

Business Assessment—Reasons for Success and Failure

There are specific reasons for business success and for business failure. The greater clarity you have regarding these measures in your business, the better decisions and actions you will be able to make and take. By analyzing and comparing your business against the reasons for success and failure, you will gain key insights necessary to improve your sales and profitability.

You've heard it said, "What you don't know can't hurt you." Well, in business, the opposite is true: "What you don't know can cause you to fail."

To get the most out of this analysis, follow these steps:

1. Read each reason for business success or failure and give yourself a grade of 1–10, worst to best, in each area.
2. Collect your answers on the chart at the end to get a snapshot of your business today.
3. Identify your strongest and weakest areas.
 - You should be above a 7 on the reasons for business success.
 - You should be below a 3 on the reasons for business failure.
4. Complete the exercises at the end and answer the seven questions.
5. Make a commitment to take at least one action immediately.

If this exercise is helpful to you, you may want to enroll in "Increase Your Profits!" or "Start Your Own Business!" at Brian Tracy University—www.briantracy.com—to learn the essential skills you need to achieve business success.

Take action each day to increase your likelihood of success and reduce your potential for failure. You will be on your way to financial independence.

Ten Reasons for Business Success

Give yourself a grade of 1–10 in each area.

1. Your **product** or **service** is *well suited* to the needs of the current market.
 - a) You are selling, delivering, and getting paid for your product or service.
 - b) You are earning a comfortable profit on sales.
 - c) Your customers are happy.

Grade:	1	2	3	4	5	6	7	8	9	10
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2. You developed a **complete business plan** before you began operations.
 - a) You have analyzed your business and your market and you have a complete plan for sales, marketing, and business operations.

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- b) You have planned out every detail of your business and you work your plan each day.

Grade:	1	2	3	4	5	6	7	8	9	10
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3. You have done a **complete market analysis** of your product and its most attractive features.
- a) You have determined your *competitive advantage* in your market and are prepared to exploit it.
- b) You have a complete advertising, marketing, and promotion plan for your products or services.
- c) You have a complete sales methodology and process to achieve the sales targets you have set.

Grade:	1	2	3	4	5	6	7	8	9	10
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4. You have created a system for bookkeeping, accounting, and **complete financial control**.
- a) You have a budget for each business activity.
- b) You continually measure your results against your projections.
- c) You move quickly whenever there is a variance from your projections.

Grade:	1	2	3	4	5	6	7	8	9	10
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5. Your **key people** show a high degree of **competence**, **capability**, and **integrity**.
- a) You have clear job and responsibility descriptions for each function.
- b) You have carefully selected and placed competent people in each important job.
- c) There is no one in your business whom you would not hire again today if you had it to do over.

Grade:	1	2	3	4	5	6	7	8	9	10
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6. You are **well organized**, manage your time well, and have measures of performance for each key job.
- a) You always work on your most important tasks.
- b) Everyone knows exactly what results are expected of him or her and how he or she will be measured and rewarded.
- c) You regularly review key result areas and standards of performance for each person.

Grade:	1	2	3	4	5	6	7	8	9	10
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Business Blueprints

7. You are **clear, determined, and persistent** in your desire to succeed and profit.
- a) You have clear goals for yourself and your business in every area.
 - b) You focus on solutions rather than problems.
 - c) For you, “Failure is not an option!”

Grade:	1	2	3	4	5	6	7	8	9	10
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8. You **communicate clearly and effectively** with all the key people in your business.
- a) Everyone knows your business goals and how he or she is involved in achieving them.
 - b) You have regular information-sharing meetings with your staff; there are no secrets.
 - c) You keep your bankers and your partners regularly informed about developments in the business.

Grade:	1	2	3	4	5	6	7	8	9	10
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9. There is **strong** momentum in **sales** and a continual emphasis on **marketing**.
- a) You follow a written marketing plan that generates a steady stream of qualified leads.
 - b) You have specific sales targets that you are committed to hitting—daily, weekly, monthly.
 - c) You have a successful sales process that turns prospects into customers most of the time.

Grade:	1	2	3	4	5	6	7	8	9	10
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10. Everyone in your company thinks continually about acquiring, satisfying, and keeping customers. There is a continual **focus on customer acquisition**.
- a) The purpose of a business is to create and keep customers; all profits come from that.
 - b) Customer satisfaction is the only measure of business success in the long term.
 - c) If you are succeeding in this area, your customers are so happy with you that they recommend you to their friends.

Grade:	1	2	3	4	5	6	7	8	9	10
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Conclusion

The more you practice the ten reasons for business success, the greater will be your sales and profitability.

Reasons for Business Success

Area	Score
1. Product Fit	
2. Business Plan	
3. Market Analysis	
4. Complete Financial Control	
5. Key People	
6. Organization	
7. Determination/Persistence	
8. Communication	
9. Sales and Marketing	
10. Focus on Customer Acquisition	
Total Score	

Score:

91–100 = Excellent

81–90 = Above Average

71–80 = Good

60–70 = Average

Below 60 = Below Average

Now divide your score by 10. Your business should average 7 or higher. *One key weakness* can be enough to put you out of business.

What **one action** are you going to take immediately as the result of your analysis above?

Business Blueprints

Fifteen Reasons for Business Failure

There are many common reasons for business failure. Every business owner is weak in one or more of these areas. Give yourself a grade of 1–10 in each area. How much is this reason a problem for you? Ask your staff and spouse (if you're married) to grade your company as well.

1. **Lack of Direction:** You have no goals, plans, or blueprints for action. As a result, everyone in the business is reacting to daily pressures, focused on operating rather than managing.
 - a) The business does not have a written business plan, thought out in detail before beginning business operations. Without a clear, written plan, you are like a carpenter attempting to build a house without a blueprint.
 - b) The business owner has not decided on his or her business values, vision, mission, and purpose. As a result, the business lurches from one problem or crisis to the next, like a drunk going from lamppost to lamppost.
 - c) The business owner does not have clear, written goals and plans to guide him or her in the areas of business, money, family, and health. Without written goals and plans, you are like a person traveling in an unfamiliar land with no road signs or road maps.

Grade:	1	2	3	4	5	6	7	8	9	10
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2. **Impatience:** The entrepreneur is unrealistic about how long it takes to achieve business results.
 - a) Everything takes at least three times as long as you calculated.
 - b) Everything costs at least twice as much as you thought it would.
 - c) Nothing works properly the first time or the first few times.

Grade:	1	2	3	4	5	6	7	8	9	10
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3. **Greed:** The entrepreneur thinks he or she can make a lot of money quickly and easily.
 - a) Many businesses fail because the owner is looking for a way to make a quick killing and become an instant millionaire.
 - b) “The only thing easy about money is losing it.” (John D. Rockefeller)
 - c) “Making money is like digging with a pin; losing money is like pouring water on the sand.” (Japanese proverb)

Grade:	1	2	3	4	5	6	7	8	9	10
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4. **Action Without Thinking:** This is the cause of every failure.
- a) Inexperienced entrepreneurs often commit time and money foolishly, without considering the consequences.
 - b) Acting impetuously, without taking the time to get the facts and think it through, can cost you a fortune in time and money.
 - c) “No matter how far you have gone on the wrong road, turn back.” (Turkish proverb)

Grade:	1	2	3	4	5	6	7	8	9	10
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5. **Poor Cost Control:** Many entrepreneurs spend too much money on unnecessary things, especially at the beginning.
- a) Resolve to conserve cash at all times, in every situation.
 - b) Never buy if you can rent, never rent if you can borrow, and never do it in-house if some other company can do it for you.
 - c) Practice frugality, frugality, frugality in all things.

Grade:	1	2	3	4	5	6	7	8	9	10
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6. **Poor Quality of Product/Service:** What you are offering is not excellent, better in some way than what your competitors are offering.
- a) You must be better, faster, and cheaper in at least three ways to break into a competitive market.
 - b) You need a “unique selling proposition,” a value that only you can offer your customers.

Grade:	1	2	3	4	5	6	7	8	9	10
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7. **Insufficient Working Capital:** The business owner was too optimistic and impatient.
- a) Accept that it takes a long time to get started and begin generating cash from sales.
 - b) You need six months of cash reserves before starting your business.

Grade:	1	2	3	4	5	6	7	8	9	10
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8. **Bad or No Business Budgets:** Many business owners are flying by the seat of their pants. They do not know their exact financial situation.
- a) You need complete budgets, with every expense itemized, plus a 20% “fudge factor,” to run your business.

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- b) Take the time to get accurate costs and expenses for every activity of your business.

Grade:	1	2	3	4	5	6	7	8	9	10
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9. **Inadequate Financial Records:** The business owner either does not know how to maintain them or is too busy.

- a) You must know exactly how much money you have, how much you owe, how much is owed to you, and the deadlines for receipt or payment of all amounts.
- b) Set up a complete bookkeeping/accounting system so you always know where the money is and where it is going.

Grade:	1	2	3	4	5	6	7	8	9	10
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10. **Loss of Momentum in the Sales Department:** The number-one reason for business failure is low sales.

- a) A drop in sales reduces cash flow and can lead to the collapse of the business.
- b) Get everyone in your company thinking about sales and customers all the time. Make sales the top priority of one or more people who are good at selling.

Grade:	1	2	3	4	5	6	7	8	9	10
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11. **Failure to Anticipate Market Trends:** Products and services today have shorter and shorter life spans.

- a) Look ahead one, two, three years. Where is the market going? What are the trends?
- b) What products are you offering today that you wouldn't introduce again today, if you could start over?
- c) What changes are taking place in customer wants, needs, desires, and preferences?

Grade:	1	2	3	4	5	6	7	8	9	10
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12. **Lack of Managerial/Business Ability or Experience:** Fully 90% of companies started by people with no business experience go broke within two years.

- a) Learn about and study every detail of the business, including customers, competitors, sales, costs, finances, and accounting.
- b) Read, listen, and attend seminars. Commit to continuous learning in your field.

Grade:	1	2	3	4	5	6	7	8	9	10
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13. **Indecisiveness:** Success in business in a fast-moving, competitive market requires quick decisions.

- a) Because of the fear of failure, some people are paralyzed in the face of difficulties and setbacks.
- b) Because of the fear of rejection, many people avoid confronting others; companies often go broke because they keep a poor performer in a key position.

Grade:	1	2	3	4	5	6	7	8	9	10
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14. **Bad Human Relations:** The inability to get along well with others inside or outside your business can cause failure.

- a) Negative, hostile, angry people are often critical, complaining, and unkind to staff, suppliers, and even customers.
- b) “A man without a smile should never open a shop.” (Chinese proverb)

Grade:	1	2	3	4	5	6	7	8	9	10
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15. **Diffusion of Effort:** Because of poor planning, the business owner is constantly reacting, eventually becoming overwhelmed with too much to do.

- a) The owner and every other person must have clear priorities in each area of the job.
- b) Keep asking, “What is the most important use of my time right now?”
- c) Ask, “What can I, and only I, do that, if I do it well, will make a real difference?”

Grade:	1	2	3	4	5	6	7	8	9	10
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Conclusion

The solution to common business problems is usually to do the opposite of what you did or did not do to cause the problem. Make a decision today to take action in at least one area, preferably the area that can help you the most to increase your profitability today.

Business Blueprints

Reasons for Business Failure

Area	Score
1. Lack of Direction	
2. Impatience	
3. Greed	
4. Action Without Thinking	
5. Poor Cost Control	
6. Poor Quality of Product/Service	
7. Insufficient Working Capital	
8. Bad or No Business Budgets	
9. Inadequate Financial Records	
10. Loss of Sales Momentum	
11. Failure to Anticipate Market Trends	
12. Managerial Experience	
13. Indecisiveness	
14. Bad Human Relations	
15. Diffusion of Effort	
Total Score	

Now divide your total score by 15. An average score above **3** is a danger area that can sink your business. What is your plan to lower your score? Complete your answers to these seven questions.

Action Exercises

1. List three reasons why your business is **underperforming**.

1. _____

2. _____

3. _____

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2. List three things you could do immediately to **improve results** in your business.
 1. _____
 2. _____
 3. _____

3. List three areas where you could **reduce** costs or expenses without hurting your business.
 1. _____
 2. _____
 3. _____

4. List three things—products, services, activities, or people—that you would **not introduce, start, or hire** again today, if you had it to do over.
 1. _____
 2. _____
 3. _____

5. List three reasons why your customers should **buy from you** rather than from your competitors.
 1. _____
 2. _____
 3. _____

6. List three actions you could take immediately to **improve your sales and marketing**.
 1. _____
 2. _____
 3. _____

Business Blueprints

7. List three **key skill** areas where you would like to improve to make your business more successful.

1. _____

2. _____

3. _____

What **one action** are you going to take immediately as the result of your answers to the above questions?

Notes
