

Most Entrepreneurs Are Liars

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Most new businesses fail. These two inflammatory statements... or facts... are connected.

Most businesses may not fail in the bankruptcy sense; simply ceasing to exist is considered failure in this context. Precise survival/failure statistics do not exist, but the SBA cites survival rates for “employer firms” at 44% for at least four years. That statistic alone supports the “most” assertion, however, the catch is it defines companies with employees and having employees is also cited as an important factor in business survival.

If most employer firms fail, far fewer than 44% survive when including firms that do not hire employees. In fact, Michael Gerber, in “The E-Myth Revisited” (a must read for Entrepreneurs), cites statistics that indicate 80% of all businesses fail within five years and 80% of those surviving the first five years fail in the second five years.

Any way you want to look at it, most new businesses fail. Since an absolutely essential key factor in long term regional economic prosperity is Entrepreneurs creating successful home-grown businesses, the answer to the failure rate would be priceless.

The literature, both academic and popular writing, is littered with a multitude of reasons for the high failure rate. So many reasons are given that it seems to prove that there are no real reasons at all... every business must fail for a new and different reason.

The experts may actually be over-analyzing the phenomenon, the answer is actually simple: most Entrepreneurs are liars.

While it cannot explain all failures, a large percentage of business failures can be blamed on Entrepreneurs lying... not to their bankers or CPAs or anybody... but to themselves.

When planning, if Entrepreneurs were brutally honest with themselves about the true potential profitability of their business idea, a large number of the businesses in the statistics would not be there.

“Sure things” are nonexistent in Entrepreneurial ventures; all have risk, some much more than others, but, Entrepreneurs’ optimism, passion and sheer desire to do what Entrepreneurs do, have a tendency to blind them to the real potential, or more importantly, the lack of potential, of their idea.

The simple truth is that most new businesses do not, and cannot, make enough profit or cash to support themselves in their current form, much less make it worth all the stress, hours, sweat, headaches, etc, etc, that go along with starting and growing a business.

One of the first and most vital steps in the business planning process, and the Entrepreneur’s ultimate responsibility, is to genuinely prove to themselves what the real potential for profit is. If the idea indeed looks profitable enough to pursue, then the Entrepreneur has to truthfully determine what the business must look like to reach that potential, what it will take to make that vision a reality, what it will cost, and if he or she is really capable of accomplishing it.

History and the statistics say most should not be pursued, but all that means is it’s back to the Entrepreneurial drawing board to develop an idea that is pursuable. Knowing what not to do is sometimes the most valuable information.

If Entrepreneurs are brutally honest, most businesses might not fail.