

7 Costly Mistakes Business Owners Make when Planning their Business

This free guide is offered without obligation, but any information contained within is intended for a general audience. Always seek professional financial advice if you are making drastic changes to your business that could affect its long-term profitability.

1. **Getting locked in to an unprofitable pricing structure.** If you pitch your prices too low you will only ever attract bargain-hunting buyers, who are renowned for being difficult and short-lived clients. Pricing higher raises expectations, but it also raises the standard of client you will attract, and it will raise the level of appreciation when you do a good job. Try to price in terms of the value you are offering to your clients, rather than trying to undercut the competition to win a higher concentration of clients.
2. **Allying your company to a bad financial advisor.** No matter how eclectic your skill-set may be, no business owner can possibly hope to know every aspect of their finances. Enlisting the help of a consultant or accountant will substantially improve your company's likelihood of success, but remember they will have their own incentives driving their decisions. Good advisors will be unbiased, whereas bad ones will be offering advice that will be to their own financial gain (i.e. financial advisors allied to a bank will only sell their own financial products).
3. **Seeking advice when it is too late,** especially in relation to tax matters and the set up of your company structure. Bad planning can result in inflated tax bills, and in some instances, heavy fines. It could also result in shares being unfairly distributed. No one can predict the ill-fortune brought about by bad planning, but the more prepared you are the better placed you are to make informed decisions about the long-term success of your business.
4. **Not setting objectives.** It's cliché, but failing to plan means you are planning to fail. The best advice we can ever give on this matter is take the time to write a plan. It doesn't need to be set in stone; indeed the most successful financial plans are quite malleable entities. Writing a plan will allow you to predict problems with cash-flow or pricing, and will ultimately give you a mark from which to measure your success.
5. **Never learning the art of delegation.** There's no two ways about it, it is hard to trust someone else to get the job done. However, if you truly intend to grow as a business leader, you simply will not have the time to perform every task required to make you successful. Pareto's Law states that the majority of people are 80% effective with 20% of their time. The most successful business owners reverse this statistic, thus will proactively be using their skills to their full effect, 80% of the time.

6. ***Failing to prioritise their time in business.*** Many people fail to remember that their own time is a commodity that costs. Initially this starts with sales, because the revenue a sales force brings in can fund subcontractors or specialist staff to allow you to focus on your business of doing business. Common areas where business owners try to go it alone where it will often be cheaper to subcontract: marketing and PR (some companies offer no-win-no-fee options); sales; company law; bookkeeping; personal finances and accountancy; and corporate accountancy.

7. ***Failing to put in place a robust sales process.*** Sales are the driving force behind all businesses. It might seem like an obvious thing to say, but then too many businesses fail to put an effective plan in place to bring in new business. If you don't know how to bring in your next job, or if you have tried many different techniques with little success, then bring in an outside agency to help generate sales, or a sales-person experienced in your industry. If you don't have a formula that works consistently well, you will encounter problems at some stage. Sales departments are expensive to run, which is why some companies make the foolhardy decision to cut back in this area. Sales people traditionally get high commissions for the work they bring in, but this is often a necessary evil. However, it is also worth noting setting you sales incentives can have a derogatory effect on the productivity of your sales team, by putting too much pressure on them to deliver. Offer an affordable but comfortable wage to a trusted expert and you will quickly see results.