**Lecture 6**

**10 DEADLY MISTAKES OF ENTREPRENEURSHIP**

Many people seek entrepreneurship because it allows them to be the boss. You get to make all the business decisions, from general company strategy and positioning to the management of your human resources. It’s an appealing position on paper, but in practice, managing people is far more challenging than most aspiring entrepreneurs realize.

As a result, almost all the new entrepreneurs make some mistakes while starting any business. Let’s discuss these in detail.

1. **MANAGEMENT MISTAKES:**Sometimes new entrepreneurs lack management skills essential to execute a successful venture. These skills include proper planning before stating any venture and managing the venture on the later stage. In small businesses poor management is the primary cause of business failure.Owner lacks the leadership ability, sound judgment and knowledge necessary to make business work.Sometimes new entrepreneurs fail to manage these activities as they assume that they are good at management which may not be necessarily the case.
2. **LACK OF EXPERIENCE:**lack of experience is one of the major causes of failure of new ventures.It is preferred that small business managers need to have experience in the field they want to enter.Experience provides knowledge about the nature of the business.With experience entrepreneur can figure out the causes of failure and success in the business. If you don’t know about these basic skills, educate yourself first.
3. **POOR FINANCIAL CONTROL:**The finances of the business, is your business! Undercapitalization is a common cause of business failure.If you do not have control of your finances you do not have control of your business. Too many businesses fail due to lack of financial viability or poor financial accounting which means that they fail to manage and control financial situation of the business resulting in venture failure.
4. **WEAK MARKETING EFFORTS:**To make your new venture successful, an effective marketing plan is of much importance. Being entrepreneur you must be well familiar with all the possible ways of promoting your business in order to best cater your target market. Creative entrepreneurs find innovative ways to market their businesses effectively to their target customers.
5. **FAILURE TO DEVELOP STRATEGIC PLAN:** A strategic plan is a document used to communicate with the organization the organizations goals and the actions needed to achieve those goals. Sometimes entrepreneur fail to develop a good strategic plan or may be sometimes strategicplan is good but execution of plan is not done properly that leads to failure of business venture.
6. **UNCONTROLLED GROWTH:**Growth is a natural, healthy and desirable part of any business enterprise; it must be planned and controlled.Sometimes uncontrolled growth can become a big problem. It can cause different issues such as shortage of cash to meet expansion costs, Extra work hours to meet the demand, degradation of quality of product/service. All the issues in longer run can cause loss in your business.
7. **POOR LOCATION:** Location of your business is of vital importance. One must do proper homework before selecting the location of business considering the fact that it must be easily accessible for your target market. Else you will loose your market share and business will suffer loss.
8. **IMPROPER INVENTORY CONTROL:** Balance between the supplyand demand of the product is also important. Many entrepreneurs don’t consider this factor which can lead to loss or unwanted situation in your business. If the inventory is more than demand, you might get out of cash quickly .On the other side, having inventory less than demand will create unavailability of your product in the market and a threat to loose your market share in the longer run.
9. **INCORRECT PRICING:**One of the most difficult, yet important, issues you must decide as an entrepreneur is which pricing methodology to follow within your business.Determining exactly how much to charge for your products or services is a major step towards setting your long-term pricing strategy as a company. Pricing of your product or service must be in accordance to the audience you are catering.
10. **INABILITY TO MAKE ENTREPRENEURIAL TRANSITION:** Another mistake entrepreneurs experience is inability to make entrepreneurial transition. Being an entrepreneur, you expect to grow your venture with time but unable to cope up with the entrepreneurial transition. After the start up of venture, growth usually requires a radically different style of management, one that entrepreneurs are not necessarily good at and many entrepreneurs fail to manage it.

**PUTTING FAILURE INTO PERSPECTIVE**

Failure is inherent in business and entrepreneurship. In fact, many entrepreneurs consider failure to be a natural stepping stone to success. They celebrate failure, because they've learned firsthand that our mistakes are our greatest sources of learning.

In order to avoid pitfalls of small business entrepreneurs must do the following.

* **Know your business in depth:**Industry analysis is part of good management. That’s not just for the business planning, but rather for business survival, beginning to end. So you must have in-depth knowledge of your start up business.
* **Develop a solid business plan:**A business plan is a very important strategic tool for entrepreneurs. A good business plan not only helps entrepreneurs to focus on the specific steps necessary for there to make business ideas succeed, but it also helps them to achieve both their short-term and long-term objectives.
* **Manage financial resources:** Finances are vital for any business. Always make sure to plan and manage your financial resources wisely so that you may never get out of cash.
* **Understand financial statements:**Understanding financial statements of your business helps you in understanding the current situation of your finances and help your make your future financial decisions wisely.
* **Learn to manage people effectively:**The key to business success is to learn to effectively delegate both the responsibility for completing assignments and the authority required to get things done.
* **Keep in tune with yourself:** Having a good understanding of someone or something.