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**Business Start-up - Don't Make a False Start.**

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**BUSINESS CONSULTANCY  
& BUSINESS COACHING**

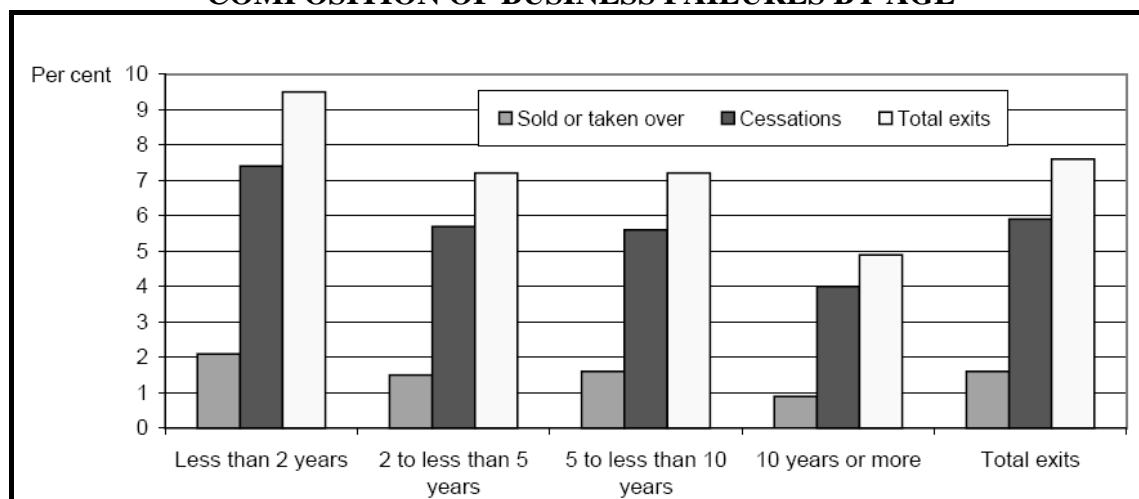


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Business Start-up - Don't Make a False Start.  
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Business success, in many cases, is dependant on the start that the business gets. For this reason it is critical not to make a false start in a business start up and then suffer the consequences. According to the Productivity Commission (2000) data more than 7% of businesses that have been in operation for less than 2 years fail. This failure rate falls as the establishment time of the business increases. Whilst this may seem like a small figure, when you look at it from another perspective it illustrates how critical the early stages of the business's life is. The Australian Bureau of Statistics (ABS: 1997) calculates that out of all the businesses that have failed, about 53% were those that were less than three years old. The data also reveals that about 90% of all business failures consist of businesses that are less than 10 years old.

**COMPOSITION OF BUSINESS FAILURES BY AGE**



**SOURCE**

Bickerdyke, Ian., Lattimore, Ralph., Madge, Allen (2000). "Business Failure and Change: An Australian Perspective", Productivity Commission – Staff Research Paper, December, pg. 20. See online version: [www.pc.gov.au/research/staffres/bfacaap/bfacaap.pdf](http://www.pc.gov.au/research/staffres/bfacaap/bfacaap.pdf)

There are many reasons for business failure, but they all have one thing in common – inappropriate beginnings. My experience with business owners and budding entrepreneurs is that in many cases they rush the entry into business. Once they have established their business they find that they are ill-prepared for its operation. This could be because they did not do adequate market research, they did not have adequate funds, they underestimated competitive forces in the industry or it could be because they did not have enough skills, know how or experience. All these factors could have been avoided to a large degree if more time was spent on business preparation before establishing it. Some of these issues may come to light even years after establishment, while others a lot sooner.

One must understand that a business is not a toy. A business is not a hobby. Whilst it can be treated as a hobby it has much, much more potential than that. This is the same as purchasing a Porsche only to use the tape player. So much more can be done with such a great car that using it only to play tapes or CD's is downright silly.

A successful business can create a family empire. A successful business can be operated for generations. Not only can a successful business employ the entire family, and perhaps even friends and other staff, but it can also be passed on from generation to generation. A successful business has the potential to provide the owners with a lifestyle that they only dreamed of in the past. This can occur for generations. These are the potentials for a successful business. With all these possibilities it is important for business owners to start a business with this in mind. This should be a long term goal for all business owners. This is not to say that a business owner must expect to remain in business for ever and to pass it on to the next generation. Clearly not. A successful business can always be sold. Either way, the business owners and their closest family cannot lose by having a truly successful business.

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This is the first point where many business owners fail. They fail to recognise the potentials of a successful business. In doing so, they rush the establishment. Let's look at it another way. Most people study for many years of their lives. First, one must undergo 7 years of primary school (including prep). Then there is 6 years of secondary school. Some people go further and study an additional 3 – 5 years at the tertiary level. Together, this adds up to 18 years. All these years are spent to prepare for a qualification in order to increase the likelihood of a successful career. The reality is that a career will only last for about 40 – 50 years. Some people will only earn about \$100 000 at the peak of this career. Clearly some will earn more, while others earn less. A career cannot be passed on to further generations. That's why it is important to keep all this in perspective. It is unreasonable to expect to prepare 18 years for a career, yet only a few months to potentially operate an empire builder.

So my message to potential business owners is – if you are satisfied in sacrificing about one fifth of your life in order to prepare for a career, you should be prepared to spend “just” a couple of years to prepare for a business venture. I think allocating two years for business preparation is more than reasonable considering the potentials that can be achieved. The longer one spends in preparing for a business, just as is the case with a career, the higher the chances of success and a better lifestyle later on.

Remember, a operating a business is like running a long term marathon. If you want to be a winner in the end, there is no point in disqualifying yourself right at the beginning because of a false start.

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