

# **Title: 8 Small Business Mistakes that are BIGGIES**

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**Summary:** Watch out for small business mistakes that may be slowly killing or diminishing your business' growth and profitability

Even seemingly successful companies, including those that have been around for a good while, can be making them and losing a lot of money and time in the process.

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## **Article Body:**

Do you know that there are various mistakes you can make as your business develops that can slowly kill it over time if you aren't alert and watching out for them?

These mistakes are not just reserved for new companies and their operators. Even seemingly "successful" businesses that have been around for several years can still be making these mistakes as they lose money and valuable time along the way.

Although some of these common mistakes are more prevalent in service type companies, they can exist in almost any business endeavour. Perhaps you will notice a few challenges for your business as you consider these 8 BIG small business mistakes.

### **1. Underestimating Project/Service Time**

This mistake is a big one and it applies to companies that sell a service as well as to those that sell a product. Time is often a company's bread and butter. Estimating time to perform each and every service in your repertoire realistically is vital. The best way to estimate time is to do it once yourself or watch your best employee do the task and allow for extra time to cover the unexpected on top of it. For businesses selling products, logistics time needs to be determined accurately and carefully.

### **2. Not Knowing YOUR Company Numbers and/or Incorrectly Setting Prices**

Note the emphasis on the word "YOUR". Don't use a competitor's pricing as your benchmark without actually knowing why they use the numbers they do. What if the competitor has a bad pricing structure and is barely making money or even losing money?! It's not good enough to know a competitor's price, cut it by 10%, and then start selling without robust research. Your costs may be more than theirs! You can use a competitor's pricing as a starting point but you can't base your whole strategy on it.

Different industries have their own variables as far as costs go and you need to be aware of them for your service or product pricing. Cost price is not the only cost to have in your head when you are pricing products. How much your labour and materials cost for a service is only a piece of an hourly rate. Employees cost more than just salary and not every

employee is part of your labour cost. There are plenty of overhead expenses that need to be built into your price like insurance, office expenses, rates, insurance, telco fees, etc. And don't forget to factor in a value for the quality factor. Especially if a selling or service point in your business is your above-average product or service quality. For instance, if service and/or quality is part of your unique service proposition and/or unique selling point (USP) then expect people will be happy to pay for it, so charge for it.

### 3. **Not Charging for All of Your Time & Costs**

Many business owners if pressed, will admit that they have given away a little too much for free at times. While there is nothing wrong with adding in a little extra occasionally, especially to loyal clients, don't overdo it. But either way, that's not the issue here. Be careful if you put a lot of quality into your work or products or services and do not cover the cost for it. For instance, if you run a service company and your competitors don't do a certain standard of service that you provide, undercutting their price to steal a job will undermine your business success.

Business owners need to believe that they are providing their clients with worthwhile products and services that deserve to be paid for. Occasionally in your communications with clients you may need to explain your pricing policy to highlight why you price higher (or lower) than competitors. You may lose some customers but so long as your loyal ones accept that they are getting a good deal, you needn't worry.

### 4. **Late Payments**

Can affect cash flow! As long as you are actually making enough money to pay the bills, this problem can be solved, prevented or at least made to be not as bad as it could be. Here's the deal:

- a. Firstly, bill customers very promptly. It is very common for a small business to not have systems in place to get invoices generated and out the door in a timely fashion (see the next segment for more). Presumably we are doing the work to get paid. But it is very easy for the accounts people to be too busy to get invoices out in a timely manner, potentially adding to a cash flow problem.
- b. Secondly, to prevent a regular cash challenge, make the quickest payment deals possible with customers and the slowest possible with vendors and employees. If possible pay employees fortnightly rather than weekly. Contractors always have an issue with delayed payment. If you must pay weekly, then negotiate with them before they are hired that they will get the first week payment held back, thus buying you a week.
- c. Thirdly, get credit. If your company can get a credit card, then get it. This allows for certain important things to be bought (that you can afford) that might come up during a cash flow crunch. Better yet, especially if you have no choice but to deal with slow customer payments, do your best to get a company line of credit. This is essential if you plan on selling to the government or doing commercial service work.

These clients often have 60 to 90 day wait periods.

**5. Failure to Have Solid Systems and Procedures in Place**

Having to deal with “red tape” is often the reason why people start their own business. Unfortunately, having no procedures and systems in place at all is not an alternative. Depending on the type of industry, business owners must come to a happy medium or chaos and the unknown, if not business failure, will ensue. Some basic examples where procedures or systems are needed include billing, collections, payroll, hr (interviewing, hiring, vacations, benefits, job responsibilities, etc.), manufacturing, operating equipment, maintaining equipment, inventory, sales calls/visits and logistics, etc.

Even a one person business needs to have some administration procedures in place. This will make it easier to hire temps and subcontractors and control what they are doing for you. Without at least a watered down version of a system or procedure to do every day work, you will be to blame for headaches as your company grows. This is most important when you hire new employees. Have an employee handbook even for one employee. It’s amazing the trouble people can cause when procedures are not carefully enumerated and documented.

**6. Spending Advertising Money Just to Say You Advertise**

Don’t spend money on advertising if you do not track the results. There is no point in a marketing campaign if you do not put things in place that allow you to measure how well the plan is working. Replicate successful campaigns – therefore you must know what constitutes successful marketing – and make sure that you continue to track, adjusting in time as necessary.

**7. Spreading Yourself Too Thinly**

A classic business owner mistake. Know when you are at that “wearing too many hats” point and start getting some help. The solution here is to know your strengths and to be able see when you are not performing the duties that demand these skills. If you are the best sales person in the company, you can’t get caught up in day-to-day operations. If you do, sales will slip and eventually you won’t have any operations to worry about. Think about this to help you figure out if you are spread too thinly: Did you really go into business for yourself to work 80+ hours a week? Likely not!

**8. Not Getting Help Soon Enough**

Set goals to know when to hire people to take over where you are light on knowledge. Not getting help or waiting too long can kill a company. Most people who start a business do it because they are good at the technical end or the sales end. If you know the best way to make a widget, then your strength is in production and that is where your time should be spent. Hire an outside company or consultant to take care of the sales and marketing and then hire inside when you can afford someone full time. Don’t pretend to be something to your company that you are not. It will only hold you back.

The three big issues people like to tackle themselves, but usually are least knowledgeable about, are: legal issues, accounting/bookkeeping issues and daily operations issues. Chances are these three things are your weakest link so if you don't have a partner that has strength in these areas be prepared to get help asap. If possible do this before you start a business.

**Periodically checking for these problems is a good idea. The end of a year is an excellent time to assess you are not making these mistakes. Take the time, or make the time, to fix these problems. Get some help if you are not sure how to address them.**

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