

The Peaceful Productivity Podcast

Ep #52: The Top 5 Pitfalls to Avoid for New Entrepreneurs



Full Episode Transcript

[The Peaceful Productivity Podcast®](#), with your host Kim Christiansen

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Welcome everyone. I'm Kim Christiansen and this is the Peaceful Productivity Podcast, where I share strategies to help you get the most outta your time and feel better in the process.

Hi everyone. Welcome to the Peaceful Productivity Podcast. This episode is all about starting a new business. I was talking to my family about what it takes to start a new business. My brother-in-law asked me what the rate of failure for new business startups was, and like many people, I had heard that a lot of new businesses fail in the first few years of operation, but I didn't know exactly what that number was.

So I was curious to find out. I went to the Googles to find the exact stats, and what I found surprised me because according to most of the stats that I found online, 20% of businesses fail in their first year, which means that 80% are successful, which was a lot higher than I had actually assumed. I found that to be quite encouraging.

However, beyond the first year, it becomes a little more discouraging of that 80% that goes on to year two, 32% fail in their second year, and then after that, another 39% fail in their third year, which means that after year three of those original business startups, only 33% of them are still standing.

And that's where that commonly held belief comes from, that most businesses fail in the early stages. The stats show that those first few years are the hardest. When I started looking into the reasons why these businesses fail, I came across some themes. And so I put together these themes into this episode for you, and I'm calling them the top five Pitfalls to avoid when starting a new business.

Obviously, the number one reason the businesses fail is because the founder simply gives up, and there are a lot of reasons why the business founder might give up, but I think it comes down to the founder becoming discouraged and maybe overwhelmed. I can definitely relate to this. I've come close to giving up on my business several times.

In fact, I had a few businesses back in my twenties before I became an accountant that I actually did give up on. When I look back on those experiences, the reason that I gave up was due to a lack of focus and a lack of support. In my current business, I have always had the support of a coach. However, it wasn't until I created my business plan that I started to get really focused.

Once I had the thought and effort put into creating the business plan, that's when my strategy became clearer. I became confident in the roadmap, and it was simply a matter of taking action on my plan. It's funny because I never really thought about doing a business plan for my business, even though I've been involved in creating so many in the past.

And I think the reason why is that for me, I had this underlying assumption that business plans were for businesses primarily that we're seeking financing. Also because my business started out so small, it started out as a side business. I believed that I already had a really good sense of the game plan in my head, and it wasn't until I got it out of my head and started articulating it on paper and talking to other people about it.

That's when it started to become tangible. It became a concrete action plan with measurable milestones. That was a real game changer for me in terms of getting focused in taking strategic action, not just tactical action, not just throwing spaghetti at a wall to see what stuck.

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The next pitfall for new businesses is an undefined customer problem. What I mean by that is getting really clear on the problem that your customer has, that your product or service is intended to solve. A survey of failed startups determined that 42% of them identified the lack of a market need for their product as the single biggest reason for their failure. Basically making something that people don't really want.

When I was in my twenties, I created a piece of software that helped track accident responses for ski patrol dispatchers. It was pretty slick. I thought it was a great product and I thought it would help the emergency response departments at ski hill operations become more efficient and possibly help with liability issues.

The problem is that although it was a pretty cool solution, in my opinion, it wasn't really a problem for my customers, at least not a problem that was painful enough to warrant their expenditure. And a quick side note here, even though I wasn't able to sell my product, a really cool opportunity to go and dispatch for the amazing race in New Zealand came out of that business venture, I actually saw it as a huge, successful byproduct of that business.

That's the power of perspective for you. So the takeaway here is to make sure that you're really clear on the problem that your product is solving. In the early stages of your business, you can get clarity on this by doing some market research and running some product trials. Ask yourself, what are you here to deliver and how can you improve your customer's lives?

Take for example, the FedEx founder, Fred Smith, even in the early stages of FedEx, when profits were slim. Fred Smith invested in three market studies for testing the value that expedited shipping would add to his product. Smith's research paid off because this research allowed him to corner the market on expedited shipping, and now FedEx is a household name.

The third pitfall is not enough working capital. I see this all the time, and when I say working capital, I mean enough cash flow for the day-to-day operations of the business. The reason for this is that we might underestimate costs or we underestimate revenues, and then we run out of money sooner than we expected.

To help manage these common financing hurdles, we can first establish a realistic budget for company operations. My favorite way of addressing this is doing a sensitivity analysis. When I'm doing my financial forecast, I have a really simple tool for doing this, and it's basically estimating best case scenario, most likely scenario and worst case scenario, and creating a contingency plan for each.

I also like to diversify the inputs in my business, so there's different sources of funding, as well as contemplating a variety of different income stream options. I find that when we put too much pressure on the business revenue to support the operations in the early stages, it can cause us as business owners to start to make fear-based decisions from that place of pressure and scarcity rather than strategic decisions from a place of security and confidence.

Creating this financial forecast and the sensitivity analysis can help bring in security and confidence to your decisions. The fourth pitfall is a lack of support for the business owner. This is related to the

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previous pitfall in that when a business owner becomes stuck in their own head with a lack of support or feedback, they can become stuck in an echo chamber of sorts.

What I mean by that is we start to make decisions based on how we're feeling about our own ideas, rather than making decisions based on data gathered on the performance of our business. I see this when business owners aren't setting up goals, they're not setting up business metrics and they're not tracking business performance.

Sometimes I'll talk to business owners who are afraid to look at the numbers, afraid of the story that they will make up about those numbers. I totally get that. If we tell ourselves that certain numbers mean that we are failing or we're falling short of our goals or not on track, it can cause us a lot of anxiety.

But the secret to managing that anxiety isn't in avoiding the numbers. The secret to managing the anxiety is having compassion for ourselves as business owners and changing the story. Remembering that you are in a very small percentage of the population who is willing to venture out of the comfort zone and create something new.

You're taking risks. You're putting yourself out there, and that's huge. If the business isn't meeting your expectations, it's an opportunity to adjust your expectations and make grounded decisions based on the data rather than avoiding the numbers altogether or ditching the whole endeavor.

The world needs your product. The world needs your innovation. Don't let it remain just an idea because you're afraid of failure. In fact, what if the prospect of failure was really an opportunity? What if it meant you were getting closer to becoming the person you were meant to become? And here's something fun to play with. What is failure even?

What if failure simply just meant giving up? If you were committed to keep going, trying and making mistakes, adjusting, then there really is no such thing as failure. It might be easier for me to believe that because I have that support. In the absence of that support, it's really easy to listen to that voice of self-doubt that we all have, that one that tells you that it's not going to work.

Please just know that we all have that voice, that voice that's trying to protect us. It's part of our survival wiring, learning how to comfort that voice and take action anyway. Can help you to create the security and self-trust to transform that self-doubt into self-confidence. Even, even if, just for brief periods in the beginning, my experience is that it, it is a practice.

A practice of creating new belief. It's like a strength training exercise. In the beginning it feels very heavy, but over time it starts to feel much lighter, much easier. Even a source of motivation and inspiration, so feel free to reach out if you need support. Asking for help is a courageous act, and it can save you so much time and money and heartache than trying to figure it all out by yourself.

The fifth and final pitfall that I'm going to talk about today is a lack of adequate marketing. This one really resonates for me. Once you have a great product and a solid plan for getting your business off the ground, you have to make sure that all of your potential customers hear about it, understand it, and value it.

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A lack of marketing can be due to misestimating. Is that a word? Misestimating, or not securing adequate funding for the marketing plan or even just a lack of confidence in your product. If you notice that you're not telling everyone you meet about your product, it might be worth considering why, or perhaps you're telling everyone you know, but those people aren't your potential customers.

So, for example, billboards might not be the best choice for internet companies, nor are online ads the best choice for heavy construction businesses. The marketing strategy asks you to define the product, define your customer, define your market, and your competitive advantage. To get more clarity and confidence around your marketing strategy, you could ask yourself some questions.

Do you believe that your product solves a significant customer problem? Do you believe that your customers value your product? Why do your customers value your product over those of your competitors? Do you believe that you have the plan and resources in place to deliver the product to your customers in a timely manner?

Considering these questions and documenting your responses can give you a lot of insight into your beliefs that are ultimately driving your marketing decisions. So those are the five most common pitfalls for new entrepreneurs. Lack of a business plan, lack of product definition, lack of working capital, lack of support, and lack of marketing confidence.

Most of these things can be addressed by creating a business plan. Creating a business plan can help you tap into your motivation, your confidence, and it can help you to create focus and clarity. Whether you're brand new, starting a side business, going full-time, or even if you've been operating for a year or more and you're just now looking at your business plan, any time is a great time to get really clear and confident on your business strategy.

If you need any help with creating your business plan, I have put together a business plan checklist on my website, which can be found at financialwellnesscoach.ca. I hope you have a great week, everyone take care.

If you want to take the conceptual and make it practical and applicable to your own life, I invite you to sign up for a free coaching session in just 30 minutes you will have an understanding of how to make these strategies into an action plan that is easy for you to follow.

Check out my website, financialwellnesscoach.ca to sign up for your free coaching session today.