

Business Failures

Every year, thousands of businesses fail of every size and variety. But while business failures know no size boundaries, the majority are classified as small businesses.

According to data from the Administrative Office of the U.S. Courts, more than 98 percent of businesses that have filed for bankruptcy since 1980 have been small.

Surveys show that the primary reasons for business failure lie in the following areas:

- Inability of management to reach decisions and act on them.
- Failure to keep pace with management system.
- Reluctance/Inability to seek professional assistance.
- Loss of impetus in sales.
- Bad personnel relations.
- Loss of key personnel.
- Lack of staff training.
- Inability to cope adequately with competition.
- Insufficient working capital or incorrect gearing of capital borrowings.
- Growth without adequate capitalization.
- Bad budgeting.
- Ignoring data on the business's financial position.
- Inadequate financial records.
- Inefficient control over costs and quality of product.
- Under-pricing of goods sold.
- Bad customer relations.
- Failure to promote and maintain a favorable public image.
- Bad relations with suppliers.
- Illness of key personnel.
- Failure to minimize taxation through tax planning.
- Inadequate insurance.
- Competition disregarded due to complacency.
- Failure to anticipate market trends.
- Loose control of liquid assets.
- Extending too much credit and bad credit control.
- Over-borrowing or using too much credit.
- Bad control over receivables.
- Loss of control through creditors' demands.