role of the new business within its industry and its unique value proposition (UVP) as compared to its competitors.
- Analysis of current market opportunities and challenges
- Detailed analysis of potential revenue, cash flow, and budgets
- Market penetration goals and marketing strategies
- Staff and management needs, factoring in growth as time passes.

It’s also important to remember that, while it’s meant to guide your company as you pursue your growth strategy, the business plan isn’t set in stone.

Regularly review it and adjust it as market conditions, profitability, and opportunities dictate.

In addition to your business plan, set and measure key performance indicators (KPIs) to provide constant, real-time feedback on how your business is performing and how, when, and why your company is (or isn’t) meeting the goals set in your plan.

KPIs vary from business to business, but some of the most common include new customer accounts, total sales (broken out by product, date, location, and method

of purchase); high-quality leads generated and confirmed; and online site and search traffic.

The insights you glean from tracking these indicators can inform your short and long-term planning as your business ages and grows.

Budget Woes

Your financial road map should include a detailed strategy for obtaining necessary infusions of capital while minimizing expenses.

A solid, but flexible, budget can mean the difference between rapid growth and crashing and burning.

As with a business plan, a budget is a living document that helps you make sense of your company's place and performance in the marketplace.

The more information you have available, the more effectively you can optimize revenue streams, obtain funding from angel investors, banks, and venture capitalists, and leave room in your plans for not only daily operations, but the company-wide initiatives that generate real growth.

Sluggish or Insufficient Cash Flow

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Having a well-developed business plan with accompanying financial goals provides some insulation against this unpleasant outcome, but applying a little strategic planning to your capital acquisition keeps the cash flowing and your bottom line in the black.

You need to look beyond the tactical overview of everyday expenses (e.g., payroll, recurring bills, vendor payments for goods and services) essential to your business's survival and develop a long-term financial strategy.

Having visibility on short and long-term cycles within your business' operations, as well as market performance and competitor initiatives, can help you price

appropriately to compete effectively.

The last thing you want to do is set attractively low prices that attract droves of new customers but still fail to keep the lights on.

Failing to Brush Up on Your Competition

Beyond its importance in crafting a solid business plan, having a deep and broad understanding of your competition can help you avoid one of the most common conundrums faced by small business owners: dealing with competition.

The most important thing you can do is avoid being a reactionary, whether you're in a social media slugfest or an endless war of attrition, a la the fabled Cola Wars of the '80s.

Letting your competition set the terms for how, when, and where you'll compete puts you at a disadvantage from the start.

Focus on your UVP, customer satisfaction, and constant awareness of new and unexploited opportunities, and you'll find your marketing and competitive efforts are built on what your brand stands for, instead of simply what it's not.

Struggling with Scalability

Many small business owners get so caught up in survival that they never quite get around to planning for the effects of actual growth.

Building scalability into your business plan is an important step to ensuring your company is around to celebrate its sixth anniversary.

One of the easiest ways to bake scalability right into your daily operations is with artificial intelligence and automation.

Integrating a centralized PO System For Small Business software package, like PLANERGY, enables you to automate common tasks, gain total control of your financial environment (including accounts payable/receivable, financial planning, procurement, and more) streamline both your supply chain and risk management functions.

You can also set flexible, but firm, policies and best practices that can

accommodate as few, or as many, stakeholders as you need while maintaining total visibility and access to the Big Data generated by both daily operations and long-term financial, marketing, and product development initiatives.

Don't Just Survive—Thrive

Starting a small business can be daunting. And the challenges that face the would-be tycoons of the small business community, from financing to marketing to the dealing with slightly ironic burdens that come with surprisingly rapid growth, can take their toll on the unwary.

But for prepared entrepreneurs who understand their market and make thorough plans for all aspects of their new venture, growth isn't just possible, but probable.

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