

Evaluating Business Risk

**At least six areas are crucial when going into business:
Knowledge, Experience, Ability, Opportunity, Capital, & Commitment**

When it comes to business failures, the stats are not pretty. Within the first year of operation, over 50 percent of businesses fail. Extend the time period to five years, and the statistics become even worse. In that time period, over 95 percent of all businesses fail. Businesses fail for both simple and complicated reasons. These include the lack of opportunity, as mentioned above, a lack of education or business knowledge, a lack of business and managerial experience, a lack of sufficient capital, and a lack of personal talent and ability to run a business. But there are other reasons that businesses have a high rate of failure. These reasons could include:

- Poor decision-making
- Poor business location
- A bad choice of products to sell
- Poor management of inventory levels
- Too high an investment in fixed assets
- Poor sales management
- Unappreciated competition
- Growth that is unmanaged
- Personal tapping into business funds
- Poor investor relations
- Communications resulting in poor credit provision

From the beginning, business is risky and the chance of success poor. I'm not trying to scare you, but I am interested in preparing you for the rocky obstacle course you are about to pursue. You will face many challenges, but will have many opportunities to learn from them. It will not be an easy road, and life will be difficult at times. But you can significantly improve your chances of success with good insight, preparation, and planning.

The thought of being in business for oneself often attracts those who want to be successful but won't do what they need to do. Instead, they are dreamers who spend their lives climbing on someone else's bandwagon. They're not risk-takers; they are success-seekers.

Risk-taking requires preparation. A success-seeker merely goes with the flow, while the risk-taker creates the flow through preparation. Good risk-taking requires preparation. Risk-taking without preparation is gambling.

The unprepared success-seeker is less likely to achieve for a second reason. They are too sensitive to what others think and therefore will be more inclined to do those things that project a desired image. Don't try to impress others. Try to impress yourself.

Risk-taking requires an investment. Being successful in business requires more than an investment of time and effort. It requires an investment in knowledge and preparation. To do it any other way isn't risk-taking. It's success-seeking. And success-seeking does not work.