L.Harris Partners

Creating Value. We Know How.

# 11 Common Missteps Business Owners Take

We approach every client relationship with a business assessment. Two businesses can look identical but have very different valuations.

We look at 400 different qualitative aspects of the business, and what comes out of that for the client, is some sort of prioritized list of issues to do the tough things to make a better business out of it. We decided to make our own top 11 list of mistakes business owners make:

1. One is they don't have a business plan, or if they do, they waste time doing one and then stick it in a folder.

2. Big data? How about bad data. Bad data means the clients over-estimate their revenue, under-estimate their expenses, fail to recognize they're about to have a cash flow implosion.

3. Picking the wrong business partner, and not having a solid shareholder agreement. One out of two marriages in this country don't work. I think it's higher for those who go into business together.

4. Not having a good handle on your customer base—if you have way too much dependence on one or two customers. If 80 percent of your business is with one customer, who do you think is in charge?

5. Lack of financial controls is a common mistake. Hope is not a strategy, and trust is not a financial control. I have a client who trusted their CFO, and over eight years the CFO embezzled $5 million.

6. Making business decisions solely on income tax implications. Also, mixing the business and the personal together so you can't even tell if you're making money or not because you have all your toys and vacations buried inside the business.

7. Failure to vet and select the right advisers. And probably most important, the failure to lean on your banker as your advisers. The banker should be your adviser, not your enemy.

8. Failure to recruit and rely on a good outside board of directors. It's invaluable.

9. Being stubborn, over-estimating your own business intelligence, failing to change.

10. Spending too much time working in the business instead of time working on the business.

11. And the last and most important mistake is not building a good management team. I'll give you an example: two businesses. One owner spends three months in a cabin and the beach, and has a team of people in place to run the company. The other takes his laptop into the bathroom with him, and never lets any decision be made by anyone else. Which business would you want to buy?

*Excerpted from Tom Siders' comments at an Upsize MN panel discussion and originally published by Beth Ewen, Upsizemag.com*

For more information or to learn how L. Harris Partners can help you grow your business:

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