

How to Build a Successful Business?

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If you want to start a business there is an easy way to get a better understanding of why some businesses fail and others don't. When starting a business think about it like building a house. If done right it is protecting you against any kind of storm or danger of the outside world and will last for a long time. It offers shelter and protection. For you and your business that could be translated to that you want to have a business that is able to weather economical ups and downs (=storm) and that will provide income to pay the bills (shelter and protection).

When building a house there are several different steps you need to follow to have the house build. You know you want a house, but you got to pick a location and get an architect to plan everything out. In the business world that would be: you know you want to start a business, but you must come up with a business idea and work out a business plan. The next thing for the house would be to build the foundation (and eventually the basement) for the house. In the business world - you got to build the initial infrastructure (example: connecting with vendors, find a manufacturer for your product, create a sales team, rent office space, get a delivery truck, etc.). Once that is in place you able to actually do business and earn some money. But you are not completely done yet. You need to build a frame, put in windows and you also need a roof on house. For your business this means that you pay off debt, improve business processes and get professional help when needed (example: find a tax accountant, select a payroll service, etc.).

Once the house is build you probably want to fill it with furniture and make it livable for the future. Nobody wants to sleep on the floor, right. Again, translating this to the business world it could mean that you invest money you earned back into your business. You buy machinery instead of leasing it. Eventually you buy a building, hire more staff, develop more products, move into new markets, build up a high cash reserve, and buy other businesses and so forth. This is often the step where winners and losers separate. Re-investing money into the business is a key factor for success. If you go and spend all the money on your own salary to buy things you have nothing to go back to when the economy slips into a recession or if disaster strikes.

The successful business owner has built up a cash reserve or can borrow money from bank securing loans with the assets of the business. Going back to building a house this

pretty much matches the same efforts. You pay off your mortgage and have equity available to eventually borrow against when emergency arises. Emergencies do not include paying off credit cards to use them again or to buy a car. Financially responsible you should be looking at the long term and not finance short-term goods with long-term debt.