

10 WAYS TO SABOTAGE YOUR OWN BUSINESS

Are you making
these mistakes?

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Deal?

Every business owner faces a daily challenge to succeed. Whether it's managing inventory, increasing sales, resolving customer concerns, or simply making sure the shop door is unlocked on time in the morning, not a day goes by without some issue presenting itself and needing to be addressed.

Unfortunately, a large number of business owners become so focused on the daily problems like these that they lose sight of other broad issues of equal or greater importance. Losing sight of these things might be easy to do, but it is also a dangerous way to do business because it sabotages the long term success and profitability of the business itself. It's like focusing all of your time and effort on putting out fires but paying no attention at all to preventing those fires in the first place.

Don't let this happen to you or to your business! We've put together a list of the ten most common ways that business owners fall into the trap of sabotaging their business venture. After reading through and thinking about what's in this list, chances are you will find at least one way you can make changes to your business in order to avoid sabotage and instead create success.

1. Assuming you know the customer's needs

When you started your business, it was for a very good reason. Somewhere along the line you identified a need that was not being fulfilled and you set out to change the situation. You discovered there were "people just like you" whose needs you could meet, and you found a way to meet those needs successfully and profitably.

This is a terrific way to identify opportunities and launch a business, but the problem is what happens as your business grows and develops. Before you know it, you get deeper and deeper into the demands of running your business and get further and further away from the customers you set out to serve in the first place. You simply are not like them anymore, so you don't think like them anymore; because of this, you lose touch and can't be objective when making decisions about how best to continue meeting their needs.

Do you recognise yourself in this description? Chances are you do, at least to some extent. The really great news, though, is that recognising the situation is the first and most important step to take if you want to correct the situation. It's all about changing your mindset and changing your assumptions, and instead paying attention to what is really happening.

Don't assume that you know what your customers want just because you knew what they wanted two years ago when you launched your business. Their needs have undoubtedly changed in some way as time has passed, but since you have been so involved in running the business you have likely not paid attention to these changes.

One of the biggest mistakes we see is when business owners are so confident their clients "need" what is being offered that they don't realize their clients simply don't "want" to buy what is being offered. To avoid letting this happen to you, it's critical that you get engaged with your customers to really listen to what they say (and sometimes what they don't say). Set aside other distractions, and focus in on the voice of your customers; turn up the volume on those voices so they are easier to hear and understand.

An easy and effective way to do this is to simply listen to the people in your business that spend the most direct time with customers. These positions might include delivery drivers, customer support teams, PA's, repair technicians, or the receptionist who answers the phone each day. Remember, these are the people closest to the customers which means they are closest to understanding what customers really want and need right now.

2. Focusing on profit, not cash flow

It is very easy to become overly focused on profit; after all, it's the profit that makes your business successful, right? To a certain extent the answer to this question is "yes", but to an equal extent the answer to this question is certainly "no". Profit is important, but cash flow is just as important if not more important. A great number of very profitable companies end up failing and going under because they pay too much attention to profit and not enough attention to cash flow. They simply run out of money.

Fortunately there are some very easy and straightforward things you can do to improve cash flow and keep it flowing consistently. Examples include:

Be cautious about offering deferred payments to your customers. While this might be a good way to entice them into buying a high priced/high profit margin item, it also reduces the actual cash flowing into your business. In many cases it's better (and less complicated) to set the price lower and accept a lower profit margin because it allows you to get the money from the customer up front.

For those items that are high value, make a point of taking a deposit from the customer when they make the purchasing decision. This makes it less likely that the customer will change their mind, but just as importantly, it helps to cover any costs you incur up front. For instance, you might have to buy extra stock, pay staff to work on the project, or otherwise spend money at the beginning of the transaction that you won't be able to recover until the end point. If the process takes an extended length of time you could easily find yourself very low on the cash you need to keep the business operating.

Whenever possible, ask for payment in advance. This is especially important when working with a new customer who has yet to establish a good record of timely payment. At the very least, get as much as possible in advance and set benchmarks at various points in the process; every time a benchmark is reached, the customer makes another payment.

In these days of very difficult economic conditions, more and more individuals and companies are delaying payments on their debts as long as possible. While it's certainly understandable that they may be struggling, you must not let their cash flow problems become your cash flow problems. Set up a procedure to identify late payers as early as possible, and take whatever action is necessary to recover those debts sooner rather than later.

You might be tempted to ease your cash flow situation by taking on higher levels of debt. This is a risky, expensive, and potentially very damaging approach so you should do whatever you can to avoid it. Plan ahead during peak times when cash flow is good by setting aside extra money; this will give you a reservoir of cash to tap during the inevitable slow times, allowing you to steer clear of taking on too much debt.

Finally, give serious thought to leasing or renting your operating premises and equipment rather than buying them. This gives you much greater flexibility with your cash because instead of tying it up in assets which cannot be easily liquidated, you can keep it in a form that is more quickly and easily accessible when it is needed.

3. Setting goals too small

When you were growing up, perhaps your parents told you to dream big, set your goals high, and reach for the stars. Somewhere along the way, though, it became much simpler (at least in the short term) to set smaller goals that could be reached more quickly and easily. The problem is that when you spend your time and energy setting small goals, it's much like setting off on a long journey without making a plan for where you're going to go; instead of mapping out your route in advance, you wait and choose which road to travel on whenever you happen to reach a junction or intersection.

While this may be exciting, fun, and adventurous, you are much more likely to end up driving round in circles so that you never reach a worthwhile destination. Just as a leisurely Sunday drive may take you meandering through the countryside without purpose or direction, setting goals that are too small sends your business meandering through its operation without purpose or direction. You will never achieve long term business success if you don't plan ahead, set meaningful goals, and put your time and effort into meeting those large goals.

Here's a very common example of what we mean by setting goals that are too small; many business owners use price promotions, deep discounts, and other special offers as a way to attract business and generate quick cash flow. The problem with this approach is that no thought or attention is given to its longer term impact. Research consistently shows that price promotions and discounts attract the most fickle and least loyal customers of all. These are the buyers who will switch to another supplier and take their money elsewhere in the blink of an eye as soon as they find someone with a lower price offer.

When goals are set too small, you end up spending all of your energy chasing these "quick wins". It's exhausting, for you and for your employees. Your people will find it very difficult to get on board and perform their best for the business if they have no idea where the business is going or what long term goals the business is trying to achieve.

4. Not seeing marketing as an important activity

Marketing is the same as sales, right? Wrong!! This is a very common misconception that is damaging to your business and its long term success. So what's the difference between sales and marketing? Let's take a look in a bit more detail:

- “Sales” is an activity based on the ringing of the cash register, or the volume of transactions completed each day, week, or month. The focus is on the short term goal of getting customers – any customers at all – to make a purchase.
- “Marketing” is an activity based on building long term, ongoing relationships with customers. The focus is on a deeper understanding of customers, anticipating their future needs and meeting those needs at a price that's good for both parties. They develop trust and confidence in your business, so that they continue to buy from you and recommend you to others.

It's certainly tempting to take the sales approach, constantly chasing new customers and targeting all types of customers just to get them to buy something. However, this is a very short term strategy; it is extremely confusing and unsettling to your existing customers as well as your potential customers because from their perspective, they're not quite sure what your business is all about. When your product offerings, messaging, and the like change frequently, they are wary and cautious about continuing to buy from you because they can't quite work you out.

Only by taking the marketing approach can your business grow, prosper, and build up a lasting base of loyal customers. When you follow this path, you establish and reinforce a distinct brand for your company. Most people think a brand is a logo, a colour, or a trademark phrase, but these are just a few of the tools a business uses to communicate visually. Branding is a much broader and deeper concept, focused on developing an intense understanding of what your organisation is all about. This in turns gives your employees and your customers a strong appreciation of your values and the way you do business.

Effective marketing takes a bit longer to generate results than sales does, but the results you get are much stronger and longer lasting because they lead to more loyal customers who come back to buy from you repeatedly. What's more, this is a much less expensive way to run your business; the cost of acquiring a new customer is much, much higher than the cost of keeping an existing customer. This is why the most profitable customers are those who are repeat buyers.

5. Failing to have a “Kaizen” philosophy throughout your business

Some people say that if you're not failing at something then you're not learning or moving forward. There is some truth to this, but we are certainly not suggesting that you deliberately set out to fail just to learn important things. Everyone makes mistakes along the way, and sometimes this will go wrong no matter how hard you try to make them go right. When this happens, you have two choices: shrug your shoulders and move on without caring, or learn from the experience so you can improve your processes and systems.

That's what “Kaizen” is all about. It is a philosophy of business that emphasises constant improvement; in fact, it truly requires constant improvement as the foundation of the entire business model. This approach is prevalent in most Japanese companies, and is a big part of why they have been so successful over the last few decades both in terms of product sales and product reliability.

Many people think Kaizen is about focusing on fixing problems so they don't happen again. While this is of course part of the process, it is not the central or primary focus of Kaizen. Instead, the Kaizen philosophy emphasises that even when things are going well and proceeding smoothly, there are still lessons to be learned and improvements to be made.

When your business has a Kaizen approach, you and your team pay a great deal of attention to fixing problems and learning from them when things go wrong. However, you and your team pay even more attention to looking at things that are going very well and asking yourselves “How can we do this even better?”

6. Not knowing your competitors inside out

Unless your business is a pure monopoly, your customers have the option of making choices about where they buy and from whom they buy. They can just as easily decide to buy from your competitors as they can decide to buy from you. How, then, can you influence their decision making process and get them to buy from you instead of from someone else? What can you do to help them make an informed choice and turn to you for fulfilling their needs?

The most important thing is to identify your competitors and know as much about them as possible. You have to look at the situation from the customer’s perspective, taking into consideration which businesses offer which products or services and how those products or services compare with each other. Only when you know your competitors inside out can you determine how to differentiate your business from theirs and convince customers to spend their money with you.

You put a lot of effort and energy into knowing your customers very well, and you should devote just as much effort and energy to knowing your competitors, too. This allows you to anticipate what your competitors are likely to do and develop your own plan for counteracting their activities. On an even broader scale, having an intimate understanding of the competition allows you to better anticipate movements and changes in the marketplace as a whole.

How does this actually work? It begins when you sit down to plan out a strategy for attracting and retaining customers. Use your knowledge of the competition to develop a strategy right from the very start, putting together a plan that's structured with your competitors directly in mind. Ask yourself questions such as:

- How competitive is the general marketplace?
- How are you different from the competition?
- How do customers choose which business to buy from?
- What would it take to make customers choose your business over your competitor's business?
- What is most important to your customers and how can you provide it?

As you go through this process of deciding how to differentiate yourself from the competition, be very careful that you don't assume customers are most interested in finding a low price. There are some customers to whom this is important, of course, but to the vast majority of customers price is most definitely not their primary consideration. Because of this, you can actually charge a higher price than the competition if you have positioned your business properly and have gained the trust of your customers. In other words, give them a compelling reason to buy from you rather than from the competition.

Remember, too, that it can also be beneficial to develop and maintain a good relationship with your competitors to rather than letting the relationship be adversarial. When the relationship is respectful and positive, you both benefit because you can refer customers to each other when it's appropriate. For example, when there are differences between what you provide and what your competitor provides you will probably encounter a potential customer at some point whose needs you simply cannot fill. For that person, your competitor is the best fit for meeting their needs; you can then refer the customer to the competitor. Even though the customer ends up buying from someone else in the short term, over the long term your honesty and attention to the customer's needs will be remembered and that customer will be more likely to come back to you when their needs change.

7. Being a too-tough negotiator A.K.A. Screwing your suppliers

Part of running a successful business is learning how to keep your costs as low as possible and your profit margins as high as possible. Many people use this reality as an excuse to negotiate extremely hard with their suppliers in an attempt to get what they need at a very, very low price. While this may increase profit in the short term, it often leads to dramatically reduced profits over the long term.

It may be satisfying to squeeze that last 5% discount out of your suppliers, but what are you doing to your longer term relationship with them? What happens if suppliers consistently lose money when they do business with you? Unfortunately, you become that person or organisation that no one wants to work with. Because you negotiate so hard and so tough, you effectively wipe out any margin they may have; what's more, you mess them about and things get even worse if you make your payments late.

When you negotiate too harshly and focus too much on getting a low price, your suppliers will very likely make adjustments to meet that price. These adjustments, though, quite often mean a dramatic reduction in the quality or effectiveness of what you buy from them. For instance, a supplier might need to use inferior products or equipment in order to reduce the price you pay. Or, they might be forced to outsource work to overseas contractors who don't understand your needs or simply are not capable of doing the job properly.

Remember, working with your suppliers is a partnership rather than a competition or adversarial activity. Treat them with respect, honesty, and integrity and they will return the favour. Your suppliers are stakeholders in your business so treat them as you would any other stakeholder.

8. Not understanding the critical drivers in your marketplace

Your business operates in a marketplace where an array of factors influence and entice customers to make certain decisions about what to buy and from whom to buy. These factors are known as the drivers in the marketplace; in other words, they drive customers to make certain decisions. Drivers influence different individuals in different ways, so part of successfully navigating your business through the marketplace is having a solid understanding of which drivers are most critical to your target audience of customers and potential customers.

We mentioned earlier that price is very often not the deciding factor when customers make a buying decision; in this example, price is one of the drivers in the marketplace but is not necessarily one of the most critical drivers in the marketplace. (Note: in the relatively rare circumstance where price is an important driver in the marketplace, avoid pricing your products in the middle ground. In this situation is it better for your prices to be on a more defined end of the spectrum, either the high end or the low end.)

So how do you go about identifying and understanding the most critical drivers influencing your marketplace? What should you do to better understand the customer's decision making process? A good place to start is by asking yourself some basic questions:

- What part of your product or service offering generates the strongest reaction in your customers?
- What is it about your offering that is actually “pressing the buttons” of your customers?
- What parts of your offering are the biggest business winners?
- Which elements of your Customer Value Proposition (CVP) tip the balance in your favour and prompt customers to buy from you?

Once you have identified the critical drivers in your marketplace, it's important to stay on top of them to watch for any changes because they will inevitably change over time. Some changes occur very slowly, such as when the average age of your customers moves upward, while other changes occur very rapidly, such as when there is a serious economic downturn or financial crisis.

If you want to create long term success for your business you will pay close attention to these critical drivers and adjust your strategy as needed when circumstances change and the drivers change right along with them.

9. EI/EQ/NLP – What are they?

It used to be that the only qualification you needed to successfully manage people and interact with customers was seniority. The more years you had under belt doing a particular job, the thinking went, the better able you were to handle the extra responsibilities and challenges of being “in charge”. The world of business has changed dramatically since those days, and so have the qualifications you need to be successful.

Research shows that entrepreneurs tend to have a high level of technical skills in whatever field their business operates. This is a real advantage when getting a business off the ground, but as the business grows and matures an entirely different and new set of skills is required to create long term success. These are sometimes called the soft skills, and they are much more focused on non-technical things that may seem unimportant at first but are actually critical to the survival and prosperity of your business. If you are not actively developing your soft skills, you are operating at a distinct disadvantage in today's business environment.

To lead and manage staff effectively, to build good working relationships with suppliers, and to continue winning the business of both new and existing customers, you must be able to relate to people. This is not just about knowing how to make small talk and be polite; rather, it is about being able to “read” people, empathise with their feelings, and customise your interactions so that you can best meet their individual needs.

There are three popular descriptions and approaches related to the soft skills that are so incredibly important:

- Emotional Intelligence (EI)
This is the concept that revolves around your capacity and ability to identify, evaluate, and manage the emotions of yourself and of others.
- Emotional Intelligence Quotient (EQ)
This is the measurement that quantifies your levels of EI; it is a relatively new measurement and as such can vary widely in acceptance and understanding.
- Neuro-Linguistic Programming (NLP)
This is the concept that models interpersonal communications by combining the impacts and effects of both behaviour patterns and the subjective experiences you have while demonstrating those behaviour patterns

It used to be that these were simply known as social skills, but we now know they go much deeper and have a much greater influence on success than ever thought before. The increasing role of the internet in our lives, including the dramatic rise of social networking sites such as LinkedIn.com, Facebook, Twitter, etc., means “business as usual” no longer exists.

If you want to prosper and succeed, you must continuously develop and strengthen these kinds of skills because they give you the ability to interact with others in a way that is mutually beneficial and rewarding.

10. Lack of timely data – otherwise known as “winging it”

It's a nice fantasy to think that you can go into a business situation and have enough knowledge and skill to just “wing it” along the way. You may have even tried this approach at some point during your life and experienced one of those rare occasions where it actually worked. But no matter how smart, creative, charismatic, or engaging you may be, if you allow yourself to get into the habit of winging it in relation to your business then your business is bound to fail.

You might not fully agree with this, especially if you have read one of the many business biographies (such as Richard Branson's ‘Screw it, let's do it!') where the world's most successful entrepreneurs relate stories of how they have relied on gut instinct or intuition to build their successful businesses. As tempting as it might be to rely on this approach yourself, remember that these biographies also contain strong warnings about the limitations of guts and instinct. They emphasise just how important it is to also pay attention to details such as cash flow, market position, and what market data reveals.

Now, data may not be as sexy or exciting as guts and instinct, but it is a great deal more reliable. Data give you an objective point of view and a quantifiable perspective on what is really happening in the real world of your business. The right data, when understood correctly, can stop you from making a big mistake which costs you dearly.

Here's the challenge everyone faces with data: it is available in such huge volume and can be manipulated in so many different ways that it can be extremely difficult to understand what it is really telling you about the status and health of your business. However, once you establish a handful of key measurements to track within your business you will find that it becomes easier and faster to spot trends, problems, and areas to watch more closely. Sometimes this data can allow you to spot issues right at the start when they are very small, giving you valuable hours, days, or even weeks to adjust and adapt your plans as necessary.

To get the most information and greatest usefulness from data it is important to hire the right people to track it and keep it up to date, but it is just as important for you to thoroughly understand what the measurements and information really say about your business. All too often business owners surround themselves with people who take on the role of “yes men”; these are the people whose enthusiasm is so strong and so forceful that they are willing to do whatever you ask without question or hesitation.

While this tends to make things happen swiftly and without much conflict, it is also very unhealthy for both you and your business. In this situation it’s common for people to be very anxious to please you, so much so that they will tell you whatever they think you want to hear rather than telling you the sometimes hard truths that you need to hear. This is a risky and downright dangerous situation, but you can avoid it when you pay attention to the data and use it effectively to plan for the future.

About: Dr Patrick White

Initially qualifying as an accountant in New Zealand, Patrick then obtained his Master of Business Administration majoring in Marketing and Finance. In 2000 he completed his PhD which was focused on Business Strategy and Leadership. His postgraduate studies were completed in Australia, United Kingdom and the U.S.A.



After a successful international corporate career in a variety of industries across 13 countries with responsibilities for up to 14,000 staff he then went on to become a serial entrepreneur owning businesses in the hospitality, retail, IT and food and beverage industries. His last business covered fuel and oil distribution and had a turnover of \$US 1.6. billion and 600 staff.

For the last 12 years whilst owning the above businesses, he has also worked as a high level management consultant in various business sectors as well as an international public speaker on a variety of business and people management topics. He continues to deliver regular training seminars and speak at international conferences.

Patrick is a director of SME Academy (www.smeacademy.co.uk) and runs courses and programmes on Business Growth.