

Leading the Small Enterprise

Success stories such as Google or Facebook make starting a business look easy. Nothing could be further from the truth. A January 2016 research from the Statistic Brain Research Institute of Bradley University in Tennessee reminds us that setting up a business is no walk in the park. A key finding is that only half of all startups survive after the fourth year and only 30% make it to year 10.

Closer to home, a study by Leonardo A. Lanzona Jr., a Philippine Institute for Development Studies consultant and director of the Ateneo Center for Economic Research and Development, found that many small firms in the Philippines “last relatively short, only three to five years”.

Drilling down on the major causes of failure, the Bradley University study found that 46% is attributable to owner or founder incompetence. This is defined as “emotional pricing or no knowledge at all of pricing, living too high for the business, non-payment of taxes, lack of planning, no knowledge of financing and no experience in record-keeping”. The second major cause is “unbalanced or lack of managerial experience”.

One would imagine that the causes of failure especially for startups would really be more on account of external factors such as a highly competitive industry, a bearish economy or lack of access to capital. However, it appears that much of the failure among startups finds its roots in leadership and management.

In fact, the same study identifies the top “leading management mistakes” as going into business for the wrong reasons, following advice from family and friends without benefit of study, the entrepreneur gets worn out, family pressure on time and money, and pride. These are factors that are about the person – body, mind, heart and spirit – her or his worldview.

In my coaching practice, over half of those who seek help are startup business owners and entrepreneurs and the other half are managers or executives in medium to large corporations. Despite the different contexts, those who excel quickest and longest show similar traits: a remarkable passion for setting stretch goals and being relentless in pursuing them. Along the way, they received some form of guidance that helped them persevere and remain accountable for their actions.




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One need not look far for examples in failures in leadership. We see them in government, business and non-profits. It is no wonder that in the United States alone, the amount spent on leadership development is estimated to reach as much as \$50 billion a year. Countless publications, conferences, surveys, tools and services such as consulting and coaching are clearly benefitting from this growing recognition that leadership can make or break businesses.

How does one winnow chaff from grain in this overwhelming plethora of commentaries and advice? What kind of guidance is most useful for the startup entrepreneurs in micro, small to medium enterprises (MSMEs) that account for more than 96% of all enterprises and between 50% and 95% of employment in the Philippines and other ASEAN nations? If MSMEs are a key driver for our country’s inclusive economic growth and effective leadership can be learned, how can timely leadership training and guidance be extended to those who need it most?

I personally laud the untiring efforts of movements such as Go Negosyo, the programs of academic institutions

like Asian Institute of Management which partner with associations like the Management Association of the Philippines, and of government and NGOs which strive to create linkages and access to capital and financial support, better technology and other mechanisms.

Amid the flurry to empower MSMEs especially in light of the ASEAN integration, most central to truly transforming this sector in a sustainable way is creating opportunities to inform, educate and communicate and train business owners in the science and art of leadership. Those among us who have the capacity to do so must go beyond the confines of our comfortable worlds to reach out to dialogue, teach, coach, mentor and advocate. I believe that if we scale up this caring connection between leader to leader and the sharing of how one rises from failed attempts at business and social enterprise, we can individually and collectively grow and sustain this growth engine. 

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