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THE FIVE MOST COMMON BUSINESS OWNER ERRORS

Business owners must give themselves a fighting chance as they move into the 21st century and avoid what I perceive as the "5 most common business errors."

#1 LACK OF A REASONABLE BUSINESS PLAN. Unlike taking a trip to a place they've never been before, business owners don't give themselves the benefit of a simple, clear road map to assist them in their journey. Can we realistically succeed in business without taking the time and giving some thought to a plan of action? As a good beginning, just identify the following: "This is where my business is today," "this is where I want it to be, or where it needs to be," and "this is how I can best and most affordably get it there."

A business plan gives the owner a consistent and clear focus on major business goals (targets); it helps set company priorities and directs where and when we should spend our time, talent and dollars. Without a plan, there is little, if any, team action or consistency in management decision making. Employees move in different directions.

Finally, there is no plan of marketplace attack. The business owner follows competition, but never leads. They are never in front of shifts in the economy or in their business category. They have not thought through the new, changing, "wants and needs" of their customer.

#2 SLIGHT OR NO BUSINESS CONTROLS. Even if they look at a monthly income statement of sales, spending and profitability, most business owners haven't adapted their P&L format to the way they manage their business. The old income statement categories of "Cost of Goods Sold" and

"G&A" are for accountants and the IRS. That's fine: "Render unto Caesar that which is Caesar's."

Give yourself adequate financial controls that a) measure real business performance, b) eliminate financial surprises that bring about cash flow constraints and c) make you aware of how healthy your business is on a monthly basis.

#3 UNMAINTAINED PROFIT MARGINS. If there is no implementable "annual pricing plan" that keeps up (at minimum) with increased costs and inflation, then eroding profit margins will logically come about. This significantly reduces profitability and "sickens" cash flow. The longevity of the business becomes insecure. Without profit, we can't stay in business.

Why is there such reluctance to pricing, why such fear? Some say "My competition won't let me take price," or "What will my customer say?" You should never let your competition run your business -- be aware of them, but don't go to work for them. Your customer wants to be satisfied; they want their expectations met. Do this and you can charge a fair price -- fair to you and fair to them.

Stand behind your business performance. Be proud of it or raise it to the level you can be proud of. Most of all, don't feel guilty, you're allowed to make a business profit. Congratulations!

#4 A NARROW DEFINITION OF VALUE. Successful business in the '90s will increasingly embrace the "*Value Concept*" as their building strategy. Value is no longer defined as low price. Cutting your price in down times, to make up for sales shortfalls

or in the hope of gaining greater market share, is a very risky strategy for small business. Historically and recently, it is the lower-priced/lower-product-performance business that fails.! A profit must be made.

Price is only a part of the value concept. Real value is the utility, the use, the worth your customer gets from purchasing your product. If the purchased product doesn't fully meet or barely satisfies their expectation level, repeat purchase, even at a lower price, is doubtful.

The business owner must focus their attention and the attention of their customers (current and potential) on the "valuable solutions" they sell -- not price.

1) *Product/service performance.* Did it work? Did it do the job you promised it would without any negative surprises?

2) *Business performance.* How convenient is it to purchase and use your solution? If there were problems (product, delivery, billing, etc.), were they taken care of quickly, professionally?

Finally, make certain your customers actually perceive all of the valuable solutions and benefits that you sell. Your customer's perception of how well you satisfy their need is your reality. It makes no difference if their perception is right or wrong. Their perception is your reality. Therefore, you may need to become more aggressive and competitive by improving and upgrading your marketing and merchandising ability - before, during and after the sale.

Value is like oats and a horse. A winning race horse requires good quality oats priced at \$3 per pound. Of course, if you want to pay a little less for the oats, you can get oats that have been passed through the horse once or twice. Provide the valuable solution and you will win in the '90s.

#5 BEING HELD HOSTAGE BY EMPLOYEES.

It's sad to see an owner work hard to build their business while getting marginal performance support from an employee, manager or outside professional.

Often we hear, "I can't let Joe go," (for any number of excuses), or "What would I do without Joe; who would replace him?" That's fear, that's being held hostage by under-performing talent. In addition, "being overly argumentative" and "disruptive to business operations" is not part of anyone's job scope and should not be tolerated.

To gain and keep competitive advantage as you move into the 21st century, owners need to cut out under-performing products and personnel now. If job responsibilities and expectations have been clearly explained, if the training and tools to do the job are given, if sub-standard performance has been discussed and a reasonable plan put together to correct it - if it still isn't working -- you've got to get rid of your headache. Small business can't afford to get to the "root" of employees' behavior or social problems. Big companies can.

While it's unfair to the owner to pay for a job not being performed well, it is also unfair to customers and other employees who are faithful and committed to doing the best job they can. It's hard to get and keep customers and it's hard to find and keep good employees. Wouldn't it be more fair to give your customers better overall business performance? Wouldn't it also be more fair to reward "performing talent" with higher levels of compensation?

Certainly the best remedy for under-performing talent in your business is not to hire it. Become more careful who you allow to work in your business.

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