

Increasing The Chances For Small Business Success

Have you ever wondered why some new businesses succeed right away and just get more vibrant as the months and years pass while others seem to make a big splash when they open then flounder around for about a year or so before closing their doors all the while blaming the location, parking, the City, the media, the landlord, etc. for their failure. Unfortunately, the later scenario is not uncommon among many start-up small businesses in Pensacola. But it doesn't have to be that way. Entrepreneurs desiring to start their own new business can increase the probability of success for their new venture by taking the time to do extensive homework and research before taking out a second mortgage or cashing out that 401 (k) to pay for the new business.

Securing a good location for visibility, access, and clustering (like Downtown Pensacola) is an essential ingredient in business success. However, it is not the most important pre-requisite when exploring whether to step out and open.

Having worked with hundreds of new start-up businesses over many years, it is my belief that the three most important actions needed before committing to open a new business are: 1.) **developing a well defined and detailed business plan** in writing that covers all the aspects of running the business as well as the rationale for any assumptions you made to reach your conclusions and any threats in the marketplace or environment that may significantly impact your assumptions; 2.) **being sufficiently capitalized** to withstand unexpected challenges and changes in the marketplace; and 3.) **having meaningful prior work experience within a like business** (or at least the industry) as the one being planned. New business owners that have realized these prerequisites in advance of opening will increase their likelihood of success and sustainability exponentially.

While writing a business plan might seem daunting at first, there are lots of helpful resources at the public libraries, local colleges, on-line, and most importantly here in Pensacola at the Small Business Development Center on E. Chase Street. Development of a business plan forces the entrepreneur to be clear about what type of business they will be undertaking and why their approach to filling that need (assuming they can prove that there is one) will be superior or unique to any competition that exists. Business plans also must include a marketing strategy for all types of paid and unpaid promotion with time lines and budgets. Complete business plans must include projected financial statements for at least the first year but preferably for five years from opening date and a series of assumptions supporting the projections. A management strategy noting in significant detail how the new entrepreneur will operate their business is the last critical element required for a good business plan.

Planning for the lean times (in advance) and making sure that adequate financial resources are in hand – or available if needed – is just as critical to small business success as having a good business plan. Securing and spending all of the capital available to a new enterprise just to get the doors open and inventory delivered is never a formula for long-term success. New business owners almost always underestimate the real costs of operation and the financial impact of

things beyond their control (i.e. inclement weather, public works project, road work, sluggish national economy). It is imperative for long-term success that new businesses have a reserve fund equal to three to six months of operating costs to get them through the unplanned and unexpected tough times.

Before jumping into a new business ownership and all of the associated responsibilities and obligations, a potential new business owner should already possess some real-world work experience in a business like the one they hope to open. In addition to such on-the-job training, spending a fair amount of time talking to the owners and managers of very successful like businesses in other towns is always helpful and illuminating.

For potential new business owners that remember these three “must dos” before opening their dream business, success for the new enterprise will almost always be quicker and last longer. In the end, sustainable success of a new business depends more on the preparation, planning, and stability of the owner than it does on any other external factor.

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