

# **Suggested Solution to Why Startup Businesses Fail**

**Goddmmaste Consulting, Investment Company Ltd**  
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# Suggested Solution to Why Start-up Businesses Fail

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**RC No: 1886733**

## **Introduction:**

Startups and MSMEs are constantly becoming the order of the day. With the constant rise of highly industrious and motivated entrepreneurs, these individuals are leaving no stone unturned to prove their worth in this thriving culture of innovation and technology.

However, just as many of these startups make a significant presence and flourish, others, unfortunately, disappears into oblivion. A visionary entrepreneur will recognize this recurring issue and get a jumpstart on how to avoid it. To crack the code for a successful startup, you do not need to come up with just a product idea. It is about creating long-term solutions that build upon this idea.

The best way to succeed is to learn from others' failures. Get our earlier E-Book on [Why Startups Businesses Fail](#) to see the common reasons behind startup failure and how to avoid them.

## **Suggested Solutions to Startups Failures:**

An important area by which MSMEs can improve on the operations is to keep proper books of accounts and maintain an adequate accounting and management information system (MIS). For instance, they may consider engaging the services of accounting firms or consultants to help them in the preparation of management accounts and financial statements. This will clearly reduce the problem of asymmetric information between MSMEs and finance providers. Also, having audited financial statements will assist in improving the MSMEs' chances of accessing external finance. This is

because the audit gives assurance to the financiers that the information presented is true and fair.

The owners of the business must also understand the basic information contained in those financial statements since these provide valuable information, which will aid their decision-making and their ability to guide and control their enterprises. Understanding the financial statements and management accounts will aid small firms to manage their financial resources. If financial resources are not well managed, the firm may invest excessively in working capital and may overtrade, leading to its failure. Excessive investment in working capital is expensive and comes at a great opportunity cost.

Hence, we advise that, before officially launching, MSMEs and startup need to identify the sources and uses of funds. Below steps should be taking in consideration:

- a. Explore all your funding options and secure funds well in advance
- b. Go to networking events to meet with different investors and seek new ideas
- c. Make provision for books of account and classify all transaction into heads for easy handling,
- d. Track income and expenses base on account heads as well as understanding the regulatory environment to analyze how long your business can run with the given cash flow
- e. If you are looking for a new round of funding, track your key performance indicators or KPIs to show investors

Entrepreneurs should develop a good and marketable business plan. The business plan should include financial forecasts and needs to be convincing. Having a good business plan can enhance the entrepreneur's

chances of gaining access to finance from investors or banks as and when they need such funds.

The entrepreneur also needs to demonstrate a good appreciation of the business area. In doing this, the business owner needs to answer the following questions:

- a. What are the key risks involved in the business?
- b. How may these be managed?
- c. Who are the main suppliers and customers, and how must the enterprise relate to them?
- d. What are the funding needs of the business and how may these be obtained?
- e. What is the level of competition and what are the key competences of the firm that will enable it to compete and survive?

Our advice on how to fix this:

Adequate and accurate information from below points will allow you develop a perfect strategy and marketable business plan.

- a. Avoid casting a wide net and stick to a niche audience at start
- b. Develop a social media presence for your brand
- c. Attend trade shows and networking events to build a potential list of customers
- d. Study your competitors to see how they market their products
- e. Use KPI tools like Google Analytics to measure the engagement and check if your strategies are working

If entrepreneurs are able to acquire and improve their management skills set, this has the tendency to increase their growth and survival. The world of business is constantly experiencing rapid changes, and these certainly

require complex skills to cope with and to survive in the dynamic and changing trends. Instituting a regular management training regime would be useful in acquiring and developing the requisite skills and expertise.

Again, MSMEs may fair better if they are able to gain access to state of the art equipment and technology to improve their productivity. In this regard, the expansion of the leasing market will go a long way in easing these constraints. Banks may also finance these expenditures and use the assets as collateral to back the loans given out.

MSMEs also need to be conscious of the environment. Adapting to current trend is a necessity to remain relevant in business. In addition, pivoting should be seen as a way to adapt and grow instead of a threat. Also, modification of the startup idea may be necessary, if it is not attracting the target audience.

In resolving this, there is nothing wrong with building a new vision for the business.

- a. Get customer feedback to understand what are their new needs
- b. Take a customer-centric approach when developing new products

Another approach for MSMEs is to form groups that can then acquire financing from a financial institution. The group provides guarantees for the payment of the loans. Therefore, individuals in the group can access funding, though individually they do not possess collateral that may be acceptable to a lending institution.

MSMEs also have to manage their workforce effectively. Human capital is essential to the success of the MSME. This is because the level and skill of the human capital available to a firm defines its success and potential. Entrepreneurs must therefore identify the needs and aspirations of their

human capital and have adequate motivation in place so that the workforce is motivated to achieve their full potential. Motivation does not always have to be monetary in nature. Commending employees for good work done and having a conducive working environment have the tendency of improving the motivation and productivity of workers.

We advise that, when building a team, do not build it with the mindset that it is for a startup. Instead, build it with your business's long-term vision in mind.

The ideal team will be made up of employees who have a passion for your idea and agree with the goals. At the same time, each should differ in their specialization and bring something new to the table. This will help in balancing out the dynamics of the team.

Ensure you create a clear organizational structure for your startup with managers that have some fundamental management ability.

- a. Communicate within the teams as much as possible
- b. Delegate tasks to the appropriate team members
- c. Show strong leadership with strategic decisions backed by reliable data
- d. Provide employees with constructive criticism for the growth of both employees and the company

In addition, to help the teams get familiar with each other, organize activities and ice-breaking sessions. Tools like **Zoom Meeting or Google Meet** make collaboration more manageable, allowing your team to thrive.

Improving regulatory and institutional quality and strength in developing countries can help create a business environment friendly to MSMEs. These institutions need to be resourced financially and in terms of operational capacity. They should also be made accountable to stakeholders since they

are public interest organizations. Improving the time it takes to register a business and reducing the number of procedures to establish a business is one area that needs attention. Strengthening and making the judiciary strong, efficient, effective and independent will also help ease the stress and reduce time delays in commercial disputes.

### **The fix:**

Even if you have read up on the laws, make sure to get a legal team's expert advice. They can tell you the best way to go about your startup or business that does not challenge a law.

### **Summing It Up**

There is no single formula for success. However, taking a look at past mistakes made by startups can give you insight into why startups succeed or fail.

If you get too ambitious right from the start, you will lose focus on the important stuff.

- a. Look to solve the apparent pain problems first with your products
- b. Keep a healthy balance between personal and work life
- c. Before taking on a new project or product launch, thoroughly research it as a source of revenue

Budding entrepreneurs also need feedback and advice on how to get their startups off the ground. So, do not be afraid to ask for help from industry experts. These experts can give you the constructive feedback needed to gauge the right direction for your startup.



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We can also offer [entrepreneurship training and development](#) to complement this E-book.

For further discussion, training, development, coaching or mentoring, connect us below.

# *Connect with us*

We will like to hear from you, kindly reach out to us on any of your favorite platforms.

**Goddmmaste Consulting, Investment Company Ltd**  
**RC No: 1886733**

**Office Address:**  
**Suite 15, Kenneibeh Plaza, New Nyanya, Karu LGA Nasarawa,**  
**Nigeria**

Call: +2348063569341  
+2348094860494

WhatsApp: +2348063569341

Web: <https://goddmmastecicltd.com/>

Email: [goddmmastecicltd@gmail.com](mailto:goddmmastecicltd@gmail.com)  
[goddmmastecic@yahoo.com](mailto:goddmmastecic@yahoo.com)

Facebook: @[GoddmmasteCICLtd](#)

Instagram: @[goddmmaste](#)

LinkedIn: @[goddmmaste-cic-ltd](#)

Tweeter: @[goddmmaste](#)