



# Top 10 mistakes to avoid when growing your small business

Grow your business successfully  
– avoid pitfalls, meet challenges



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Note: We don't necessarily endorse the companies listed in this ebook. We just thought you'd find the links useful. It goes without saying that plenty of other businesses offer similar services, so always do your homework to make sure you get the right service for you and your company.

# Introduction



US small businesses are powerful outfits. You should know – you’re one of them. You’re part of a 28 million-strong base of small firms who have created more than 65% of new jobs in America since the mid-90s.

The US small business landscape has a large scope: anything and everything is created here. You’re a digital start-up, you make welding machines, you create cool eco products. You offer consultancy services, sell cloud products, make scrumptious burgers. And you’re trying to grow – both domestically and around the world too.

Today, more than 543,000 new businesses start up in the US each month. But, tellingly, more employer-owned businesses shut down than start up every month.

It goes without saying that growing a small business is hard. The latest research from the National Federation of Independent Business<sup>1</sup> shows that, while US small business optimism rose modestly in August 2014, many owners are planning to work through difficult conditions in the months to come.

As a growing business, you’ll face many challenges as you develop your operation. As a growing business, you’ll face many challenges as you develop your operation. In this ebook, you’ll find practical examples, insights, templates and tools to help you avoid 10 of the most common mistakes that growing businesses make.

**More than 543,000  
businesses  
start up in the  
US each month,  
but many face  
growth challenges.**

# Mistake #1: Not employing the right people



“ Getting the right people on the bus is hard. I’m picky, but I think that is a good thing. If you don’t have enough of the right people, then you will try to do everything yourself. Start-up leaders wear too many hats, and it can prevent you from meeting your goals and growing your company like you should be. ”

**Tom Sullivan**  
CEO and President of SoundConnect<sup>2</sup>

If you think you won’t be able to attract the right people, think again. You don’t have the big bucks of your larger rivals – but you’ve got plenty else to offer. What about your closely-linked team ethic, the possibility of mentoring from the top and your autonomous working practices?

Getting the right people in the first place is crucial – you want employees who share your vision, so hiring people who don’t share your philosophy will only be detrimental. It costs around one-fifth of a worker’s salary to replace them<sup>3</sup>. With the average annual wage in the U.S. at \$54,450<sup>4</sup>, that’s an expense you don’t need.

## Ideas for finding the right people

**Develop a policy:** Put in writing who you’re looking for and why. Define the position they’ll fill, including responsibilities and skill set needed. It’s also worth considering the personal attributes you’re looking for – you can teach a missing skill, but you can’t change someone’s personality.

**Consider where they hang out:** Use sites like [The Resumator](#), [Craigslist](#), or [Monster](#) (make sure your listing is descriptive and includes your industry, so it’ll appear when people search using keywords like “marketing” or “retail”), it’s also worth posting jobs on both your business and personal social media pages. Or go along to places where talent may hang out – if you’re looking for a developer, a hackathon is likely to be full of them.

**Have a trial run:** Hiring on an initial contract basis can be a good way to make sure things work for both you and your new employee.

**Example:** Arizona-headquartered sales and marketing firm Infusionsoft puts its new hires through a robust initiation process – at the end of which they’re offered \$5,000 to leave.<sup>5</sup> The thinking? If they’re really committed to your vision, they’ll stay.

**Small firms have plenty to offer new recruits: think team ethic and mentoring.**

## Mistake #2: Not managing cash flow properly



“Cash flow management for a rapidly growing, bootstrapped company can be harder than the world’s most difficult sudoku puzzle. It’s almost a full-time job staying on top of who owes you what and who you owe, and then prioritizing those payments.”

**Vinny Antonio**  
President of Victory Marketing Agency®

When you’re growing, especially at a rapid pace, it’s easy to take your eye off the working capital that’s coming in and out of your business. Not managing cash flow properly can mean you struggle to pay suppliers on time, incur bank charges and, crucially, miss out on opportunities for growth. American Express research shows that while concerns around working capital are improving, nearly half (49%) of US small businesses are still concerned about cash flow.<sup>7</sup>

Spreading out your expenditure as much as you can and doing everything you can to make sure that customer invoices are settled in a timely manner are two things that can help you efficiently manage your cash flow. Why not:

- Offer suppliers and customers a discount if they pay early?
- Think about switching to an electronic platform if you still do things manually:  
[Zero](#) and [Tradeshift](#) are two options you could consider.

### Importance of a rainy day fund

Another way to manage cash flow is to start preparing for unexpected costs. As you grow, you’ll need to pay for more and more things – some of which you might not have thought of and all of which can shrink your capital. Don’t fall into the trap of thinking “it won’t happen to me.” Instead, think about how you’d pay for things like:

- Intellectual property lawyers
- Accountants
- Increased storage and office space

## Mistake #3: Not building a marketing plan

Mike Pendrith, CEO of Canadian firm PerformancePoint Corporation, has blogged about his experience of working with a manufacturer of computer ribbons for dot matrix printers. He says the firm failed to understand its target market and failed to spot the consumer shift to laser and inkjet printers. “Do not expect that just because you are now in business, that customers will flock to your door,” Mike says. “If you do not understand your target customer, how do you expect to effectively reach them?”<sup>8</sup>

Without a detailed marketing plan, you won't reach out to your customers properly. No one will even know you exist

**If you don't know your customer, how do you expect to effectively reach them?**

The latest US small business index from Wells Fargo shows the biggest challenge you face is attracting customers and finding new business<sup>9</sup> – but it can be hard to market your product or service when you have a lack of funds and when you're stretched for time.

Developing a marketing plan is the best way to meet this challenge. It'll allow you to set long-term marketing goals and nail down exactly which type of customer you are – and aren't – targeting to make sure you get the most bang for your (limited) buck.

“

Business is all about understanding who your target audience is

”

Jennifer Lewis  
Founder at Small Food Business

### Small business customer acquisition challenges



### But small firms are increasingly embracing marketing platforms

**59%** have a business website

### And many small firms are using social media to help grow their businesses

**37%** for connecting with customers

**34%** for marketing and promotion

**33%** for advertising

Source: Wells Fargo  
[wellsfargoworks.com/run/finances-improve-for-small-businesses](https://wellsfargoworks.com/run/finances-improve-for-small-businesses)  
[wellsfargoworks.com/File/Index/Px8ZXK4rUUGESbwC21EyHA](https://wellsfargoworks.com/File/Index/Px8ZXK4rUUGESbwC21EyHA)

## What should a marketing plan look like?

- **Who's your customer?** Research demographics, to find out what your customers like and dislike
- **What's your USP?** What makes you stand out from the crowd and why would people want to buy your product?
- **Who are your competitors?** And what sort of things are they doing?
- **How much budget will you have for the coming year?**
- **What's your ROI?** What are you looking to achieve?
- **Where would you like your marketing to be in a year's time?**

The US Small Business Administration offers plenty of resources on [developing a marketing plan](#) and [this marketing plan template](#) is a good starting point.

**Example:** Read [this interview](#) with Solomon Falls, who invested in the *180 party cup* and appeared on Shark Tank. He cleverly used social media, Craigslist and other platforms to market his product.



**What makes you stand out from the crowd?**

## Mistake #4: No focus on technology

“Not having a technology strategy that coincides with your growth plan for your business can be a costly mistake if your technology cannot grow with you. Technology is often overlooked and seen as an expense and not as an investment in business.”<sup>10</sup>

**LaToya Collins-Jones, founder of start-up Pretty Geeky**

Technology is developing at a rapid pace, and there are lots of ways it can help small businesses – but many fail to harness it to the best effect. Some 64% of small business respondents to a Bank of America survey said they wished they'd taken better advantage of technological innovations to help them manage their business.<sup>11</sup>

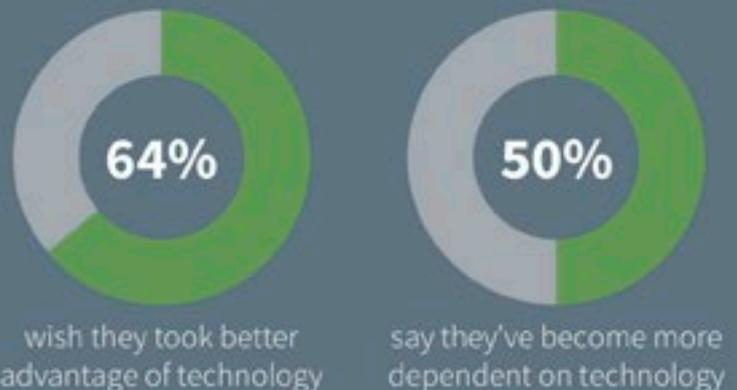
Here are three useful tech tools that can help you better manage your business:

- **Skype** Reduce the costs of business meetings with this phone, video and chat tool. Speak to clients all over the world and enjoy low calling rates.
- **Google Docs** This suite of useful apps, all stored in the cloud, can help you do all sorts of things – from creating accounting spreadsheets and work planners to enabling collaborative working.
- **Hootsuite** As you develop your marketing plan, use a tool like Hootsuite to manage all your social media operations. This dashboard helps you control Twitter, Facebook and Google+ all from the same place – saving you time and effort.

“Technology is often overlooked and seen as an expense and not as an investment in business”

**LaToya Collins-Jones**  
Founder of start-up Pretty Geeky

### Small business technology challenges



### Top 3 technology challenges facing small businesses

- Cost of upgrades to fix technology **44%**
- Security issues **42%**
- Time taken to fix problems **41%**

Source: NSBA  
[nsba.biz/wp-content/uploads/2013/09/Technology-Survey-2013.pdf](http://nsba.biz/wp-content/uploads/2013/09/Technology-Survey-2013.pdf)

## Mistake #5: Not keeping an eye on the books



The collapse of electronics payment provider Bill Express hit the company's customers – mainly newsagents and small telecommunications providers – very hard. In hindsight, the company's financials were clearly a mess. Despite reporting a profit in every year it was listed (since 2004) the company managed to rack up debts of \$180 million by the time it collapsed.<sup>12</sup>

The US Small Business Administration says that about half of all new small businesses launched in the US will fail within the first five years.<sup>13</sup> Poor financial management can be a key contributor to this.

### Knock-on effects of poor book keeping

**Cash flow squeeze:** If your bookkeeping is disorganized, you might forget to collect payments promptly or pay a key supplier – both of which can impact your cash flow situation.

**Can't meet demand:** If your purchasing records are poor, you might not have enough stock on hand to meet sudden demand. A missed delivery means a disappointed customer, who you may lose in the future.

**Paying suppliers late:** Poor book keeping can mean you pay suppliers late, impacting your credit score.

### Book keeping tips

**Use an electronic system:** Manual book keeping leaves you more prone to sloppy errors. Check out electronic systems like [e-conomic](#), which offers a free, no strings two-week trial, or [Wave](#).

**Keep on top of it:** As a growing business, it's easy to pass book keeping and financials off as mere admin. Don't take your eye off it – keeping up with it regularly is the best way to stay on top of it.

The American Institute of Professional Bookkeepers has [a host of tips on good financials, including:](#)

- **Avoid putting “Please call if you have questions” on your invoices:** it could sound like you think you've overbilled.
- **Be consistent:** Don't give details in one monthly invoice but not the next.

## Mistake #6: Not being scalable



“ Unlike a large profitable company, start-ups are constrained by their available cash. If a start-up does not find a profitable and scalable business model, it will go out of business.

Entrepreneur Steve Blank<sup>14</sup>

”

A scalable small business – one that has a profitable growth avenue and the flexibility to shut down peripheral departments – will make itself attractive to investors and be able to position itself for long-term growth.

### What makes a scalable product?

To be scalable, a product must be both cost-effective to make or provide over the long term, and appeal to the masses. A classic example is software: once you've designed the first version, it doesn't cost much more to create more copies. If, as a growing start-up, you know you'll need investment, it's a good idea to make your business scalable – investors will be looking for it.

### Are all businesses scalable?

Not necessarily. If your business is based around your skills – say you're a social media expert or financial consultant – then your business is all about you, not a product you've created. It can be hard to maximize such skills.

**Example** [Read how Dutch consulting firm Naumac](#) met its scalability plan (to double in size over two years) by harnessing a cloud-based tech platform.

## Mistake #7: Not delegating and training



“ You need to learn the art of delegating responsibility to great people. Finding great people is the key to success. It frees you up to keep imagining where the business has to be in two to five years. And, you can't do that if you're 'head cook, bottle washer, front of house and security'!”

**Will King, founder and CEO of King of Shaves<sup>15</sup>**

As your small business grows, you will at some point need to make sacrifices. This means delegating tasks to other members of the team, and investing in training programs to upskill your employees and develop talent through the business. It's about learning to let go and trust your people to perform to that same level you do.

### Why failing to delegate and train can harm your business

Think you can do it all yourself? You really can't. You might be able to put in 90-hour weeks in the short-term, but trying to do it all the time will inevitably lead to burnout.

What's more, there's no progression. Who's going to learn all your skills and step in when needed? If you don't delegate and you don't train, you're not setting your business up for growth.

As **Mistake #1** showed, it's crucial to employ the right people from the start – that way you're developing a pipeline of talent.

### How to delegate effectively

- **Brief properly:** Give your people the tools and resources to do the task.
- **Monitor (and mentor):** Check-in from time to time to see how people are getting on – and use this time as mentoring time.

[These Six Cs of delegating](#) from CFO are a worthwhile read.

**Example:** This case study with Chloe Drew, executive director of a non-profit organization, shows how leaders can [learn to delegate](#). “I can't be integral to everything we do. I need to be replaceable,” she says.

## Mistake #8: Not monitoring your performance



“ Our team is growing fast. We are struggling with setting up career tracks for development teams, project/account managers, and sales/marketing teams, and we are trying to set up controls and metrics to run all projects profitably.<sup>16</sup> ”

**Barg Upender, Founder and CEO of [Mobomo](#)**

Do you know what the key performance indicators (KPIs) for your business are? If not, you can't expect to get a holistic view of how you're performing, or measure your success.

Importantly, KPIs are a good way to spot, early on, if things are going as planned and, more importantly, do something about it if they're not.

### How to find the core KPIs for your business

Simplicity is best – select two or three areas of your business where you would like to see improvements and then use KPIs to help you track your performance.

As a starting point, Google “KPI + your industry” to help you determine which ones would be good for you, then refine based on what matters to your business's stakeholders – both internal and external.

As well as financial KPIs, you could consider including:

- **Sales** – are your sales matching your targets?
- **Employee motivation** – is your team happy and engaged?

### What steps can you put in place to use findings to your advantage?

If your latest employee survey reveals low morale, there's a possibility that you could start losing staff. Use this early warning to your advantage by finding out why and doing something about it. For example, meet with staff to try to understand more about the issue. Is it because they don't understand where the company's headed, or they don't have the tools to do their job? You could also consider introducing some employee appreciation tools.

This [KPI definition template](#) is a useful starting point.



## Mistake #9: Not being focused

ABC Learning Centres founder Eddy Groves had a pretty good little business going in Australia – profitable, fast-growing and underpinned by government childcare subsidies. But his forays into the US and British markets distracted Groves from the day-to-day running of the Australian business. Without his scrutiny, the low-margin operations started losing money. Eddy’s ambition of creating a global childcare giant was his undoing. Had he stayed focused, ABC’s fate could have been very different.<sup>17</sup>

A growing start-up is a busy and frenetic one. In the early days, it’s easy to launch yourself head first into any opportunity that arises. After all, you need investment and customers.

However, the concept of focus is becoming an increasingly important one for small, growing businesses. Rushing headlong into anything and everything results not in development and growth, but fuzzy thinking and a lack of substance. You’ll also likely end up with overstretched resources – anything from you and your team’s time to spreading investment thinly across products and projects.

Focus is the ability to see what’s working in your business and what’s not. Concentrate on what you do well. Make these the core focus areas of your

business – and kill the things that simply aren’t performing.

Consider consulting with a business mentor. They’ll be able to give you an objective and impartial view of your business – something that is not always so easy when you’re close to everything. Choose someone you admire in your local community or a guest speaker at your local toastmasters organization.

[The SBA.gov has this list of where you can find a business mentor.](#)

**Don’t be afraid to ‘kill’  
poor-performing projects**

# Mistake #10: Not acting on your mistakes

Long Island-based gourmet frozen baby food firm Petite Palate opened in October 2006, but closed only a few years later. The company, which at one point offered its products via Amazon Grocery, ended up struggling to get its products into stores. But, the owners persisted with their concept because they thought frozen food was healthier than food in jars or pouches. Co-owner Lisa Beels said the company should have been more open to the idea of shelf-stable food. “It took us a long time to acknowledge that, and by then we were in debt and couldn’t support the company,” she says.<sup>18</sup>

Don’t beat yourself up for making mistakes. It’s how you deal with and learn from your mistakes (and those that your employees make) that can be the difference between success and failure.

Amy Edmondson, a Harvard Business School professor, has identified three sorts of failures<sup>19</sup>

- **Preventable slip-ups and oversights**
- **Mishaps arising from unpredictable, complex situations**
- **Exploratory failures that merit encouragement as part of the creative process**

She writes that all require different handling, but often this handling results in an inappropriate response. But this doesn’t have to be the case; both Google and Facebook embrace failure and have adopted the terms “Fail fast, fail often” and “If you don’t break anything, you’re not working hard enough.”

Here are some ways you can embrace mistakes:

- **Change attitudes about mistakes** It’s a cliché to say they’re opportunities, but there’s something in that.
- **Accept and welcome constructive questioning from staff** You’re not always right; it wouldn’t be normal if you were.
- **Try to avoid emotional attachment to a product, plan or design.**
- **Avoid a blame culture** People won’t speak up if they’re in fear of being shot down, or worse, losing their job.
- **Lead by example** Accept and share your mistakes; employees will appreciate your honesty and value the business learnings it gives them.



## Growth Plan Checklist

Do you have a plan for growth? Ensure your future plans are underpinned by a robust strategy. Here is a checklist to help you negotiate through the next stage in your firm’s development.

- **Where will your growth come from? A new product, target market or through acquisition?**
- **Have you risk-assessed against potential future threats to your business?**
- **Will you need finance to help you grow? If so, where will it come from?**
- **How will growth affect your cash flow and revenues?**
- **Is your business flexible enough to meet the demands of growth?**
- **Do you have the talent in place to help you meet the challenges of growth?**
- **What skill gaps do you foresee?**
- **How will your marketing plans support your growth?**

# Small business is the backbone of America ...

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ColonialLife.com

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