

Plan for Business Success

Ten Most Common Mistakes

Insufficient Capital

Most small business is undercapitalized. They don't have a buffer for quieter times or unexpected expenses. This problem is compound when they don't have arrangements in place with their banks. It is critical to know how much capital you need.

No Business Plan

Statistics show that top quartile businesses are twice as likely to have a business plan in place. As the majority of small businesses don't have a business plan, they tend to lose focus and are too easily distracted from the right strategic course for the business. It also means they don't have a yardstick to measure their business performance by.

Don't know their Break Even Point

One of the most critical pieces of information for any business! It is only when you know this that you can make effective pricing and costing decisions. Too often business gets into trouble because they trade under their break even point.

Inadequate Records

Too often the paper work is left to last or forgotten. This can get you into trouble with the IRD or other government departments. It is critical to have good quality records – what you can measure you can manage.

Cash Flow Management

Small business often gets into trouble because they run out of cash. They don't differentiate between profit and cashflow and they don't understand the cycles that occur in their business cash flows. Cash flow management requires strong discipline and control over debtors and stock.

Failure to Plan for Taxation

Business has to manage, fund and plan for a wide range of tax responsibilities. The average business has approximately six different taxes it is responsible for and failing to manage these can put you out of business.

Inadequate Systems

Too many small businesses are run out of the owners head. As they don't have operating systems in place they are too dependent on the owners and don't gain sufficient leverage. A lack of systems can cause differential standards and an inability to provide consistency within the business.

Tend to Work In the Business Not On the Business

Many small businesses fall into the fatal trap of believing that because they are good at what the business does they will be good at running that type of business. Their time is caught up so much in what they are doing they never have time to manage the business. Usually as a consequence the business runs the owner rather than the owners being in control.

Lack of Profit Focus

Too many businesses don't plan for profits or adequate profits. They tend to focus simply on survival. This leaves them with nothing in reserves or anything to fund growth. Good businesses know how much profit they need to be making and then organize their businesses around this.

Inadequate Resource Management

Successful businesses manage their resources well. Profit simply flows from good resource management. Business has a whole range of resources to manage such as time, people, plant and equipment, cash etc. You have to get the right balance and combination.

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