



## Some Good Ways To Ruin A Business

By John Towler

It has often been said that we learn from our mistakes. This is truly wonderful, since we all seem to make so many. Businesses are no different, and all too many businesses have failed because of their mistakes. However, if we can learn from their errors, we can increase our chances of success. Here, then, are some of the most common goofs that can lead businesses into deep trouble and failure.

**Letting Enthusiasm Run Rampant.** Whether you are starting up a business, developing a new product or service, or simply changing your department, there is a very real danger in letting your enthusiasm run away with you. You must be enthusiastic and optimistic or you wouldn't be doing this, but the danger is that your enthusiasm could cloud your judgment. Be realistic. Too many firms have failed because they got carried away. Just because you love French-fried cucumbers, it doesn't mean that you should sink your life savings into a quick delivery cucumber shop.

**Not Having A Business Plan.** Weddings, bar mitzvahs, and cocktail parties are planned in advance, but you would be amazed at how many businesses fly by the seat of their pants. Having a plan means thinking out what you want to do, how you want to do it, how you will make it happen, and even such mundane matters as how much profit you want to make. Not having a plan means that since you have no defined goals, any place you end up must be okay, if indeed you even know when you have arrived. If you don't know how to develop a first class, thorough business plan, learn how to do so or hire someone to help you.

**Being Secretive, Not Seeking or Taking Advice.** The road to ruin is littered with the bodies of business that figured they knew it all, that no one could tell them anything and that what they didn't know couldn't hurt them. In this complex world of ours, no one can hope to be an expert in everything, and this certainly applies to the business world. The good news is that there are more experts and professionals out there to assist you than ever before. Regardless of whether it is a question of what kind of machine to use, the best computer software to buy, how to set up a staff benefit plan, or how to develop a marketing plan, there are people who know more than you do and have more expertise in that area than you will ever have. Failing to call upon them just doesn't make sense.

**Under financing Your Operation.** Even if all your plans are in order, misjudging the financial cost of doing business can put you under. Again, your enthusiasm may kill you. Base your financial requirements on the worst-case scenario, and assume that you will do only half as well as you hope. Do you have the financial resources in place to carry you until you can turn things around? Many businesses have found themselves in deep trouble when their hopes didn't pan out and their creditors demanded

payments. You can't afford to hire any but the best and to train them to become even better.

**Ignoring Staffing and Training.** One salesperson, short-order cook, driver, or whatever is the same as another, right? Wrong! Any business is only as good as the people who are part of it. A poorly selected employee, or even a good one who is inadequately trained, can do your business more harm than almost anything else. The surly salesperson who turns customers off, the clerk who makes mistakes at the cash register, the argumentative driver who irritates your clients, or the controller who is beyond his or her depth can quietly sabotage your best laid plans. When Andrew Carnegie was asked how he became so wealthy, he replied, "I always hire people who are smarter than I am. " You can't afford to hire any but the best and to train them to become even better.

**Ignoring Your Customers.** This one is so simple, it may seem ludicrous even to mention it, but you would be amazed at how many businesses either don't know who their customers are or don't know how to treat them. Who really buys your products or services? How old are they? What are their educational levels? Where do they live? What are their lifestyles? You should know the answers to these and a host of other questions if you want to stay in business. This is the "information society," and you must learn how to get it and use it. There are simple, cost effective ways to find out exactly who your customers are and what they want.

Let me give an example. A record shop had an analysis done of who actually bought which kinds of records in their shops. The results showed that one shop sold mostly classical music to an older, affluent group of customers who lived in five specific areas in that city. Most of another shop's sales came from popular and dance music purchased by young singles that lived within five miles of the shop. This knowledge enabled the owners to carry the appropriate stock in each store, to decorate the stores to suit the customers who bought there, and to develop a mailing campaign that gave each shop the maximum return.

Not only must you know about your customers, you must also treat them properly. Again, this seems like common sense, but it is a major reason for failure in many businesses. Train your staff to give the best possible service and make sure it is better than your competition's.

Dissatisfied customers seldom complain to you; they just won't deal with you again. However, they will complain to others, and studies have shown that the complaints of each are likely to reach the ears of at least 20 other people. Hence, one dissatisfied person can cost you 20 potential customers. On the other hand, a happy customer will tell at least one other person about you and will continue to buy from you. Assume that your average customer spends \$1,000 a year in your business. If they bring you one additional customer, you now take in \$2,000. If you keep them happy, both will deal with you for an average of 10 years, making you a total of \$20,000. On the other hand, that one dissatisfied customer can lose you \$1,000, multiplied by 20 for the others to whom he or she will complain. Over a 10 year period, this could amount to a loss of \$200,000. This is the price of poor customer service!

**Believing Busy Means Profitable.** Some businesses seem busy, going full tilt with a staff that is run off their feet. Yet, within a short while they are bankrupt. What went wrong? They didn't watch the numbers. They thought being busy meant they were

making money. One fast-food outlet was delighted with its rapid growth. More and more people were coming in every day and the cash was flooding in. However, it was out of business in a few months because it had not realized its pricing was wrong, that its wages were out of line, and that by selling more and adding more staff it was, in fact, getting deeper and deeper into a hole. The moral is, watch your costs.

**Using Outdated Technology.** There seems to be an inertia factor that prevents a business from using technology to give it a competitive edge. That old machine may seem efficient, but even an investment of several hundred thousand dollars could pay off in better quality, greater productivity, higher customer satisfaction, and better profits. The application of up-to-date techniques and the use of computers can pay off for you in ways you may not appreciate. Many people who have not grown up with computers are not comfortable with them and fail to see what they can do. A case in point was a woman who owned a highly successful shop that sold used designer clothing. The problem of keeping track of the more than 2,000 clients, each of whom brought her several garments, became monumental. The staff time required to write up and maintain records sent the cost of operation through the roof. The owner had no experience with or knowledge of computers, but she wisely hired someone who set up a simple computer system, enabling the staff to record garments as they came in and the sales as the garments went out. The expenditure of a few thousand dollars for a computer, some software, and staff training resulted in greater efficiency, better working conditions for everyone, and higher profits. Not knowing about technology is no excuse for not adopting it.

**Ignoring Internal Conflicts.** An old saying is that if you take care of the little problems, they never become big ones. How true this is, and where it applies to people it's a rule of operation that cannot be ignored. Only one or two disgruntled and discontented employees are enough to start an internal rot that can spread throughout your firm. It is absolutely irrelevant that you think their problems are ridiculous, unwarranted, or of little importance. It most certainly is not that way to them; the danger is that unless you listen and do something, you will have a major problem on your hands.

All too many companies have found themselves unionized because they didn't listen or didn't pay attention to what their employees were telling them. One firm with a loyal and stable workforce received a report from supervisors about conditions and practices that were causing dissension. The managers thanked them for their efforts and did nothing. Within three years a union was in place. Guess what issues appeared in the first set of negotiations? You've got it: the items presented to the managers three years before!

Companies that fail to recognize the value of their people usually end up in trouble, and the shame of it is that it all could be avoided so easily. People are the backbone of any operation, and they are a resource that is usually underused, poorly recognized, and improperly supported. The best and most successful firms realize that most of their assets go home every night.

There are many more ways to ruin a business, but these are some of the (dare I say it?) more popular ones. Regardless of the business you are in, you can be more successful by learning from the mistakes of others.

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