

8 Fatal Mistakes Small Business Owners Make & How To Avoid Them

By Sherryl Dever

While small business ownership continues to be the fastest growing segment of the U.S. economy, experts forecast the rate of failure to range as high as eighteen percent. So why will such a significant percentage of small business endeavors die a premature death? Because owners will have failed to respond to the needs of their businesses with life-saving strategies that would have kept them prospering.

Research conducted of more than 500 small businesses, over the past ten years, by The Business Resource, reveals the following managerial miss-steps.

More than 80% of business owners failed to use readily available financial information which would have revealed short term operating requirements needing immediate attention.

More than 50% failed to respond to important financial information, once uncovered.

More than 95% failed to use their accounting software for much more than check writing and tax reporting tools.

Nearly 100% mistakenly looked to their bookkeepers as a form of financial advisors.

More than 80% lacked any formal organizational or communication infrastructure and experienced internal communication problems, they felt, frequently decreased productivity.

Almost all complained of the difficulties of finding, keeping good employees or the toil of supervising.

Nearly all that were interviewed realized their businesses had "hit a plateau", had intended to do something different, but kept to the status quo instead. Herein lies the primary mistake we entrepreneurs fall prey to when growing our businesses. It is often easier to ignore problems, than address them head-on, especially in the fast-paced environment of a small business. Yet, if surviving in business is important, we must seek strategic solutions. Sometimes those solutions are simple and sometimes they are more challenging, but they all require a commitment to change. We have to be willing to ask ourselves tough questions and act on them, if we are to be successful in our pursuits. The following are the eight fatal mistakes small business owners make, we uncovered and how you can avoid them.

8 Mistakes Simplified

1. Unclear or incomplete business model
2. Erratic decision making and micro-management
3. Perpetuating the founder's job, instead of building a company
4. Delaying or avoiding hard decisions
5. Neglecting employee development
6. Higher business purpose unclear
7. Inconsistent or misdirected marketing
8. Overlooked or misused employees and customer feedback

Break Down of Mistakes

Fatal Mistake #1— Incomplete business model. Not enough planning or preparation. Whether your business is a mere concept or in a more mature stage of growth, it is slow suicide not to operate using a plan. "Failing to plan is planning to fail" so goes the old adage. Your plan doesn't have to be a full blown formal business plan, unless you're looking for venture capital or a bank loan, but it does need to contain some vitally important information. Your business's mission, vision, and goals need to be clarified with specified time lines for achieving results. A brief marketing strategy and employee allocation plan is also very helpful. Also fundamental to a good plan is clarifying high and low goal expectations with a fallback strategy for correcting course.

Fatal Mistake #2--Failing to utilize critical financial information to make decisions. Financial facts are the bedrock of sound decision-making. However, many business owner's find themselves reacting to feelings or intuition on important topics, often denying the weight financial facts may carry in decision making. Just because we have a bookkeeper or a bookkeeping system doesn't ensure sound management. We need to make sure we collect all the facts both financial and elemental to make a good decision. Asking for input from qualified sources and involving those effected by the decision are key components to good decisions making. This process often requires a little bit of research and time, but definitely will yield improved results when followed. As a policy, it also stops the tendency to "knee jerk" a decision that we may later regret. Small business success is built one sound decision at a time.

Fatal Mistake #3--Failing to develop an infrastructure. Procedures and communication flow are cornerstones to an organization of people. The difference between a business that is centered on personality and one that is built to last is simple. Taking the time to develop procedures streamlines training, improves continuity, clarifies expectations of employees. That choice shifts the dependency of a business from personality- driven to systems-driven which creates sustainable productivity. Think about it. If we depend on a person's specific characteristics from which to build our company, we are dependent on that person. If they leave, especially in a small business, we are left with a huge gap in our ability to produce effectively. If we focus our efforts on systematizing so anyone who steps into a position can

perform that function, we become more independent and free to expand. Making the decision to build an "organization" is a powerful first step in the survival of a company.

Fatal Mistake #4--Failing to respond to vital circumstances in a timely manner.

Avoiding tough decisions can be an extended death sentence for a small business. Many small business owners tend to focus on the simpler decisions while allowing the tougher ones to "take care of themselves". Often, we do not see the immediate effects of a delayed decision. It is crucial to the long term success of a business to address tough decisions head on, using all the facts. This strategy helps us avoid the snowball effect or unanticipated outcome of an un-addressed problem. Our business' success depends on choosing to address the hard things, first.

Fatal Mistake #5--Failing to effectively utilize the talents of others. Inconsistency in policy and procedure breeds inconsistent results. Therefore it only stands to reason that more effective employee development practices will yield better results. Every employee deserves a plan to direct their career with our business', no matter the position. The truth is, we get out of what we put in to our hiring, training and supervision process. Finding and keeping great people is a direct reflection of our own investment in preparation. Bottom line, we will save time, money and frustration, reduce employee turn-over, improve productivity and therefore profit more, when we prepare to do so.

Fatal Mistake #6--No clear mission and vision for the business. If we intend to meet our goals, a clear mission and vision for our business is crucial. A mission is the purpose of the business, our "higher calling" if you will. It includes the who, what, where, when and why we do business. It is the information every person involved with our company needs to know to understand who we are and why we do what we do. It can also be the information we use to motivate, inspire and prepare ourselves for the future, especially when things get tough. All marketing, sales, employee training, quality of service and/or product spring from our clarity of purpose or mission. Vision is the definition of the outcome of the mission, or picture in our minds eye, on the horizon to which we aspire. A clear business vision might include location, number of employees, units of service or product sold each year and the quality of the experience those who are involved in our business encounter. If we don't know where we're going, any road will do and who knows where we'll end up.

Fatal Mistake #7--No regular marketing practices encouraging customer loyalty.

Simple, cost effective marketing activities, implemented consistently, improves the perception of quality of service to existing customers. It can also be the basis for building visibility and encouraging new business. Just simply taking the time to send a thank you note, a welcome letter or extend an invitation to do business can be powerful business building tools.

Fatal Mistake # 8—Underutilizing existing resources . Bankers, attorneys, CPAs, insurance agents, clubs and organizations and consultants, as well as suppliers and key customers are often the most underutilized resources available to small business owners. Knowing when to ask for help and from whom is key to expanding the capacity of our business'. Key customers and suppliers always have important feedback for us. Often professionals offer free consultations, and additional support services we are unaware of. Make a list of important information and resources you believe will help expand your business strength and who might be able to offer assistance. Be willing to engage in regular discussions, asking for these professional's input on a regular basis. But wait, when we see a pattern or theme emerging with a certain type of input, even if it conflicts with our own opinion, be willing to use the information and make the necessary changes. Otherwise don't waste your important time or theirs.

Deal with it! In less predictable economic times there is no time to spare. If you've been dreading how a shifting economy may impact your business, or you think it already has, you need to get your game on.

With every pundit having an opinion and subsequent advice about business direction and the economy, it may be a bit difficult to focus on what to do next. In the past, delaying certain decisions may have cost you a couple of bucks in lost opportunity. Today, delaying a response to a critical business condition may cost you much more. As the economy shifts, not taking right action soon enough may be the difference between profit and loss, or even remaining in business.

In the current issue of Money Magazine, an article entitled *"Why You Can't Trust Your Gut In This Market"* makes the case that people will read into situations what they fear most. The article goes on to say, "When people contemplate and reaffirm their most important values, such as honesty and compassion, they are able to make better decisions. That's because those thoughts help you feel more in control, which frees up your mind to focus and think through the question at hand."

So the question really is, what is your focus for the first quarter of 2009? Are you reticent to declare a new direction? Well, how about in the absence of information about the future, instead of filling that space with fear or inaction, we simply do what we've always done as entrepreneurs – do what we must – move forward. Do we really have a choice? Let's use this moment in time to focus on what's really important to us and get back to basics -- getting a jump on 2009

BACK TO BASICS | 5 Things You Can Do To Stay Ahead of The Curve

1) Take charge of what you can | Inventory your resources. Produce a list of strengths, weaknesses, opportunities and threats (SWOT) to your business success. Determine the top three things you can do right –spending little or no cash to speed up sales, improve efficiencies, increase profitability and protect your finances.

2) Systematize. Organize your sales, production and financial methods by preparing written procedures as check lists or flight plans so everyone in your organization can use them as guidelines. If you are missing one or more systems, get help right away. Design and implement your system using experts consistency produces more reliable outcomes. Especially in less predictable times. Make sure your own personal effectiveness plan is on place. Ideal schedule prepared, time management system functioning effectively, work hand-off, deadline meeting and accountability methods in place and working for you and your team.

3) Make sure your financial model works well. Do your budget and cash flow projections include everything you need to be successful and profitable? Even if you consider items like retirement plans, education accounts for your kids or funds for equipment purchases a luxury, add them to your projections to identify your true bottom line requirements. Be certain you understand exactly how much you have to sell, produce and collect to stay profitable. Forecast your financial needs and measure expectations versus actual. Redirect your business efforts quickly when you discover a deviation. Target sales needs every day, week and month. Make sure you're doing what it takes today, to sell, produce and collect what is necessary to keep your business on course.

4) Conserve cash. Time large purchases to cash flow peaks. Finance when possible, you can pay it off early if cash flow allows. Establish favorable credit terms with vendors. Use facts gathered from your P&L and balance sheet to identify the strength, weakness and liquidity of your business. Get assistance from qualified advisers to help you interpret that information. Turn observations into actions that benefit your business. Manage your credit score. Review it monthly and taking action on items that help you build your borrowing power. AnnualCreditReport.com is a site where you may review your credit information from all 3 bureaus once each year for no fee. Establish additional lines of credit or short term lower interest loans using credit card special offers or bank incentives before you need the money. Place the funds in interest bearing instruments for a rainy day.

4) Take it one step at a time. 1) Ready? Think clearly and objectively. 2) Set! Plan well. 3) Go! Take the right actions; focus first on sales, then on production, then on collections. You must sell to produce in order to collect what you need to succeed. Be certain you and your organization are clear about their connection to each of these areas, as bottom line priorities, every day.

If you have investments that have recently lost value, seek qualified help in determining best courses of action to minimize your losses and get back on the track – right now. (If you haven't already.)

5) Celebrate successes, don't be afraid to share your positive outlook with others, specifically in your company. Invite others to do the same. Ask staffers to talk about what works and what everyone in the organization can do differently every week as a way of inspiring creativity, focusing on increasing sales and improving efficiencies. As owner or manager, fold your ideas in last. Catch people doing things right.

The basics always count, and really can make a huge difference in any economy. The cost of lost opportunity is profit and satisfaction never regained. Make every minute count. Establish a safety net, by taking charge of your business right now.

Since 1986 Sherryl Dever, founder and CEO of The Business Resource, has led her team by smoothing cash flow, improving profits and satisfaction within hundreds of founder-led businesses in the North Bay. For a complimentary "Back To Basics Business Analysis" and FREE report, email Sherryl at sherryldever@thebusinessresource.com.

Twenty-Plus Year Track Record Of Success In The North Bay
Hundreds of happy clients served
Millions in investment capital raised • Thousands of business plans prepared
20,000 plus business consulting, training and coaching sessions conducted

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Five Things Your Can Do To Get Ahead of The Curve

1) Take charge of your resources. | Inventory your resources. Produce a list of strengths, weaknesses, opportunities and threats to your business success. Decide what you can do now to speed up sales, improve efficiencies and protect your finances.

2) Systematize. Proceduralize your sales, production and financial methods by preparing written procedures as check lists or flight plans so everyone in your organization can refer to them as guidelines. If you are missing one or more systems, get help to design one using experts. Consistency in approach produces more reliable outcomes.

3) Make sure your financial model works. Does your P&L include everything you need to be successful and profitable? Even if before you considered items like retirement plans funded, education accounts for your kids or allowances for equipment leases necessary to grow your company a luxury, add them to what is necessary to meet your true bottomline. Make sure you understand exactly how much you have to sell, produce and collect to profit. Forecast your financial needs using a spread sheet and measure expectations versus actual and redirect your business efforts quickly.

4) Establish a financial safety net. Time large purchases to cash flow peaks. Finance as much as possible. Establish favorable credit terms with vendors. Use facts gathered from your P&L and balance sheet to tell you the strength and liquidity of your business. Get assistance from qualified advisers including accountants and other experts to help you interpret that

information. Turn the observations into actions that benefit your business. Manage your credit score by pulling it free on line and taking action on items that help you build your borrowing power while you have it. Go to Freecreditreport.com. Establish additional lines of credit or short term lower interest loans using credit card advances now. Place the money in interest baring accounts for a rainy day.

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Small business and we owners will continue to be a driving force in America's economy for years to come. The question is, will we be willing ask ourselves the hard questions and make the necessary changes from within, to meet the challenge to survive?

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