



Business Survival – The Five Year Crucible

The Make or Break Years for the New Business Owner

This article is dedicated to the true entrepreneurs of the world. Those hearty souls who have taken the plunge into their own business – or those who are about to. Those who have done so without the benefit of a safety net. Those who do not have deep pockets, rich investors or sympathetic family members who have abundant funds to lavish on their kin. Yet they have made the decision to go forward anyway. These are the men and women who have determined the vision, made the decision, and boldly gone where few others have gone before. As a percentage of the population, those that go into business in this fashion represent a very small group. Most people prefer the safety of the paycheque and the steady (I use this term loosely) job. In this day and age, steady is becoming less relevant when talking about ongoing secure employment. Notwithstanding, most people determine this course of action to be less stressful and risky.

New and small businesses are the backbone of the economy. Considering that many large companies are scaling back or even closing, the increased burden falls on the smaller ones to take up the slack. Having said that, many new and/or small businesses will not survive the first five years. Statistics aside, the consensus is that of all the businesses that fail or cease to operate, most will do so in the first five years. The reasons for this are many and not all of them are the direct fault of the owner(s) or manager(s). So what are the trials and tribulations faced by new businesses in the first five years. A lot of this will have to do with choice of business, market niche, location and competition.

A major consideration will be ongoing cash flow. With luck, the business will be well funded to start with. That, however, is only the beginning. Decisions on how and when to spend money and when to tap into credit reserves are crucial. At this stage, fundamental spending on the major components of the business is the key. Will the expense contribute to the ability to carry on and improve the business? Tough choices when there are many items screaming for attention...and money.

A second part of the cash flow scenario is receivables and making sure that those who owe you money pay in a timely fashion. Look at it as if you are funding their business with your money. You've earned and now it's time to obtain it for the betterment of your business. The longer you extend this credit, the longer they have to utilize your lifeblood to their advantage. Reasonable credit terms are one thing but excessive delays by your customers can hurt.

Another component of the five year crucible is growth and the management of it. We would all like to see our business grow and become more successful over time. The trick is to allow for and manage growth so that it does not place undue burden on the company and the cash flow. Well managed growth based on the needs of the marketplace needs to be addressed. Time to separate delusions of grandeur from a well planned strategy. The plan is the key.



Most if not all businesses would benefit from a well thought out and properly constructed business plan. Many templates exist to guide business owners and managers in the construction of such a document. It will outline how the business is set up, the key players, projected business forecast and additional information that will be of use to obtain funding, partners and investors as well as provide a template and timetable for growth. Fundamental considerations in the construction of such a plan are to be realistic, well researched and to set attainable targets for growth.

The experience of most businesses within the first five years goes something like this:

The start up of the business is a tremendous undertaking all in itself. The planning, obtaining of cash to start things off, setting up of the workplace, obtaining of all furniture, fixtures, office equipment, inventory, etc. all come into play here. Our first book: "Making the Jump – Business 101 for the New Business Owner" addresses and discusses much of this. It also discusses many of the things new business owners should be aware of and may have to deal with as they continue on this adventure.

Notwithstanding, the progression beyond startup will go something like this:

The initial focus will be to obtain that first, second and third order. For retail businesses, to make the first day's, week's and month's sales in sufficient quantity to carry the expenses. The thought that pervades your consciousness is that you may have made the worst mistake of your life and that any monies that you have glommed together may be in the process of being wasted. The whole intent is to have enough work come through the door to make ends meet, to pay the bills, to keep the ship afloat. Few companies can expect to hit the ground running and start off with a healthy workload falling into their laps. Most often this has to be aggressively pursued. Sales and the establishment of a committed clientele is paramount here. Without the customers, nothing else matters.

At some point, providing the business idea is viable to begin with, the focus will shift from getting enough work to getting the work out the door on time, complete and in an acceptable fashion. At this juncture, the flow of work is at least sufficient to keep all involved in the company busy. A "critical mass" has been reached in terms of bringing business in the door and now the challenge is to get the product or service out the door so that the client can be invoiced or directly pay the money that keeps the wheels turning. A switching of stress if you will. At this time, the decision to bring on additional staff will also be weighed carefully. How far do you wish to grow the business?

The third focus will be to streamline, reorganize and possibly even re-invent the business. You now have the vantage point of some history to guide you. The adage of "those who do not learn from history will be doomed to repeat it" should be considered carefully at this point. Perhaps a great formula for the business is in place. That should be consciously reviewed and then acknowledged. If re-invention of the business is necessary, the sooner the better. Be careful here not to allow emotions to get into the game and undermine what may be a very viable business at this point.



The first 5 years are generally acknowledged to be the “make or break years” for most businesses. Short of dramatic events in the company or the marketplace, those that survive these years will generally continue in business for as long as they care to, or until they sell. That said, vigilance still needs to be exercised as bad decisions can still sink the ship after the 5 year mark.