

REVEALING BOOKLET

THE TOP 50 MISTAKES THAT SMALL BUSINESSES MAKE- AND HOW TO AVOID THEM!



Whether you are just starting out, or have been in business for a while, making mistakes is all part of the 'business learning experience'.

That's all very well, but if those mistakes start costing you money, or even worse your business, then that's a pretty negative experience.

Well not anymore.

This booklet highlights the most common mistakes that MD/Owners of SME's make; with some tips on how to avoid them.

'Accountants **with** a Difference' - 020 8686 7756

We are delighted to provide you this **FREE** booklet

At **Owadally** and **King**, not only do we provide all the usual accountancy and compliance services to a very high standard, but we also operate in a very proactive and different way.

We don't let problems just sit there. We deal with them. We even offer solutions before the problems arise. In other words 'we are flexible, dynamic and confident accountants'



Our '**One Page Business Success Plan**' is a great example of how we are always looking at innovative ways of helping our clients grow their business.

Not only that, as part of our drive to encourage Social Enterprise we actively support organisations who help people less fortunate than ourselves both in the UK and abroad.

As part of our continued commitment to providing services to our clients to help them grow we recently launched **ELEVATE**. It's a powerful combination of 24/7 Cloud Accounting, Real Time Information and Business Coaching. We believe in moving with the times and **ELEVATE** is yet another example of this. For details visit our **ELEVATE** website www.elevate-accounting.co.uk.

We also love providing pro-active, useful information, just like this **FREE INFO BOOKLET**.

Compiled by our Marketing Manager and Business Coach - Alan Sellers, we have identified '**The Top 50 Mistakes That Businesses Make**'. By using this booklet and speaking with us, we can help you avoid them!

For more guidance and help contact us at info@oandk.co.uk or call **020 8686 7756** we would be happy to give you more advice.

That's the promotion done, now for some useful advice about how to avoid the most common mistakes that business owners make.....

What are the 'Top 50 Mistakes' that small businesses make?



For ease of reference we have divided this report into the seven key areas that your business should always focus on. These are:

- ✓ LEADERSHIP
- ✓ PEOPLE
- ✓ MARKETING
- ✓ CUSTOMERS
- ✓ OPERATIONS
- ✓ FINANCE
- ✓ ADMINISTRATION

LEADERSHIP - 8 Mistakes

1. Not having a written plan.

Take a moment to look beyond the day-to-day running of your business. You should plan for the future. While no one can foresee everything that will happen to a business, investing the time to plan what you want to happen and how you'll respond if it doesn't is time well spent.

2. Don't go it alone.

Never underestimate expert advice for all aspects of your business, in particular the issue of financial controls.

3. SME MD/Owners work too many hours.

Start investing some time in establishing processes that can be undertaken by staff when you take them on. **If it's only in your head, then it's more difficult to delegate.**

4. A Business needs enough money to start with.

A start-up needs enough money to get through till it is self-sufficient from having paying customers. This is another situation where that ever useful contingency plan comes into play. Any forecast needs to be very pessimistic if it is to consider the worst possible scenario, no business can be made completely bulletproof to external circumstances.

5. Creating a self-employed job and not a business.

You really should develop processes and systems to ensure that in the future other people can carry out tasks that you no longer have time to do. **Think Franchise!** If you were to start your business today, how would you organise it so that it could be franchised in the future?

6. Focus on your Personal 'Emotive' Goals and not just Business Objectives.

Write a paragraph for each personal goal by using this **S.M.A.R.T.E.R** checklist:

- S** pecific.
- M** easurable.
- A** greed.
- R** ealistic.
- T** imed.
- E** xciting.
- R** esourced.

Then create your **Business Objectives** by linking them to your personal goals.

7. Overstretching targets.

SME owners have a knack of getting overexcited when it comes to financial projections. There may be the temptation to do this to impress the bank, but then goals are never reached. Figures must be credible otherwise people will see straight through it. You can also use your **S.M.A.R.T.E.R** checklist for this

8. Don't be afraid to change.

SME owners often start their own business because they are particularly passionate about something. However sometimes this passion can work against them as it creates a focus which is so narrow and single minded that they lose sight of elements around them which could be impacting the business.

It is so important that you maintain your passion, but at the same time, have the flexibility and openness to change.

PEOPLE - 5 Mistakes

1. Not understanding what makes people tick.

Spend more time getting to know that people that work for you, or indeed your customers.

2. Not enough focus on people development.

Include targets for people development in your Business Plan, and have regular appraisals.

3. Hiring the wrong people.

Choosing a new staff member is always going to be tricky; what it says on their CV could be very different to what they're actually like in the workplace. **When hiring, consider their personality, will they fit within your business and your existing team?**

4. Not having Job Descriptions for your team.

Even if you only have one part-time member of staff, having a job description linked to the needs of your business, will help with focus. **Always try to link Job Descriptions to your Business Plan.**

5. Not having regular team meetings.

Lack of communication is one of the biggest complaints that staff have about how they feel about where they work. Keep people informed on a regular basis.

CUSTOMER - 4 Mistakes

1. Not grading customers.

Grade your customers. Not all customers are the same. Not sure how to grade them? Our 'Grading Checklist', as part of 'The Business Success Club' is an easy tool to use.

After grading you will end up with 4 grades of customer/client i.e. **Gold, Silver, Bronze** and **Bin**. Create specific actions for each of these segments.

2. Not creating WOW factors.

WOW factors do not need to cosy too much. What simple **WOW** factor can you add to your customer service today?

3. Not surveying customers on a regular basis.

Can be carried out on the phone, but not as a typical survey and only with two key questions to guarantee a significant response. We can advise you about these two key questions.

4. Not having enough resources.

Ensure that every bit of business you take on can be completed on time and to the customers' satisfaction. Know your limits and don't promise what you can't deliver!

ADMINISTRATION - 3 Mistakes

1. Not setting up a process/systems manual from the start.

You will add value to your business as you go along by documenting processes that you, and team members, can follow. Organise your processes/procedures manual into the **7 Key System Categories** namely:

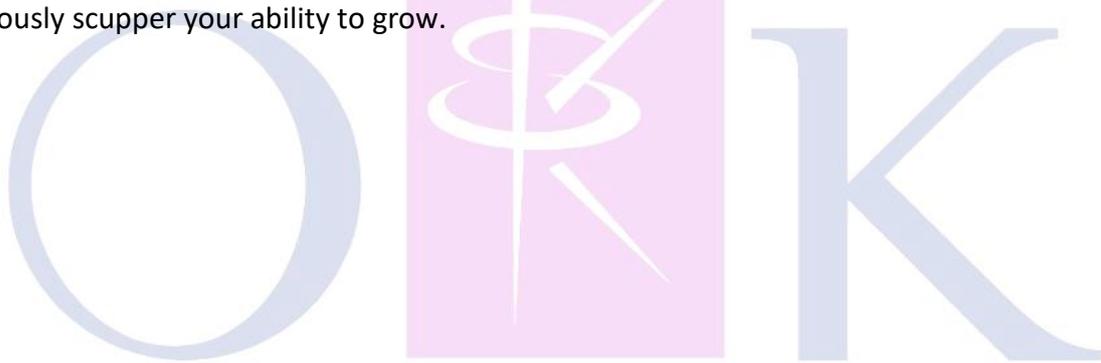
LEADERSHIP, PEOPLE, MARKETING, CUSTOMERS, OPERATIONS, FINANCE and ADMINISTRATION

2. Don't take the law into your own hands.

SMEs are often tempted to draft employment and client contracts themselves, using online templates, but this corner-cutting can lead to bigger costs should a dispute arise. Paying for initial guidance could save time, money and hassle down the line. There are plenty of great HR advice services around, use them.

3. Underestimating insurance.

About 230,000 businesses across the UK having no insurance cover in place, too many start-ups are vulnerable to liability claims, hefty fines, and even prosecution – all of which will seriously scupper your ability to grow.



MARKETING - 11 Mistakes

1 Not having a Marketing Road Map.

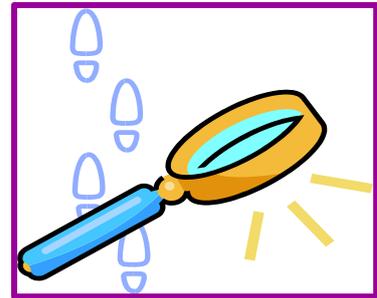


The vast majority of Owner/Managed Businesses do not have any kind of plan, be it Marketing/Business/Sales or otherwise. Now these plans don't have to be pages and pages of detail. Create a powerful **'One Page Marketing Success Plan'** to grow your business.

2 Don't moving into new markets or sectors without sufficient research.

It's risky at best and suicidal at worst. Extending your business' offering is a great way to boost revenue, but get it wrong and you risk damaging the successful core business you've worked so hard to build.

Carry out simple market research, and also key competitor analysis, before deciding to launch a new product or service.



3 Too much hunting.

Rather than chase or 'hunt' for new business, potentially wasting money in the process, focus on 'Farming' your customer base for more revenue. **SIMPLE!**



How?

By creating your **Growth Matrix**, we explain how in our **'Business Success Club'**. Basically list your services/products, and then cross reference these products/services with your customer list to identify the revenue holes that you have in your customer base.

4 Ignoring buyer emotions.

**"Stop talking about things that matter to you - the business owner –
And start talking about things that matter to your customer"**

Take a look at all of your marketing collateral. Does it talk about the needs of your potential customers? Or does it just highlight features of what you have to offer.

5. Not knowing what works.

Measure, measure and measure again as to how successful your marketing efforts have been. Then adjust your approach for future promotion.

6. Ignoring Social Media.

When are you going to start your **Social Media** presence? Or if you have embraced **Social Media**, how can you improve it?

7. Not enough focus on referrals.

Formalise how you get referrals from your customers to make it part of your culture.

8. Not having a Sales structure.

Are you really speaking with the **M.A.N?** i.e. the person with the **Money, Authority and Need?** Also work to a structure to identify customer needs, rather than just outline what you have to offer.

9. Not having an Elevator Script.

Create a 60 second Elevator script, highlighting how you and your business helps people. Use for networking to make people remember you. Think about potential customer needs and headaches, and how you can help them, when drafting this script

10. Not focusing on SEO for your website.

Search Engine Optimisation (SEO) is essential for Page 1 presence on Google and other search engines. Spend time, and a little money, learning about the techniques. Ongoing SEO should be undertaken by specialists but an overall understanding will also save you time and money. Treat every page on your website as its own landing page and pick a search term accordingly. Also Google loves updated relevant content. **Keep it fresh and in tune with your search terms.**

11. Using keywords for your website that are too competitive.

You can use search tool software to find out how competitive your search term is. Google will also show you how many websites compete for this term. **The trick is to find keywords or phrases that have enough volume when it comes to searches, but are not used by many of your competitors.**

OPERATIONS - 3 Mistakes

1. Not making enough time to work 'on the business' - consumed with e-mails.

Instead of arriving at your desk in the morning, and opening up your inbox, thus becoming immersed in work straightaway, spend some time working 'on your business' instead of 'in your business'. Plan a time each week when you'll focus on your plans and being proactive.

2. Forgetting your passion.

You started your business because you had a passion for it; you wanted to provide a service or product that you loved. Try not to get bogged down in the ins and outs, and remember to enjoy! Diarise some time each month for tasks that will add value to your business.

3. Saying yes too much, and being too cheap.

It's really easy to get carried away and start saying yes to every piece of work/business that's offered to you in the early days. Taking on more than you can handle compromises your ability to provide a good service. It can also create artificial feelings of growth and grows a customer base that are price sensitive. **Do you really want to be the cheapest?**

FINANCE - 16 Mistakes

1. Registering as the wrong sort of corporate entity.

There may be flaws in the most fundamental aspects of your business. For example if you trade as a limited company, being registered as an LLP might be more appropriate. Getting it wrong can lead to unnecessary red tape and higher tax bills. Take advice to ensure you are not on the wrong track.

2. Not understanding finances.

Money is something that needs to be monitored very closely in business. If you spend carelessly, allow customers to rack up huge debts and don't allocate budgets for various areas of your business, it will be all too easy to lose track and soon have no money left. If you don't know what you're doing with your finances, find out or enlist expert help, it'll be one of the best decisions you make. Alternatively take a look at **ELEVATE** www.elevate-accounting.co.uk

3. Incorrect share structures.

When starting up a business, the share structure must be organised to ensure the most efficient tax payments.

4. Not knowing how much tax is due and when it is payable.

This can be solved by using cost effective systems that are as simple as possible. Our **ELEVATE** service will certainly keep you on the right track.

5. Ignore cash-flow at your peril.

Few things are more fundamental to a well-run business, or more likely to sink a badly run one, than how you run your cash-flow. All the happy clients and efficient staff in the world won't help if your cash management is poor. Failure to pay overheads on time, be they rent or salaries, can very quickly prove terminal.

'Revenue is vanity, profit is sanity BUT cash is king'

6. Avoid collecting client debts too late, and paying creditors too early.

Ensure that you always have a sufficient cushion of working capital. Protect it by chasing late payers, and paying your own debts just as they fall due, not before.

7. Not getting the help of a professional on the grounds of cost.

Many business owners start out rejecting the idea of using the services of a qualified accountant or bookkeeper due to cost, however this can often prove to be a short-sighted way of saving money

8. Mixing business and personal finances.

A common mistake made by new entrepreneurs operating as sole-traders is mixing business finances and personal finances. It is essential that you keep these separate, so set-up a specialist business bank account before you start trading and keep all essential records and documentation from day one.

9. Poor Record Keeping.

So the first year the business makes a loss and then in the second year it suddenly starts to look good. One problem, it turns out that a tax calculation was wrong and the business owes HMRC a bunch of money that it did not realise. This error could occur due to poor bookkeeping or not having an accountant on board.

A lot of small business owners get into business through their passion for a product or service, and a lot believe that the bookkeeping stuff can wait. This fear of bookkeeping and accounting can be alleviated through getting a decent accountant on board. **It may be a cost but if it's affordable the long term benefits will be worth it.**

10. Not taking advantage of the correct VAT scheme.

There are lots of VAT schemes that can help reduce the VAT bill including Flat rate, cash accounting, retail schemes etc. **Get advice!**

11. Setting director pay at the wrong level.

Paying too much tax and national insurance paid, with no P2S state pension benefit.

12. Letting HMRC bully you.

HMRC often use scare tactics, and some of them may even act illegally. In any event they should never be allowed to bully. Know the taxpayers charter which protects you and should be invoked. HMRC tend to ignore it. **HMRC have no right to demand meetings and these should be resisted unless you have expert help at hand.**



13. Not making best use of the loans from your own company.

These can be very helpful, thus saving higher rate tax. **Get advice!**

14. Travel expenses - not understanding the difference what can or can't be claimed.

In particular the difference between business travel, which can be claimed, and ordinary commuting which can't be claimed. Make sure you know the difference and keep records.

15. Ignorance of the tax system.

Thousands of SMEs lose on huge amounts of money through failing to claim back their tax refunds. It can only be due to an ignorance of the tax system, as no human being would forget to claim back thousands of pounds – unless they were so rich it was seen as small change of course.

An ignorance of the tax system is therefore a blunder many SMEs make. **Learn as much about taxes as time will allow you to, and seek the specialist help of a good accountant.**

16. Not chasing invoice payments promptly.

There is absolutely no doubt that late payers are a significant drain on a business. So, it's important that you have processes in place at your end to ensure that invoices are issued promptly and they are followed up immediately after they fall due.

Also, if you are faced with a consistently delinquent payer, don't be afraid to withdraw their credit facility. **All businesses deserve to be paid in full and on time no matter what size they are.**

Well that's our report on **THE TOP 50 MISTAKES SMALL BUSINESSES MAKE - And How to Avoid Them!**

Hopefully you've found this **FREE** booklet useful.

Here's a little bonus of a **Business MOT** to see how your business is doing at the moment.

How Well Are You Doing At The Moment?

Try this quick MOT.....

1. **The quality of management systems** – Systems are the key to creating a business that works... without you having to be there. This in turn will allow you to work 'on' the business, increase the value of your business, ensure your customers get a consistent level of service and motivate your people.

On a scale of 1 to 10 (where 1 is very poor and 10 is excellent) how comprehensive are the systems in your business?

Please circle

1 2 3 4 5 6 7 8 9 10

2. **Vision and purpose by the owner** – *'Where is your business heading?'*

On a scale of 1 to 10 (where 1 is very poor and 10 is excellent) how clear are your written goals and business plan?

Please circle

1 2 3 4 5 6 7 8 9 10

3. **Financial planning and review** – It is essential to have access to regular management information and hold regular team meetings.

On a scale of 1 to 10 (where 1 is very poor and 10 is excellent) how accurate and regular is your financial management information?

Please circle

1 2 3 4 5 6 7 8 9 10

4. **Over-dependence on specific individuals in the business** – Develop your business around *'functions'*, not *'people'*. If you are too reliant on specific individuals, then think again.

On a scale of 1 to 10 (where 1 is very poor and 10 is excellent) How well will the business fare if key individuals (including yourself) leave or become unable to work?

Please circle

1 2 3 4 5 6 7 8 9 10

5. **Market segmentation and strategy** – Do you know who you want to market to (type of customer) and, how you want to portray your business in the marketplace (e.g. the cheapest or a premium product/service)?

On a scale of 1 to 10 (where 1 is very poor and 10 is excellent) how clearly defined is your ideal customer and the positioning of your business in the marketplace?

Please circle

1 2 3 4 5 6 7 8 9 10

6. **Knowledge about the market and competition** – Do you undertake market research and competitor analysis? For example, chocolates used to be a popular gift, but they are now being replaced by wine, flowers and gift vouchers.

On a scale of 1 to 10 (where 1 is very poor and 10 is excellent) how good is your knowledge of your competitors and your marketplace?

Please circle

1 2 3 4 5 6 7 8 9 10

7. **Establishing or communicating company goals** – communication is one of the keys to motivating your people, and also to keep customers informed about your business

On a scale of 1 to 10 (where 1 is very poor and 10 is excellent) how comprehensive are your communication systems in your business?

Please circle

1 2 3 4 5 6 7 8 9 10

8. **Standardised quality program**

On a scale of 1 to 10 (where 1 is very poor and 10 is excellent) how comprehensive are your systems to ensure quality in your business?

Please circle

1 2 3 4 5 6 7 8 9 10

9. **Capitalisation or enough funds** – Cash flow is all-important for a business. Many profitable businesses fail due to lack of cash.

On a scale of 1 to 10 (where 1 is very poor and 10 is excellent) how secure is your cash flow position?

Please circle

1 2 3 4 5 6 7 8 9 10

AND FINALLY.....

10. **Owners concentrating on the technical, rather than strategic, work at hand** – Are you really running a business, or do you have a self-employed job?

On a scale of 1 to 10 (where 1 is very poor and 10 is excellent) how well are you using your time to work ON your business? If you take work home, don't have enough time for your personal life, or read e-mails whilst on holiday with the family, then mark yourself as poor.

Please circle

1 2 3 4 5 6 7 8 9 10

With the scores you've entered above, you can then start to devise an action plan to improve some important areas of your business. We can help advise you on how to improve dramatically improve these areas.

This **FREE BOOKLET** has given you a flavour and some useful tips and advice about making your business more valuable and profitable. **So if you are serious about.....**

Ensuring your business works for you **PLUS**

- ✓ Ensuring your business grabs more customers
- ✓ Generates more revenue
- ✓ Increases sales and opportunities
- ✓ Getting more out of your people
- ✓ Creating a **One Page Business Success Plan**
- ✓ Adding value to your business for the long term
- ✓ Being in control with up to date information about your business via **24/7 Cloud Accounting**

Then **ELEVATE**, or our **One Page Business Success Plan** and all of its benefits, is certainly for you. Contact us at info@oandk.co.uk or call **020 8686 7756** and we can move things forward for you

Best Wishes and Success

Owadally and **King**



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