Top 37 Mistakes Made by Small Businesses

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Attention All Small Business Owners
(Entrepreneurs, Partners, Leaders, Managers…or all of the above!)

A success checklist is a list of tasks, items, processes, etc. that need to be accomplished to achieve a desired goal or outcome. A careful review of a success checklist can help identify areas needing attention and focus.

Everyone makes mistakes. It's part of being human. They say that over 50 percent of small businesses fail within the first five years of opening their doors. Many more just lumber along. Plenty of mistakes are made along the way…whether you succeed or not.

From planning and setting up shop to pricing, marketing, accounting, hiring and managing all aspects of the business, there's no shortage of mistakes to be made. And, of course, there's Murphy's Law…*"Anything that can go wrong will go wrong."*

We've compiled an easy-read checklist of the **Top 37 Mistakes** made by small businesses so you can avoid them!

You can improve your overall management ability. You can plan and market better, take better care of your money and your human resources ***and*** generally set yourself up for more success.

What have you got to lose?

The **Top 37 Mistakes** are not ranked as more or less important and they are in no particular order. They're numbered for ease of reference.

It's a good idea to review them thoroughly and decide which ones **you** need to pay attention to.

Table of Contents & Resources

Important: This entire document is provided for information and reference purposes only.

RESOURCES:

USA

- U.S. Small Business Administration: https://www.sba.gov/
- Internal Revenue Service: https://www.irs.gov/
- SCORE: https://www.score.org/
- Small Business Development Centers: https://www.sba.gov/local-assistance/
- U.S. Government Grants and Funding for Small Businesses: https://www.grants.gov/
- U.S. Department of Labor: https://www.dol.gov/
- National Business Incubation Association: https://www.nbia.org/
- BusinessUSA: https://www.business.usa.gov/

CANADA

- Canada Business Network: https://www.canadabusiness.ca/
- Futurpreneur Canada: https://www.futurpreneur.ca/
- Business Development Bank of Canada: https://www.bdc.ca/en
- Small Business BC: https://smallbusinessbc.ca/
- Government of Canada Grants and Funding for Small Businesses: https://www.canada.ca/en/services/business/start/grants-financing.html
- Startup Canada: https://startupcan.ca/
- Canadian Business Resilience Network: https://cbrn.ca/
- Canada Revenue Agency: https://www.canada.ca/en/revenue-agency.html

UK

- Start Up Loans: https://www.startuploans.co.uk/
- British Business Bank: https://www.british-business-bank.co.uk/
- Enterprise Nation: https://www.enterprisenation.com/
- Business Support Helpline: https://www.businesssupporthelpline.org/
- UK Business Angels Association: https://www.ukbaa.org.uk/
- HMRC: https://www.gov.uk/government/organisations/hm-revenue-customs
- Small Business Saturday: https://smallbusinesssaturdayuk.com/
- Federation of Small Businesses: https://www.fsb.org.uk/
- Start Up Donut: https://startupdonut.co.uk/
- Business Link: https://www.gov.uk/business-legal-structures

Mistake #1:
Failure to Prepare a Proper Business Plan

Some small business owners neglect to make a proper business plan because it takes a lot of work. Some don't really understand why they need it and opt to bypass it altogether.

They erroneously think it's a waste of time or that they just don't need one. But doing the work to make a business plan pays off in the end. It may just keep you from making a big mistake! Not all ideas work out on paper.

So, what is it?

A business plan is a carefully written document that describes in detail how a business—usually a new one—is going to achieve its goals. A business plan lays out a plan from a marketing, financial and operational viewpoint. It also acts as a management tool that can be referred to regularly to ensure the business is on track to meet goals, sales targets or operational milestones.

Generally, a business plan is developed for either internal or external purposes. An internal business plan is used to guide the activities of the business and ensure that the company is on track to meet its goals.

An external business plan is used to attract investors or secure a loan from a bank.

"Creativity is intelligence having fun."
~ Albert Einstein

Mistake #2:
Assuming You Don't Have Direct Competition

When a new product or business idea is hatched, the excitement tends to make us focus on ourselves and all the great stuff we're doing and forget that we might have competition.

Perhaps it's because we think our new product or service is so fabulous that even if someone is already doing it or selling it, they wouldn't come close to ours.

The truth is that it's pretty rare to have no competitors. Of course, it is possible but not likely.

Unless you've invented something completely new and out-of-this-world, there might very well be someone who already has carved out some market share in your niche.

Do your research and check them out completely so you can determine how you are going to compete with them.

"Marketing is not only much broader than selling, it is not a specialized activity at all. It encompasses the entire business. It is the whole business seen from the point of view of its final result, that is, from the customer's point of view."

~ Peter Drucker
Management Consultant, Educator and Author

Mistake # 3:
Not Developing a Marketing Plan

In the preparation of your marketing plan, you'll identify your ideal or target customer and figure out the best way to appeal to that customer. You'll pinpoint how you can differentiate yourself from the competition and how much everything is likely to cost.

You will also need to figure out how to measure your success because marketing dollars need to be carefully allocated.

Companies need marketing plans to focus their strategies and ensure that the resources used are directed towards achieving their objectives.

A marketing plan helps organizations define their target audience and develop strategies to reach them. It also helps organizations measure their success and make adjustments to their strategies as needed.

A marketing plan also helps ensure that a company is able to allocate resources efficiently and effectively and that they are able to meet their goals.

<u>Components of a Marketing Plan</u>

1. Market Analysis: This includes an analysis of the current market conditions, trends, competitor analysis, customer needs and preferences, and any potential new markets.

2. Objectives: This involves setting measurable goals and objectives for the marketing plan that align with the overall business objectives.

3. Strategies: This involves developing strategies to reach the objectives set in the objectives section. These strategies may include product development, pricing, promotion, distribution, and market segmentation.

4. Tactics: This involves the implementation of the strategies and the specific tactics that will be used to execute the marketing plan.

5. Measurement and Evaluation: This involves setting up methods to measure and evaluate the success of the marketing plan in order to determine if the objectives were achieved.

Mistake #4:
Not Spending on Marketing

It is important for a new company to spend money on marketing. Having an effective marketing strategy helps to increase awareness of the company, build brand recognition, and generate leads and sales.

Investing in marketing can also help to ensure that a company stands out from competitors and can be the key factor in a company's success.

The vast majority of start-ups will need to invest fairly heavily in marketing. This may include SEO, content marketing, PR and paid advertising. Take a look at where your competitors are spending their marketing dollars and ask yourself how you can compete and differentiate yourself.

If a new company doesn't spend enough money on marketing, it can lead to missed opportunities and a lack of engagement with potential customers.

Without an effective marketing strategy, a company may struggle to gain visibility, build a customer base, or generate sales.

Additionally, without proper marketing, it can be difficult for a company to stand out from competitors and establish a unique brand identity.

<u>Here are some of the many ways to spend your marketing dollars.</u>

1. Leverage social media platforms: Social media platforms are free or low-cost ways to market a new product. Utilize platforms such as Facebook, Twitter, and Instagram to increase brand awareness and reach potential customers.

2. Utilize influencers: By partnering with influencers, you can increase your product's visibility and reach potential customers.

3. Create content: Content is a great way to engage customers and build an audience. Create content that entertains, educates, and informs potential customers about your product.

4. Search Engine Optimization (SEO): By optimizing your product pages and website for search engines, you can improve your visibility and reach more potential customers.

5. Email marketing: Email is a great way to reach customers and build relationships. Utilize email campaigns to keep customers informed and engaged.

6. Advertise online: Online advertising can be a cost-effective way to reach potential customers. Utilize platforms such as Google AdWords and Bing Ads to reach customers**.**

<u>And, still more…</u>

Direct mail is still an effective marketing tool for businesses and products. Direct mail allows businesses to target their advertising to specific audiences, allowing them to craft tailored messages and offers. Direct mail can also be used to build relationships with customers, as well as increasing brand recognition. Additionally, direct mail can generate leads, increase sales, and provide an effective way to track ROI.

Telephone marketing can be an effective way to market products and services. Telephone marketing allows businesses to quickly reach a specific audience and deliver a personalized message. It also allows businesses to build relationships with potential customers and provide real-time customer service.

Mistake #5:
Failure to Prioritize Customers as #1

When creating your product and determining your business model, it's critical that you have a customer-first mentality. Yet many new entrepreneurs are so concerned about making money (understandably) that they forget that they cannot sustain the business without loyal customers. Loyal customers bring the lion's share of the profit.

We have to prioritize customers because they are the source of revenue for any business. By prioritizing customers, businesses can ensure they're giving the best possible service and are providing a positive customer experience. It also helps to build customer loyalty, resulting in increased sales and more repeat customers.

How to Maintain Your Customer Service Effort

1. Prioritize customer service: Make customer service the first and foremost priority in your business. Develop a customer service vision and set clear customer service goals.

2. Train your staff: Equip your employees with the skills and knowledge they need to provide excellent customer service.

3. Make customer feedback a priority: Gather customer feedback, both positive and negative, and use it to make improvements.

4. Regularly assess customer service standards: Monitor customer service levels and look for areas of improvement.

5. Offer rewards and incentives: Recognize excellent customer service and reward it.

6. Empower your employees: Give your staff the **authority and freedom to resolve customer issues** quickly and effectively.

7. Invest in technology: Use customer relationship management (CRM) software and other technology to streamline customer service processes.

Customer Relationship Management (CRM) is a business strategy that uses technology to manage and analyze customer interactions, improve customer service, and increase customer loyalty.

CRM focuses on understanding customer needs and behaviors in order to create personalized customer experiences and drive customer engagement. CRM also helps to improve customer satisfaction and generate more sales.

Poor customer service can lead to customer dissatisfaction, which can lead to customers taking their business elsewhere. This can have a significant impact on the company's bottom line, which can ultimately lead to bankruptcy.

“Keep your head up in failure and your head down in success.”

~ Jerry Seinfeld
Comedian, Writer and Producer

Mistake #6:
Being Impatient

Being impatient can cause anxiety and it can result in less than stellar decision making. New businesses rarely take off like rockets. Be prepared for ups and downs and ensure you have the patience and financial reserves to keep pressing forward.

Why It's Important to Have Patience

1. Building trust and relationships - Patience is key to building trust and relationships with customers, suppliers, and other stakeholders. This is especially important for small businesses, as customers will often come back for repeat purchases if they feel like they can rely on your company.

2. Avoiding costly mistakes - Acting too quickly can lead to costly mistakes. By taking your time and thoroughly researching decisions before making them, you can avoid costly mistakes that could cost your business money and time.

3. Developing a successful business strategy - Being patient allows you to develop a business strategy that takes into account all of the factors that could affect your success. This will help you create a plan that is tailored to your business and will help you achieve your goals in the long run.

4. Enhancing creativity and innovation - Patience can help you come up with creative solutions to problems and open yourself up to new ideas. This can be invaluable for business growth and success.

5. Maintaining focus - Patience can help you stay focused on your goals and not get distracted by short-term gains. This will help you keep your long-

term vision in sight and ensure that you are working towards your ultimate goal.
By saying "be patient" we are by no means saying you shouldn't be hustling and making everyone go fast! Just use patience to keep operations steady.

Mistake #7:
Not Watching the Pennies

A penny pincher ... someone who is extremely thrifty and carefully watches how much money they spend. This person is often frugal with their money and is always looking for ways to save money.
They often look for the best deals and discounts and compare prices before making a purchase. They probably shop in thrift stores and choose generic brands over name brands.

They may also look into money-saving tips and tricks, such as using coupons and cashback offers.

Every new business owner should be a *(careful)* penny pincher. Starting any business requires a significant investment, and it is important to be mindful of how money is spent. A practiced penny pincher will be able to find ways to reduce costs and maximize profits.

This would include finding cheaper suppliers and negotiating better deals with vendors. They may also look into automating processes to reduce labor costs and invest in digital marketing strategies to reach more potential customers.

Cost control is paramount for small business owners. Whenever you're considering a bigger or fancier office, extra (non-essential) employees or bleeding-edge technology, for example, always think twice and then one more time!

If you aren't already, develop the habit of being conservative with spending – it's a habit that will serve you well even when your business is well established.

Avoid debt whenever possible. When a business fails some owners end up in deep trouble.

Mistake #8:
Underpricing

Pricing is a big issue for a company because it affects the company's bottom line. Pricing has a direct impact on the company's profitability, as it directly affects how much money the company will make from its products and services.

Pricing can also affect the company's competitive position in the market and how customers perceive the company's value.

If a company sets prices too high, it could lead to decreased demand and lower sales. Similarly, setting prices too low could lead to lower profits for the company. Therefore, pricing is a critical decision for any company and must be carefully considered to ensure the company's overall success.

Businesses typically determine pricing for their products and services based on a variety of factors including the cost of production, the target market, the competition, and any potential profits.

Businesses analyze their target market to determine what customers are willing to pay for their products and services.

And they'll often look at the competition to gauge their own pricing.

They will factor in potential profits they can make from the sale of their products and services.

Underpricing of goods or services is when a company or individual sets the price of a product or service at a level that is lower than the market value.

This can be done to attract customers, create a competitive edge, or to get a bump in sales. It can also be used as a strategy to test the market and gain valuable customer feedback.

If you're working really hard and business seems great, but you're losing money...you just might be underpricing your goods and/or services.

Sometimes it's worth low-balling just to gain market share but that should be carefully calculated.

Or maybe you need to do more research to find out what your goods/services are worth in your market.

Suffice to say that pricing decisions can't be taken lightly so find out all you need to know before settling on your prices.

Mistake #9:
Setting Unattainable Goals

Setting unattainable goals can lead to feelings of frustration and low self-esteem. When goals are too high, it can be difficult to find the motivation to continue striving toward them. Also, setting goals that are too lofty can lead to a lack of progress and waste valuable time and resources.

We can ensure our goals are attainable by setting realistic and achievable goals, breaking them down into smaller steps, and setting deadlines. We can create a plan of action and track our progress. It is also important to set reasonable expectations and acknowledge our successes along the way.

It's important to stay focused and determined but don't forget to ask for support or guidance if needed.

Here are some manageable steps for setting goals.

1. Set a goal:
   Decide on a specific goal and make sure it is achievable.

2. Break it down into manageable steps:
   Break the goal down into smaller, achievable chunks.

3. Set deadlines:
   Set deadlines for each step and for the overall goal.

4. Create an action plan:
   Develop an action plan and determine what resources you need to achieve the goal.

5. Track progress:
   Track your progress and adjust your plan when necessary.

6. Re-evaluate the goal:
   Re-evaluate your goal periodically to ensure it is still achievable and relevant.

"The ultimate reason for setting goals is to entice you to become the person it takes to achieve them."

~ Jim Rohn
Entrepreneur, Author and Motivational Speaker

Mistake #10:
Thinking You are a Super Hero

Some people think they have to do everything themselves because they may feel that they cannot trust anyone else to do it correctly.

They may also feel that it is their responsibility or that they are the only ones who can do it well.

This can lead to a feeling of inadequacy or lack of control if they *don't* do it themselves.

But the truth is they have to realize their limits.

The person who tries to do everything himself is not doing the start-up any favors.

It is important for the success of a business to delegate tasks and trust other people with the responsibility of getting tasks done.

It is also beneficial to have different perspectives and ideas from other people, which can help the business progress and grow.

The first step is to acknowledge that you cannot do everything yourself. Then, take a step back and evaluate which tasks can be delegated to other people.

It's understood that the person who has the most skin in the game – the owner/entrepreneur - is going to be a doer. All we're saying is that others must be asked to contribute.

Everyone has their limits and entrepreneurs are no exception.

Try to focus on the things you're good at and enjoy doing and find others who can handle tasks that you dislike or that require specialized knowledge.

Starting a business is exciting, but if you want your business to succeed, take the time to plan and learn the art of delegation.

The company depends on you too much for you to get burnt out doing things that could easily be handled by someone else.

<u>Delegation Process</u>

1. Identify the task: Clarify the task and the desired outcome.

2. Choose the right person: Select the best-suited person to complete the task.

3. Provide clear instructions: Provide clear and detailed instructions on how to complete the task.

4. Monitor progress: Monitor progress and provide feedback if needed.

5. Provide support: Offer support and resources if needed.

6. Review the results: Evaluate the results and provide feedback.

7. Celebrate success: Acknowledge the accomplishment and celebrate the success.

"We love our superheroes because they refuse to give up on us. We can analyze them out of existence, kill them, ban them, mock them, and still they return, patiently reminding us of who we are and what we wish we could be."

~ Grant Morrison
Scottish Comic Book Writer, Screenwriter, and Producer

Mistake #11 :
Failing to Protect Intellectual Property

If your business produces artwork, music, software or inventions, the things you create may be eligible for copyright or patent protection.

In addition, your business name and logo are intellectual property that may be eligible for trademark protection from a government agency. Your logo may also be protected by copyright.

Smart business owners keep track of their intellectual property and take steps to protect it by registering it with governmental agencies and actively policing its use by competitors.

<u>Here's what you can do</u>

1. Register trademarks and copyrights with the appropriate Copyright Office.

2. Use a copyright notice to inform the public that your work is protected.

3. Use the **DMCA takedown notice** (*see below*) to ask websites to remove infringing content.

4. Use digital watermarking to protect your digital images.

5. Use encryption to protect confidential information.

6. Use non-disclosure agreements to protect confidential information.

7. Use a website disclaimer to protect yourself from liabilities.

8. Monitor your online content and take appropriate action when you find infringement.

Information about DMCA and similar protections in other countries

The *Digital Millennium Copyright Act* (DMCA) is a United States copyright law that provides guidelines for online service providers in regards to copyright infringement.

It was passed by Congress in 1998 and signed into law by President Bill Clinton. The DMCA provides a way for copyright holders to protect their work from being used without permission, while allowing online service providers to protect themselves from being held liable for any infringements.

The DMCA also provides a framework for copyright holders to seek redress when their copyrighted works are used without their permission.

Canada

There is a similar copyright law in **Canada** called the Copyright Act. This legislation is designed to protect the rights of creators and authors, while also providing a framework for copyright holders to seek redress when their works are used without permission. The Canadian Copyright Act is similar to the DMCA but has some differences in terms of scope and penalties.

UK

In the **United Kingdom**, the Digital Millennium Copyright Act (DMCA) is enforced by the Copyright, Designs and Patents Act of 1988. The UK has also implemented the European Union Copyright Directive, which provides further protection for copyright holders. Depending on the type of work, copyright protection can last for up to 70 years after the author's death. The DMCA is enforced by the UK Intellectual Property Office, which is the government agency responsible for copyright and related intellectual property rights.

Australia

In **Australia**, the Copyright Act 1968 governs copyright infringement claims, including those involving the DMCA. The Act provides for a range of remedies for copyright infringement, including the issuance of injunctions, damages, and the seizure of infringing material. The Act also provides for statutory damages for copyright infringement, which is the basis for many DMCA takedown notices.

European Union

The **European Union** has implemented a copyright law called the Directive on the Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society. This directive is similar to the DMCA in the United States but has a few differences in terms of scope and penalties.

Germany

Germany has implemented a copyright law that is similar to the DMCA. This law is called the Gesetz über Urheberrecht und verwandte Schutzrechte (UrhG), or German Copyright Act. This law provides a framework for copyright holders to seek redress when their works are used without permission. It also provides guidelines for online service providers in regards to copyright infringement.

Africa

There is a copyright law in **Africa** that is similar to the DMCA. This law is called the African Union Convention on the Protection of the Rights of Authors, Performers and Producers of Phonograms. This law provides a framework for copyright holders to seek redress when their works are used without permission. It also provides guidelines for online service providers in regards to copyright infringement.

(Not an exhaustive list. Not all countries/territories that may have similar protections are represented above.)

Mistake #12:
Not Having a Written Agreement With Your Business Partners

Every business needs a written document that explains each partner's rights and responsibilities and describes what will happen if one of them leaves the business.

In a partnership, so many things can come up, such as:

1. Personal conflicts between partners.
2. Disagreements over financial matters.
3. Disagreements over decision making and direction.
4. Lack of communication or trust between partners.
5. One partner taking advantage of the other.
6. Unequal contributions to the partnership.
7. Conflict of interest between partners.
8. Unclear roles and responsibilities.
9. Inability to resolve disputes.
10. Unfair allocation of profits.

Sometimes partners sue each other. Perhaps for breach of contract, breach of fiduciary duty, fraud, or other legal claims. Partners may also seek to resolve disputes through mediation or arbitration.

A written agreement will help protect both parties in the event of a dispute and provide a clear understanding of each partner's role and responsibilities. It should also outline how profits are to be shared and any other key details of the business arrangement.

All too often business partners fail to put anything in writing because they get along well with each other and think they'll always be able to resolve things informally. This is not always the case and it leads to disputes between partners. These disputes are often difficult, expensive, and emotionally draining.

Apart from other serious legal issues, we commonly hear about nepotism becoming an unexpected problem.

If one partner hires their spouse or other relative you need to approach the situation carefully, as it is bound to be an emotional matter. Ensure that the job responsibilities are clearly outlined and that the relative is qualified to fulfill the role.

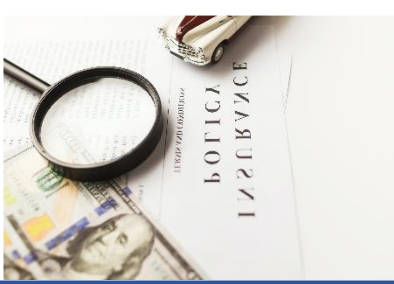
Also ensure that there is a clear policy in place to prevent any potential conflicts of interest, and that all hiring decisions are made objectively.

It could certainly be considered nepotism if the job is given to a relative who does not have any merit or qualifications. However, if the person is qualified and the job responsibilities are clearly outlined, it could still be seen as preferential treatment but not necessarily nepotism.

Studies suggest that nepotism is fairly common in the workplace, with some showing that over 40% of companies have experienced nepotism in some form.

Suffice to say there are lots of reasons to have a proper agreement drawn up for all parties to abide by.

Mistake #13:
Thinking You Don't Need Insurance



When you own a business, you will need to be protected against lawsuits by people who may slip and injure themselves on your premises, or if you have an accident involving a company vehicle, or if you are sued for a malfunctioning product that creates some problem or injures a customer.

These sorts of claims can be devastating to both your business and your personal finances.

<u>Here are some of the types of insurance you may need to get to protect yourself, your employees, and your business.</u>

1. General liability insurance – this protects you from claims of personal injury or property damage caused by your business.

2. Professional liability insurance – this protects you from claims of negligence or malpractice.

3. Commercial property insurance – this covers the physical property of your business in case of damage or theft.

4. Product liability insurance – this covers you in case a product you sell causes harm to a customer.

5. Workers' compensation insurance – this covers medical expenses and lost wages in case an employee is injured on the job.

6. Business interruption insurance – this covers the costs of lost income in case your business is forced to close due to an unexpected event.
(This list may not include every type of insurance coverage that may be applicable to your business.)

It's a mistake to put this off. Consult an insurance professional in your area and get the coverage you need for your business.

"Driving race cars is risky, not having life insurance is riskier."

~ Danica Patrick
American Professional Race Car Driver

Mistake #14:
Hiring Based on Low Salary Requirements

When funds are tight, it's tempting to skimp on the cost of new hires. The problem with this strategy, however, is that you'll end up paying in the long run.

Low-cost employees (and consultants, contractors, freelancers) are usually low-cost for a reason -- they are more likely to be inexperienced, unskilled or unreliable.

When you say you get what you pay for, it means that you will receive a product or service of the quality that is proportional to the amount of money you paid for it.

This phrase is often used to emphasize the importance of spending money on quality products and services.

This holds true for employees as well. If a business pays a low wage, it may have difficulty attracting qualified and experienced employees.

On the other hand, if a business pays fair wages and offers additional benefits, it can attract high-quality employees who will be committed to their work and help the business succeed.

Mistake #15:
Not Understanding Financial Terms

$$\text{GMROII} = \text{GM\%} \times \frac{\text{Sales}}{\text{Average Value of Inventory}}$$

Not everyone is an accounting or finance ***Whizkid !*** In fact, most people are not. Most don't even like everyday record keeping … or bookkeeping.

But that doesn't mean that a business owner can just leave it all up to others. Certainly, they should hire and trust competent people to do the work and to advise them, but they need to have at least a layman's understanding of terms and what's going on, in general.

<u>Here are just a few examples</u>

What is a fiscal calendar?

A fiscal calendar is a financial calendar used by companies and organizations to plan their budget and report on their financial results. It is a specific period of 12 consecutive months (not necessarily Jan – Dec) that is used to calculate financial results and report them to stakeholders. It typically begins on the first day of the organization's fiscal year and ends on the last day of the fiscal year.

What is gross margin?

Gross margin is a financial metric used to assess a company's financial health and is calculated by subtracting the cost of goods sold (COGS) from total revenue and dividing the result by total revenue. It is expressed as a percentage and can be used to measure a company's profitability, as well as compare a company's performance to its competitors.

What is GMROII?

GMROII stands for Gross Margin Return on Investment. It is a metric used to measure the profitability of a company's inventory. Depending on the type of business you operated, you might also want to learn about GMROF and GMROL.

What does COGS mean?

COGS stands for Cost of Goods Sold. It is the total cost of a company's inventory that has been sold during an accounting period. The cost of goods sold includes the cost of the materials and labor used to create the product, as well as any other costs associated with getting the product ready for sale.

What is shrink?

Shrinkage of inventory is the difference between the recorded inventory on the balance sheet and the physical count of the inventory at a given point in time. It is caused by factors such as theft, damage, errors in record keeping, and natural obsolescence.

What does OTB stand for and what does it mean?

OTB stands for Open-To-Buy, and it refers to the amount of money allocated to buy new inventory, usually at the beginning of a season.

OTB is used to ensure that retailers have the right amount of inventory in stock to meet customer demand.

What are inventory turns and why are they important?

Inventory turns, also known as inventory turnover, is a key metric used to measure the efficiency of a company's inventory management. It is calculated by dividing the cost of goods sold (COGS) by the average inventory over a period of time (usually one year).

Inventory turns is an important measure because it will tell you how quickly you are selling your inventory. The higher the inventory turns, the more efficiently a company is managing its inventory.

What is depreciation?

Depreciation is an accounting method used to spread the cost of an asset over its useful life. It is used to account for the cost of an asset's wear and tear or obsolescence over time.

Examples of things reported on a Balance Sheet:

1. Cash
2. Accounts Receivable
3. Inventory
4. Investments
5. Property, Plant, and Equipment
6. Intangible Assets
7. Accounts Payable
8. Accrued Expenses
9. Long-Term Debt
10. Deferred Tax Liabilities
11. Equity Accounts
12. Accumulated Depreciation

Examples of things reported on an Income Statement:

1. Revenues
2. Cost of Goods Sold
3. Gross Profit
4. Operating Expenses
5. Operating Income
6. Interest and Other Income
7. Income Before Taxes
8. Income Tax Expense
9. Net Income

What does EBITA stand for?

EBITA stands for Earnings Before Interest, Taxes and Amortization. It is a measure of a company's earnings before taking into account interest, taxes, and amortization of assets. It is used to measure a company's financial performance and is often used as a proxy for cash flow.

Above are just a few terms. There are plenty more you should become familiar with.

Mistake #16:
Having Small Gross Margins

Having a healthy gross margin will be critical to your success.

Setting it too low now will make life infinitely more difficult for you in the future – customers never welcome price increases so be careful from the start.

If your **gross margin** is too small, it may indicate that the cost of goods sold is too high, your prices are too low, or both. This can cause your business to become unprofitable and may ultimately lead to its closure.

Therefore, it is important to closely monitor your **gross margin** and take corrective action if it is too small. Examine everything!

Take a look at your production and operating costs and determine how much flexibility there is. Can you reduce these costs in the future if necessary? If not, try to get a higher gross margin now to accommodate these costs.

Learn all you can about this critical Key Performance Indicator.

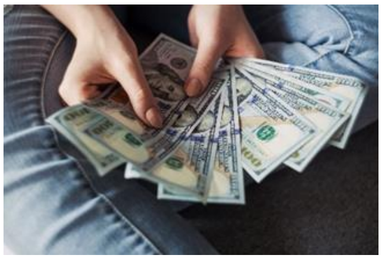
Here is the formula for calculating gross margin:

Gross Margin = (Total Revenue – Cost of Goods Sold) / Total Revenue

"Rule No.1: Never lose money. Rule No.2: Never forget rule No.1."

~ Warren Buffett
Chairman and CEO of Berkshire Hathaway

Mistake #17:
Spending Too Little or Too Much Money



If you're a new business owner or entrepreneur, money is likely to be one of your biggest concerns. That's normal.

Cash flow is probably tight, so making and saving money will usually take priority over everything else.

Entrepreneurs may spend **too much** money because they want to grow their business quickly, they may be overconfident in their ability to make money, or they may be trying to keep up with the competition.

They may also be willing to take risks, invest too heavily in one area, or have a lack of financial discipline.

Entrepreneurs may spend **too little** money because they are trying to be frugal, they may lack the resources to invest in their business, or they may be overly cautious with their finances.

They may also be trying to minimize risk, not have a clear plan for how to use their money or be trying to conserve cash.

There's a reason that budgeting is a very important exercise.

Most financially successful people create and follow a budget. We're not talking about trust fund kids or billionaires here. We're talking about a regular person who took his finances seriously, steered clear of debt as much as possible, planted some roots…and got some savings going.

No doubt, he followed some budgeting principles.
You know, good old fashioned common sense and some proven best practices.

Those people are not accidentally financially stable. It was premeditated. They did things the right way. Good for them.

But once the business gets started, some rules may have gone by the wayside. Like budgeting, for example. Sometimes the new entrepreneur is out of his element and finds he's too busy to budget. Perhaps he has forgotten how important budgeting is.

Money comes in and money goes out. When the outflow is bigger and faster than the inflow…well, it's clear what happens.

So, why do people who are normally so responsible about finances fail to plan and budget for their new company?

Often, it's because they have so many other things to do once they're running a business of their own that they take their eye off that particular ball. Even if they have help, it's still their 'baby' and they find themselves involved with almost everything.

Maybe they're tired or overwhelmed from being involved with almost everything and they hand off certain functions to others without setting proper expectations.

You know like when you let a generally reliable, high functioning and thinking office clerk do all the buying of supplies without making expectations clear?

Or you fail to curb spending that seems wasteful…like this:

Just before almost everything became electronic, there was a clerk in a mid-sized company who purchased actual printed forms regularly without ever taking stock of how many they had in the warehouse and how many they actually needed. At last count, they had a 25-year supply of printed forms that are now obsolete!

Why did this happen? There was no budget, no expectations, no follow up and certainly no common sense used. Yes, incompetence also.

Business owners simply must avoid situations like this. No good can come from flying by the seat of your pants when it comes to how the money is spent.

Start early. Apply good common-sense rules of budgeting.

And, of course, get some help. Talk with your bookkeeper or accountant for advice and budgeting tips for your type of business.

Mistake #18:
Failing to Separate Business and Personal Finances

Before you even open your doors or your website to the public, it's imperative that you open a bank account for the business – a checking account.

This ensures that you are able to keep your personal finances separate. You deposit money to the checking account that is used exclusively for business expenses.

It is important to keep business and personal finances separate to avoid confusion and maintain a clear, organized record.

Keeping business and personal finances separate can also help protect your personal assets in the event of a lawsuit or bankruptcy.

Additionally, having separate accounts will help you to easily track your business expenses, which is extremely important when tax time comes around.

Mistake #19:
Not Keeping Track of Petty Cash

Petty cash is a small amount of money that a business keeps on hand for small, unexpected expenses. It typically consists of a fund of physical currency or a debit card that is kept in a secure place and is used for making small purchases that may not be worth writing a check for or using a credit card.

Don't be fooled by the name 'Petty Cash' or by the small amounts…they add up.

Also, Petty Cash is often a place where a dishonest employee will look for a bit of extra cash if they know nobody's checking.

Petty Cash should be tracked daily…and meticulously.

A ledger should be kept showing the amount of money first put into the 'petty cash' drawer or lock box. As each expense is incurred, the receipt should be initialled and the amount subtracted from the balance.

This continues and, at some point, the fund will be low and will need to be replenished. When new funds are put into petty case, the balance is increased. And so on.

Any time a receipt is available, it should be kept no matter how small it is.

Often, however, the nature of petty cash expenses means there will be small cash payouts for which no receipt is given. In that case, a note can (and should) be put in the drawer/lockbox to explain the use of the funds and to know where to charge the expense.

Examples are:

1. Coffee or an individual snack item purchased from a convenience store or vending machine
2. Some tolls and parking fees
3. Magazine or newspaper
4. Office supplies
5. Taxis or rideshares
6. Postage
7. Copying and printing
8. Minor repairs
9. Miscellaneous items

"I insist on a lot of time being spent, almost every day, to just sit and think. That is very uncommon in American business. I read and think. So I do more reading and thinking and make less impulse decisions than most people in business. I do it because I like this kind of life."

~ Warren Buffett

Mistake #20:
Failure to Reconcile Bank Accounts

Reconciling a simple bank account is not difficult. It's just a matter of adding and subtracting and it gets easier with practice.

Problems arise if bank reconciliations are not done regularly – usually monthly.

Here are the straightforward steps

1. Gather your bank statements.
2. Compare your bank statements to your own business records.
3. Identify any discrepancies between the two.
4. Record transactions in the correct bank account.

5. Determine the cause of the discrepancy.
6. Make any necessary corrections to both the bank statements and your own records.
7. Reconcile the ending balance of your records to the ending balance on your bank statement.
8. Make any necessary adjustments to your records.
9. File your reconciled bank statements.
10. Repeat

Remember, the key is not to let this task go. It needs to be done at least monthly for best control and ease of reconciliation. The longer the time lapse, the more difficult to find where something may have gone wrong.

If bookkeeping isn't your strength, you can get bookkeeping help easily enough.

Mistake #21:
Neglecting to Save Every Receipt

Some business owners make the mistake of not keeping all of their receipts. Or, they may keep them 'somewhere' but not have them organized or stored safely (paper or otherwise) so they are easily lost. They may think that the expense is minor and not worth recording. They may think that some types of expenses have to be a certain amount to qualify for a deduction, so why bother?

Save every receipt. If it turns out you don't need it then get rid of it. It's always better to have it and not need it than to need it and not have it, right?

If you want accurate records of expenses which may affect tax liability you need to keep every receipt regardless of method of payment. Debit, cash, credit, check, money order, interac, e-transfer, PayPal, Stripe, etc....no matter how you paid, the default is always **keeping your receipts**.

Receipts can be useful if a business owner needs to dispute a charge or make a claim of some sort. Keeping accurate records of all expenses is essential for any business, both large and small.

"The first forms of writing emerged not for art, literature, or love, not for spiritual or liturgical purposes, but for business--all literature could be said to originate from sales receipts (sorry)."

~ Daniel Levitin
Cognitive Psychologist, Writer, Musician and Record Producer

Mistake #22:
Going Completely Paperless

In today's world, it's easier to go paperless than ever before. However, when it comes to bookkeeping, you're much better off leaving a paper trail.

Why?

If everything is done by computer and you don't back up your files, there's always the possibility that you might lose everything if your hard drive crashes.

In that case, you are stuck without the proper backup and that will likely cost you money.

Remember, when it comes to keeping track of small business finances, the simplest way isn't always the best way.

<u>Here are some pros and cons of going paperless</u>

Pros:

1. Cost Savings: Going paperless can lead to significant cost savings for businesses. Documents no longer need to be printed, stored, and shipped, leading to reduced expenses.

2. Environmental Benefits: Going paperless also leads to less waste in the environment. This is beneficial for businesses as well as the planet.

3. Efficiency: Documents can be accessed quickly and easily with paperless systems, leading to increased efficiency and productivity.

4. Security: Paperless systems can also increase security, as documents can be protected with passwords, encryption, and other measures.

Cons:

1. Initial Investment: Implementing paperless systems can be expensive, as businesses may need to invest in new software and hardware.

2. Technical Issues: Paperless systems can be prone to technical issues, such as slow loading times or system crashes.

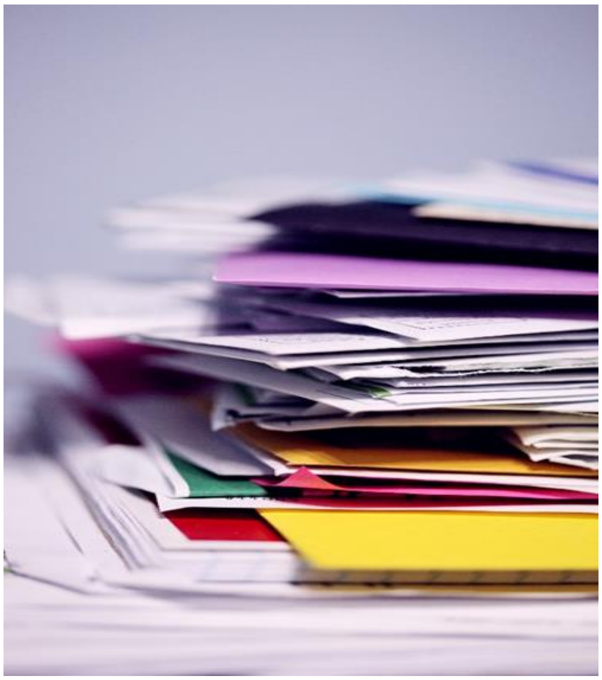
3. Security Breach: As with any digital system, there is always a risk of a security breach. Businesses need to be sure to take appropriate measures to protect their documents.

4. Lack of Familiarity: Not all employees may be comfortable with paperless systems, as they may be unfamiliar with the technology. This can lead to confusion.

But the big CON…you may need backup that has been wiped off of your computer or out of some system housed at some other location. If you need that backup for tax purposes – well, you'll have a problem and, strangely, it will always work in the government's favor!

If you are considering going completely paperless, check with appropriate tax offices to ensure that you can still meet the requirements.

Mistake #23:
Do-It-Yourself Bookkeeping



In an effort to save money, many small business owners attempt DIY bookkeeping. If your budget doesn't allow you to hire someone, even part time, consider hiring someone on an "as needed" basis.

The money you spend usually comes back to you several times over, considering the possible mistakes a bookkeeper will undoubtedly avoid.

Here are some of the tasks commonly taken care of by a bookkeeper.

1. Prepare and maintain financial documents such as invoices, bills, and accounts payable and receivable
2. Record day to day financial transactions and post debits and credits
3. Reconcile bank statements and accounts
4. Prepare financial statements and reports
5. Verify transactions and document business activities
6. Ensure accuracy and compliance with financial regulations
7. Monitor accounts to help ensure timely payments
8. Assist with budgeting and forecasting
9. Track fixed assets and depreciation

10. Manage payroll, including calculating wages, calculating deductions and other related tasks

Chances are you started a business because you were really good at something or really passionate about something. Maybe you saw a gap in the marketplace and felt confident that you could fill it profitably.

When you decided to take the plunge and invest your resources in a new business, you may not have factored in all of the details that would need to be attended to and how much of your time might be taken away from the main goal.

Even if you manage to somehow find the time to do everything (and I mean everything) that needs doing, that may not be the best thing for the business, for your customers, or for you.

Finally, you may not be the person in the best position or the person best qualified to handle all of the recordkeeping and general bookkeeping activities that are crucial to the financial well-being of your business.

These are worthy considerations.

What have you got to lose? Here are some other questions you can ask and answer for yourself to help you decide whether you should be handling your own bookkeeping, seek out a professional to take care of that for you, or even take care of some of it for you:

What am I really good at?

If the answer is “numbers” or “paying attention to detail” or “bookkeeping”, then you might want to go ahead and do it yourself.

If the answer is “selling” or “writing” or “helping customers” or something else that makes your business unique, then you may need some help.

How much time can I dedicate to keeping records, invoicing, collecting accounts receivable, and the dozens of other tasks that a bookkeeper would perform?

If the answer is "plenty of time" then, again, do it all yourself.

But if the answer is "none – I'm run off my feet just keeping up with the work with customers or producing my products" it's time to look for help.
Is my time best spent working **on** the business and **in** the business, promoting my products and/or services, and really growing the business?

If the answer is "yes", then you should seek someone to help you out with the bookkeeping. We're fairly confident the answer is "yes" to this one.

Will I be ready to take advantage of all of the tax credits and avoid paying taxes that I don't really owe if I do the books myself?

If the answer is "no" then, again, you should seek someone to help you out. And the answer probably is "no" because most people who are not bookkeepers or accountants would have difficulty keeping up with all of the things the professionals have to stay on top of.

"The most precious resource we all have is time."

~ Steve Jobs

Mistake #24:
Failing to Properly Classify Employees

Misclassifying employees can be a costly mistake when tax time rolls around. These classifications determine who is eligible for benefits and exactly what benefits you must provide, such as overtime pay and workers' compensation.

<u>Here are some common employee classifications</u>

Salaried: A salary is a predetermined amount of money given to an employee on a regular basis, usually on a monthly or yearly basis, in exchange for work. Salaried employees are typically expected to work full-time hours.

Hourly: An hourly employee is someone who is paid for the amount of time they work, typically at an hourly rate. Hourly employees are expected to work a certain number of hours per week and are paid only for the hours they work.

Commissioned: Commissioned employees are paid based on the sales they make. This type of employee is typically paid a percentage of the sales they make, and some employers also offer bonuses based on performance.

Contracted: Contracted employees are hired to work on a specific project or for a certain amount of time. They may be paid a fixed rate for the project or a set hourly rate and are responsible for the completion of the project on time and to the employer's satisfaction.

Non-Exempt: Non-exempt employees are subject to the Fair Labor Standards Act, which requires them to be paid overtime if they work more than 40 hours in a week. Non-exempt employees typically have

Exempt: This classification applies to salaried employees who are exempt from certain labor laws, such as overtime pay and minimum wage requirements.

Interns: This classification is for temporary workers who are typically unpaid or receive a stipend. Interns are usually in school or are recent graduates and are working to gain experience in their chosen field.

Seasonal: This classification applies to employees who are hired to work for a specific period of time due to the seasonal nature of their job. Examples may include retail employees hired for the holiday season or landscape workers hired for the summer months.

Mistake #25:
Procrastinating

Procrastination is the act of delaying or postponing an action or task despite knowing it may have negative consequences. It is usually characterized by a lack of self-discipline and an avoidance of difficult tasks.

People procrastinate for a variety of reasons, such as feeling overwhelmed by the task at hand, lacking motivation, having difficulty organizing their thoughts or focusing, or feeling anxious about the task. Additionally, procrastination can be a result of perfectionism, fear of failure, or a habit of putting off important things.

Bookkeeping, for example, is not fun for most people and it's not the exciting part of any business venture. In fact, it's pretty boring and many individuals put it off and avoid it until they are forced to do it.

However, it is essential that it's done regularly and in a timely manner. It will help keep your business records straight and prepare you for any pitfalls that might be coming your way…things you will certainly see at month end, quarter end and year end!

Procrastination is not a welcome characteristic of a business owner. People of all ages and backgrounds procrastinate, and it is one of the most common forms of self-regulatory failure.

Mistake #26:
Ignoring Cash Flow Issues

Multiple factors can cause cash-flow problems. For example, too many aged receivables, loans, sales pipeline glitches, and ignoring the data reported on financial statements. The person handling the bookkeeping should be able to identify these problems before they get out of control and work on the solutions.

Of course, if an unqualified person handles the accounting, they may not be able to get out in front of issues or take advantage of opportunities simply because they may not be aware of the seriousness.

Having generally positive cash flow is necessary for a small business to succeed. Ignoring cash flow issues and maintaining a bad cash flow position can lead to the company's downfall.

So, what is a cash flow statement?

The simple answer is that it's a document – usually a fluid spreadsheet of some sort which is continually changing. It shows the amount of cash that is coming into the business or is expected to come in and the amount of cash that is going out and is expected to go out… and when.

Basic math: If outflows are higher than inflows…you need to pay attention. And that's the beauty of it. It's basically a predictive tool which helps you manage your finances. Every business needs to manage finances if they plan to stay in business.

When you look at your cash flow statement you can see when you might be heading for trouble. Lots of businesses have to 'rob Peter to pay Paul' to coin an old phrase, and they might even have to do it several times throughout the month or whatever the period may be.

That is just to say that, in many small businesses, there is usually quite a bit of juggling of finances done throughout the period.

The key is to keep the cash flow statement up to date and to be meticulous with recording and updating for every single inflow and outflow – actual and expected.

Let's say the cash flow statement is prepared and the picture is not good. The first question would likely be "how did this happen?" usually followed by "what are we going to do about it?"

The first question is the one we can help you answer now. The second question is something you'll have to figure out after you know what happened.

Usually, if you have a viable business and you are confident in the future of the business, then the reasons for an unimpressive cash flow statement might be things like…

- Inconsistent pipeline – sales are up and down.
- Disorganization – no one is keeping track of transactions on a regular basis.
- Failing to reconcile and analyze accounts – you don't really know what you're paying for or if you should be paying for it.
- Overdue accounts receivable – some customers aren't abiding by your payment terms.

- Failing to plan for emergencies – when you're not prepared, bad things can happen.

Mistake #27:
Mishandling Sales Tax

With the rise in eCommerce, sales tax has become a complex issue for many small business owners. With all the changes in the rules governing the sale of digital goods, tax collection has become more complicated.
Companies mishandle sales tax in a variety of ways, such as not collecting sales tax from customers, not properly remitting collected sales tax, or not applying the correct sales tax rate.

Companies may also fail to keep accurate records of sales tax collected and remitted, file returns late or not at all, and not comply with specific government regulations.
A professional bookkeeper will be educated about the changes in terms of sales tax and will be able to guide you better. If you're planning to handle all of the bookkeeping yourself, be sure to learn everything you need to about treatment of sales taxes to ensure compliance.

"People who end up with the good jobs are the proactive ones who are solutions to problems, not problems themselves, who seize the initiative to do whatever is necessary to get the job done."

~ Stephen Covey
American Author, Businessman, Educator, Speaker

Mistake #28:
Not Setting Clear Expectations

Another big mistake business owners, entrepreneurs and managers make is not setting crystal clear expectations for their teams.

Everyone needs to understand the expectations of the job, what the goal is. Otherwise, how will they know if they are doing well or not so well? How will they know if they are hitting milestones and well on their way to achieving the goals.

Without goals and expectations for meeting them, both overall and individual, employees can be left feeling unmotivated, confused, and unsure about what they're trying to achieve within the organization and perhaps on a personal professional level as well.

It is completely irresponsible for any business owner to assume that everyone knows their part if they haven't been able to ascertain what is expected of them. As simple as it sounds, it's a necessary part of achieving successful outcomes.

"Either you run the day or the day runs you."
~ Jim Rohn
Entrepreneur, Author and Motivational Speaker

Mistake #29:
Not Getting to Know Your Team

An error that both new and experienced managers can make is not taking the time, or making any real concerted effort, to get to know their team members.

Sometimes, while focusing on optimizing productivity, they fail to see and understand the humans who are working with and for them.

No one expects business owners and entrepreneurs to be good old pals with their employees…***that's another mistake***! But it does everyone good to have some kind of rapport and camaraderie.

Team building is the process of forming and developing strong relationships among team members. It involves activities, strategies, and techniques that are aimed at developing and improving the effectiveness of teams.

Team-building activities can range from informal activities, such as team lunches or group outings, to more formal processes, such as team-building workshops or team-building exercises.

The purpose of team building is to improve team performance by strengthening the members' abilities to work together, increasing their commitment to the team, and developing a shared sense of purpose.

For starters…

1. Have regular team meetings.
2. Ask for feedback from team members.
3. Create a trusting and open environment.

4. Take the time to get to know team members personally.
5. Encourage team members to share their ideas and opinions.
6. Develop a culture of respect and appreciation.
7. Reward team members for their hard work and dedication.
8. Provide regular feedback and recognition.
9. Listen to team members and actively seek out their opinions.
10. Have a clear understanding of each team member's strengths and weaknesses.

Here are some suggestions for team-building activities:

Outdoor Adventure: Try a team-building activity that gets your group out into nature. Hiking, geocaching, or a scavenger hunt can be great ways to get your team interacting, problem-solving, and having fun.

Charades: A classic game of charades is a great way to get your team laughing and bonding. You can have teams competing against each other or all playing together.

Escape Room: This team-building activity is becoming increasingly popular and is a great way to get your team working together to solve puzzles and complete challenges.

Blind Drawing: Split your team into pairs and have one person give verbal instructions to their partner as they draw a picture. The results can be hilarious and it's a great way to get your team communicating effectively.

Icebreakers: Icebreakers are a great way to get to know each other better and to break down barriers. Try a few simple activities such as 'two truths and a lie' or 'most likely to'.

Team Olympics: Set up a series of fun activities and challenges that your team can compete in. Think potato sack races, hula-hoops, egg 'n spoon races, etc.

Mistake #30:
Being Reactive Rather Than Proactive

A mistake managers, and especially new managers, make is to immediately try and solve each and every problem that crops up, themselves. They react to what has happened.

Although this might be a natural reaction, it can have detrimental effects if they **always** *REACT*. As well, being reactive doesn't leave a lot of room for allowing contributions from team members. Of course, balance is needed because there are pros and cons to both reactive and proactive styles.

<u>Here are a few of them:</u>

REACTIVE

Pros:

- Being reactive can help you respond quickly to new situations, allowing you to make decisions quickly when needed.
- Reacting quickly can help you take advantage of opportunities that would otherwise have passed you by.
- Being reactive can help you stay alert and aware of your environment.

Cons:

- Reacting too quickly can lead to rash decisions that may not be the best option in the long term.
- Reacting too quickly can lead to stress and burnout.
- You may not have enough time to process all of the information necessary to make an informed decision.

PROACTIVE

Pros:

- Being proactive allows individuals to take control of their lives and shape their future in a positive way.
- Proactive individuals are more likely to make important decisions and take risks that can lead to rewards and success.
- Proactive individuals have a greater degree of self-determination and autonomy in their lives.
- Proactive individuals are better able to set and achieve goals, as well as to manage their time more effectively.
- Being proactive can lead to greater satisfaction with life, due to the sense of accomplishment that comes from taking control and taking action.

Cons:

- Proactive individuals may be more likely to take on tasks and responsibilities that they are not equipped to handle.
- Proactive individuals may neglect important aspects of their lives, such as relationships, in order to focus on their goals.
- Proactive individuals may be more likely to become overwhelmed and burned out if they are not careful.

Mistake #31:
Failing to Show Your Positive Attitude

Much like leading by example, a manager's demeanor or mood can have an effect on the team. If the person in charge is stressed out, happy, calm, motivated, miserable, etc. the team will feel it and they may find it more difficult to keep themselves balanced.

The owner or manager usually sets the tone whether they want to or not, so showing a positive attitude is always the best thing to project.

If you are the one with the most on the line, it's reasonable that you might wear your emotions on your sleeve – blowing up with anger if something goes wrong, for instance. Understandable, yes. But that's no way to nurture positive attitudes within your team.

Always strive to maintain your composure even while handling difficult or delicate situations. Open communication, a can-do attitude, trust, respect, fairness, and honesty are some of the qualities that define a good manager.

They encourage teamwork and innovation by being receptive to suggestions and criticism from their colleagues. They support a motivating environment and are dedicated to the success of their team.

They do this by establishing clear expectations, offering direction and support, and praising and rewarding success. They accept accountability for their actions, are risk-takers, and are open to making errors.

Mistake #32:
Assuming Money Motivates Everyone

A common leadership and management mistake is to assume that team members do the work they do purely for the monetary rewards.

Of course, if you are dealing with people who make minimum wage and have a hard time staying above the poverty line, money is definitely going to be the major motivator.

But, once needs are met, many employees see money as just one of their motivators. Still important but not everything.

We must understand that different people value different things and it is wise to figure out what those things are.

For some, work/life balance is more important than money. So they may choose to work fewer hours or work from home (if their type of work allows).

For others, continuous learning is what motivates them so they may be willing to take on new things and work to grow their career.

Here are some common motivators

1. Recognition and praise for a job well done.
2. Flexible hours and telecommuting options.
3. Professional development opportunities.
4. Additional vacation days or time off.
5. Gift cards or tickets to local events.
6. Wellness programs and gym memberships.
7. Company-sponsored lunches or happy hours.
8. Employee referral bonuses.
9. Opportunities to work on special projects or committees.
10. Involvement in company-wide decision-making.

Mistake #33:
Failing to Lead by Example

Leading by example involves setting a positive example for others to follow. This can be done by displaying a strong work ethic, integrity, professionalism and dedication to the cause.

It can also involve showing respect for others, being open to feedback, and taking initiative.

It involves being honest and transparent, and communicating clearly and effectively.

For the leader, or owner, setting a good example has to be a way of being, particularly in the workplace. We must be aware that employees are ***always*** watching. They watch for many reasons – to learn and grow, to understand certain things, to model themselves after someone they respect, etc. Leading by example means owning ones own actions, giving credit where it's due and never blaming others for their mistakes.

Mistake # 34:
Lacking Professionalism

Being friendly, approachable and agreeable ***all the time*** isn't necessary and may not even be possible in all situations.

There will be times when decisions have to be made that may not be readily accepted or understood by some of the team.

There will be times when a team member needs to receive negative feedback. No matter how well this is done, or how positive a spin you put on it, the team member may feel hurt in some way, whether they indicate that or not.

Being too friendly with team members will test your professionalism. It will make certain parts of the job almost impossible. Being a professional means knowing where the boundaries are between being friends and being colleagues.

A few guidelines to keep everything professional

1. Always follow company policies and procedures.

2. Maintain a positive attitude, even during difficult situations.

3. Show respect for colleagues, regardless of their position or background.

4. Listen to others and take their feedback into account.

5. Remain open-minded when confronted with new ideas.

6. Always remain professional and courteous.

7. Ensure that all tasks are completed to the best of your ability.

8. Hold yourself accountable for the decisions you make.

9. Prioritize customer service and satisfaction.

10. Remain organized and on top of tasks.

Mistake #35:
Showing Emotion During Negotiations

Business owners and entrepreneurs are always negotiating something! Negotiators are susceptible to emotional biases that can prevent them from doing their best. Of course, our emotions and those of our counterparts can provide us with valuable information about how the negotiation is going.

But strong emotions can also keep us from making rational decisions—and lead to negotiation mistakes.

If you're angry, you may make risky choices or outright mistakes. If you're sad, you may inadvertently cede the upper hand. There is no room for emotion in negotiations.

Guidelines to keep you on track during negotiations

1. Communication: The ability to effectively communicate your position and listen to the other person's point of view is essential for successful negotiations.

2. Problem-Solving: The ability to identify the needs of each party and find a mutually beneficial solution is key.

3. Creative Thinking: Being able to think outside the box and come up with creative solutions can be a great asset in negotiations.

4. Patience: Negotiations can be long and drawn-out, so patience is essential for successful negotiations.

5. Persuasiveness: Being able to present your point of view in an articulate and persuasive manner can give you an edge in negotiations.

6. Empathy: Being able to understand the other person's perspective and effectively communicate your own can help the negotiation process.

7. Flexibility: The ability to be flexible and willing to compromise is necessary for successful negotiations.

8. Preparation: Preparing thoroughly beforehand and having a clear understanding of what you want to achieve is important for successful negotiations.

Mistake #36:
Cutting Expenses in all the Wrong Places

From time to time, a business needs to put austerity measures in place. Hopefully, not often and not for long. At that time, it's important to know what to look at.

Some things cannot be touched but others might be able to be scaled back without noticing a cut was made.

Expense cutting has a downside. Cut too much and you stand the chance of hurting the business. So, the idea is to proceed with extreme caution.

You may have seen the effects of too much cost cutting yourself. Retailers are famous for it. As soon as sales slump even just a bit, everyone's hair is on fire and the first thing they do is send out orders to cut hours.

Some managers – who may not have the experience or skill to do it properly – start to do as they're told. They cut hours. Indiscriminately.

Then they have stores that are trying to keep their doors open without enough staff to cover the floor properly. The result is predictable, of course: lost sales, increased shrink due to theft, dirty/messy stores, bad merchandising and displays, miserable staff and increased staff turnover of the type you don't want - yes, the good ones leave because they are overworked.

It happens all the time. Anyway…

<u>The following list is not exhaustive… just a few common places to look if you are in a position to do some cost cutting.</u>

1. Reduce non-customer facing employee hours and switch to a four-day work week if you can do so with minimal disruption
2. Reduce travel and entertainment expenses
3. Cut spending on marketing and advertising
4. Reduce unnecessary office supplies and equipment
5. Switch to digital communications when possible
6. Negotiate better rates with vendors and suppliers
7. Switch to more affordable office space
8. Eliminate or reduce non performance related bonuses and raises
9. Delay or cancel non-essential projects
10. Use open-source software and applications

Important…please note that the above are NOT recommendations…just things to look at. Only you can decide whether a certain item can be 'cut' or 'reduced' or not.

Mistake #37:
Failing to Seek Solutions from Outside the Company

A business owner should seek outside help when they need expertise or assistance that they do not possess in-house. This could include accounting and financial advice, legal advice, marketing and advertising assistance, or IT support.

If a business owner is feeling overwhelmed or unable to keep up with the day-to-day operations of the business, it may be time to seek outside help.

Sometimes there is just a nagging feeling that something may be slipping through the cracks or that we don't have a solid handle on the business.

When this happens it is imperative that you seek outside help whether for high level strategy advice or everyday concerns like keeping the bookkeeping up to date.

“***Uncertainty that comes from knowledge (knowing what you don’t know) is different from uncertainty coming from ignorance.”***

~ Isaac Asimov
American writer and Professor of Biochemistry

Clearly, it's not all that easy being a new business owner, partner, entrepreneur, leader or manager and mistakes will be an inevitable part of the process. You simply can’t know everything and you’re not expected to.

If you get the opportunity to learn from your mistakes, correct course and go on to succeed you should consider yourself fortunate.

Perhaps the most important thing to remember is that there are many helpful resources available to you.

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