Do You Make These 7 Common Mistakes?

That Are Killing Your Profitability & Valuation?

Do You Make These 7 Common Business Mistakes – that are killing your profitability and value?

My name is Martin Harshberger and I've had a long career dealing with hundreds of businesses. I founded and ran two 8 figure companies and I've been involved in numerous acquisitions as well as sales negotiations, both for my own companies and when working with clients. Over the years I've learned what to look for in companies that I'm working with.

And something that I've seen over and over is that businesses make serious mistakes that undermine their overall success and the ultimate value of the business. Often some of these mistakes are not seen as important and are frequently ignored – until it's too late.

Before I get into the 7 business mistakes that are killing your profitability and value, let me mention the things that everyone is worried about but can do very little to change. They are:

Item 1 – National and political ups and downs

Item 2 – Interest rates charged by the central bank (You have some impact on this)

Item 3 – Cost and availability of raw materials, energy, etc. (Some impact on this)

Item 4 – Cost of and availability of trained labor (Some impact of this)

Item 5 – Government regulations, healthcare costs, taxes, etc.

Of course these are common business problems, but focusing and worrying about them will get you nowhere. They are mostly beyond your control. Instead, you want to focus on the things that are under your control but too often accepted as is, or missed completely. I mentioned that you have some impact of a few of the items above, I'll explain that later in this report.

Here are the 7 Most Common Business Mistakes you are most likely making in your business now. If you have four or more of these issues, you are headed for trouble.

Mistake 1 – Not having a clear personal vision for your company and your life.

Mistake 2 – Not having a compelling value proposition, business purpose, strategic plan, and marketing plans. (**The value of the plan is the planning process**).

Mistake 3 – Your company cannot run well without your personal involvement.

Mistake 4 – Weakness of management and leadership depth (see #3)

Mistake 4 – Deteriorating condition of your plant, infrastructure, equipment, and systems.

Mistake 6 – Lack of in-depth KPI's and documented as well as reviewed and updated processes for management and planning.

Mistake 7 – Not managing your cash flow.

Let me go into each of these 7 mistakes and what you need to do to correct them.

Mistake 1 – Not having a personal vision for your company and your life.

Why are you in business in the first place? What is the difference you want to make? And, most importantly, what lifestyle do you want your business to support, currently and post transition? Most business owners are working "in their business" and they get so caught up in day-to-day activities that they forget what the business is giving back to them.

Every business owner needs to do a deep-dive into their values, vision, goals, and legacy. Is your business giving you what you really want in life, and when you transition, will your business support the lifestyle and contributions you want to make in your retirement?

If you don't make this essential exploration, your business is running you, you're not running your business. This process means taking an impartial inventory of your values, vision, and goals, both short and long-term.

And once you are pointed in the right direction, it will help to resolve the other six mistakes outlined in this article.

"***The essence of strategy is deciding what NOT to do."***

Michael Porter

Mistake 2 – Not having a compelling business purpose, strategic plan, value proposition, and marketing plans.

Your business is like a living entity that is consuming resources and producing products services and profits. But many businesses grow in a very organic, often directionless manner. Sometimes you wonder where exactly your business is going and where you'll end up in the next few years. To drive profitable growth and create value, repeatability and predictability are critical.

The most successful businesses have a clear direction. They know what they are, where they are going, and how they will get there.

It starts with a business purpose. Why are you in business and what is the difference you are making in the lives of your employees, customers and the world? **Next is a strategic plan** where you become clear about where you want to go and how you'll get there. **Your value proposition** is your crystal clear communication about why customers should choose your company over the competition. **And your marketing plan** includes the tactical steps you'll take to get in front of prospective customers and sell your product or service.

It's also critical to have a clear understanding and consensus of where your company is now. Once you are clear where you want to go, it's critical to have a solid baseline of your current position. I often see situations where the CEO or owner is not fully in sync with the current state of the organization. Lack of visibility and KPI's hide faults and you are dependent on people coming to you with problems. Usually they wait until they become bigger issues that they should have been. The larger the organization, the less visibility you have.

When you are in the middle of the day-to-day running of your business, it can be challenging to step back and ask, "Who are we, where are we going, where are we now, and how are we going to get there?"

Mistake 3 – Your company cannot run well without your personal involvement.

When was the last time you had a vacation? What happens when you get sick or need to attend to an emergency? Do things keep running like clockwork or do things go to hell in a handbasket?

One of the most challenging responsibilities of a business owner is to develop staff and delegate to managers so the day-to-day functions of the business can proceed without their direct day-to-day involvement. And have you even thought of a succession or transition plan?

If you don't take control of passing things on, the business will never let go of you. Again, this takes some deep thinking and planning for how the business can run without you being there all the time.

But, if you take this on seriously, your business will be stronger and more resilient, not to mention that you'll get to enjoy many more renewing vacations!

Mistake 4 – Weakness of management and leadership depth (see #3)

Are you hiring people just to get the work done or are you hiring people who can grow, and take the reins to manage and lead?

Management and leadership are more than skills, they are mindsets. Do you want to hire people with the minimum skills and pay them a minimal salary? Or can you hire people who will be with your company for years and bring it profitably and successfully into the future?

Also have you learned to accept mediocrity from existing staff because of not wanting to address the problem?

Successful companies run on good people, innovation, and resiliency. But are you hiring for those qualities? If you're not, you're in trouble, because you haven't built a foundation for solid growth and success.

Mistake 4 – Deteriorating condition of your plant, infrastructure, equipment, and systems.

They say that an army marches on its stomach. And a company runs on its infrastructure, processes, and systems. Without food, you can't fight. And weak or deteriorating infrastructure and systems cause breakdowns, delays, and unmet objectives. This also increases costs by waste, rework and quality issues.

There is no system that can't be improved, streamlined, or optimized. This results in greater effectiveness and efficiency throughout a company. But do you have initiatives, systems, and rewards for improving your systems, cutting costs, and simply making things work as best as they possibly can?

This is an area where you can impact some of the items "out of your control".

- Interest rates are controlled by the Fed. But underperforming companies can find themselves less credit worthy and pay more points over prime or be forced into risk lenders. Performance to plan can keep you at better rates.
- Cost of raw materials. You have impact in this area by;
    - Minimizing waste and rework.
    - Smart inventory management to minimize freight costs and expedited shipments.
- A high growth and profitable company with solid core values can attract and retain key employees. Also, employee engagement and retention are improved by clear expectations and communications. Eliminate the "priority of the day."

Continuous improvement must be a priority in the entire organization., Shifting priorities and fighting fires takes management away from strategic issues that they should be dealing with.

Remember all companies can function in a strong economy, but underperformers struggle in downturns. Low tide uncovers a lot of rocks!

Mistake 6 – Lack of in-depth KPI's, documented processes, and quality documents for management and planning.

Better profits and higher valuation require you to produce consistently good results. It's critical that you accurately measure those results so you actually know how well you did and what you can improve.

KPIs or Key Performance indicators need to be closely tied to your strategy. If not, you're measuring and monitoring things that are not important, and you can't make the decisions that will ultimately improve results. Many companies I've seen over the years manage from the P&L, which is a lagging indicator at best. It shows a problem occurred but doesn't provide the cause. Trended KPI's might have prevented the problem. **The decision must be made to be proactive rather then reactive!**

There is no shortage of data and information inside most businesses, but do you know how to isolate the most important data with easy-to-interpret documents that tell you when you're on the right track and where you've gone off course? Do you have a process to trend this data for continuous improvement?

Mistake 7 – Not Managing Your Cash Flow

One of the first places to improve cash flow in inside your company! Cash comes from providing a customer a product or service that meets their expectations at a cost that they agree provides value at the price they paid for it.

Poor cash flow starves innovation and growth. Make sure you have your internal uses of cash Under control. Such as:

- Obsolete or slow-moving inventory.
- Mishandling material resulting in damage and loss.
- Poor quality or service resulting in credits or rebates.
- Poor scheduling resulting in excessive changeovers and overtime.
- Over reliance on one or two large customers demanding extended payment terms.
- Waste and rework resulting in excessive scrap.

- Lack of visibility and trending or internal cost issues.

Historical profitability and performance are key to access to capital at acceptable rates. The cash may be from external sources, but availability and terms are driven by internal management.

What's Your Ultimate Objective?

Transition is something every business owner will face. Not all will sell, but If a potential sale is in your future, you need to position your company at least 3 years before you plan to sell. **In any case you should always be "ready to sell."**

According to the International Business Brokers Association (IBBA) a full 90% of businesses never sell at all. This isn't just a statistic, it's a tragedy. After building a business for 20, 30 or 40 years and hoping to sell at a profit upon retirement, only 10% of business owners are able to realize that dream.

Getting your business ready to sell isn't a superficial or quick process you can do in a year or two. It needs to be an ongoing process of doing all the things outlined in this report. Then you'll have a business that's ready to sell when you want to or need to.

Even if a sale is not in your immediate plans, "ready to sell" allows you to attract:

- Credit facilities or equity at more attractive rates.
- Marque customers, those that add value to your company through strengthening your brand.
- The ability to attract and retain key employees. Great people want to work where there is real opportunity for advancement. Profitable growth creates those opportunities.
- Better relationships with suppliers and ability to negotiate better prices.

All of the above makes your life and business run better and creates real value.

As I said I'm Martin Harshberger. **As a founder and CEO of two companies** I was in a position to interact and observe many companies large and small. My value-added logistics company worked with some of the biggest names in the tech industry. Since we were essentially outsourcing a segment of their logistics operations, we were able to see the inner workings of these organizations.

My experience as both a CEO and a coach is that many business leaders are stressed, frustrated, and even questioning themselves. I know from experience I felt that way often. Let's face it the rewards of running a company can be significant, but the risks are as well. You have a significant portion of your personal wealth tied to the success of your business. Valuation is key to your personal success.

I've published two books entitled "Bottom Line Focus" and "Conscious Business Development". The message of those books is there is no magic bullet. It takes serious commitment and clarity to drive predictable, profitable growth. And it all starts with you!

Can I help your company? I wouldn't presume so until I talk with you. If any of this resonates with you, let's schedule a call to learn more about each other.

There's no obligation and maybe we can learn something from each other.

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