

Skill Builders Newsletter

SEVEN COSTLY MANAGEMENT MISTAKES



And How You Can Avoid Them

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Avoid these costly mistakes in your management practices:

1. Trying to do it all yourself
2. Failing to understand the true meaning of marketing
3. Failing to avoid the pitfalls in hiring friends or family
4. Failing to take action on unsatisfactory employees
5. Failing to follow the principles of profitable cash management
6. Failing to ask for outside help
7. Failing to develop good hiring skills

Even in the best of times, life as a woman in business means dealing with a full measure of challenging decisions, any one of which can have a negative impact on your operation. Now, with today's unstable and unpredictable business climate, even tiny management errors hold the potential for serious damage to your bottom line.

Here are seven common and costly management mistakes along with advice from the experts on how to keep them from harming your business this year -- and in all the years to come:

1. Trying to Do It All Yourself

You've heard it said many times -- if you want something done right, do it yourself. That's a classic philosophy with an undeniable grain of poetic truth. However, when it comes to running a complex business, too many owners and managers suffer from a dangerous overdose of do-it-yourself-itis.

A failure to understand the importance and the necessity of delegating is one of the most common mistakes that hinder growth in small businesses, according to the experts interviewed for this story.

"Just because you can complete a task, doesn't mean you should," says Management consultant Andrea Michalek. "Anything that is not a core-competency of your business should be outsourced. Without hiring any additional employees, it's now possible to get the outside help you need at prices you can afford."

"Some business owners go broke saving money," says consultant Wally Adamchik. "Rather than outsource their web design and maintenance, for example, they do it themselves, just because they can. Of course, this takes them away from high impact work like marketing. They are saving money doing their own web thing but they are losing money in the long run by doing it."

If you find yourself neglecting some of the basic responsibilities of your business such as marketing and customer relations, it's probably time for you to put more trust in other people. Given a chance, many will surprise you with positive results.

2. Failing to Understand the True Meaning of Marketing

Many owners and managers are so busy dealing with day-to-day operations that they never get around to putting together a business-building marketing program.

That's a serious mistake. Marketing is a basic building block in the construction of any business. Yet, many owners shy away from all but the most obvious ways to promote their businesses. For some, their entire marketing program consists of an expensive ad in the Yellow Pages.

While advertising is an essential part of marketing, it is only that -- a part. An effective marketing program requires much more than advertising. Marketing embraces all facets of your operation. To be an effective

marketer, you must nurture and promote your business image, sell yourself as well as your business, and concentrate on making every customer a satisfied customer. There is no other way. Competitive prices alone won't do it. A high degree of professional skills alone won't do it.

Marketing is a complex fabric woven of many threads. Every owner should spend a reasonable part of her time learning what goes into the makeup of a complete marketing program.

Too many small business owners stammer when asked, "So what do YOU do?" says Michalek. "Referrals and word-of-mouth marketing are two cost-effective methods to grow any business. If you cannot succinctly express what you do and whom you serve, you're shutting the door on your best source of new customers."

3. Failing to Avoid the Pitfalls in Hiring Friends or Family

Many business owners owe their success, at least in part, to an employee who is either a relative or a friend. When such a relationship works, it can work very well. Still, when it doesn't work out, it can be disastrous.

"You should use extreme care in bringing a friend or relative into your business," says author and career consultant Katharine Hansen. "If the relationship doesn't work out, terminating it can be a serious problem."

Hansen tells of one business owner who hired her own sister. "Now she'd like to sell the business to go back to college teaching, but finds herself responsible for her sister's employment. This is but one example of the kinds of unexpected traps that lie in wait for business owners who hire friends or family."

4. Failing to Take Action on Unsatisfactory Employees

Discharging an unproductive or disruptive employee is the sort of unpleasant task that most business owners dread. However, failing to take action when necessary can be a costly mistake.

"Not firing a problem worker is one of the worst operating mistakes you can make," says James Walsh author of *Rightful Termination: Defensive Strategies for Hiring and Firing in the Lawsuit-Happy 90's* (Merritt Publishing 1997). "It keeps the problem worker around to create more trouble, making a bad situation worse. That's not fair to you or to your other employees."

A single problem employee in a business with a dozen or more employees can represent a serious threat to productivity and profits; in a smaller operation, it can be deadly.

"Failing to terminate a problem employee can result in added stress on other employees who may have to take on more work, and dissension among those who can't understand why the employee is being kept," says management consultant Linda Hanson. "All of this, in turn, can negatively affect the treatment of customers."

In short, once you identify a disruptive or unproductive employee, it's best to face up to the unpleasant task of terminating the relationship. Postponing it can only lead to a more serious problem later on.

5. Failing to Follow the Principles of Profitable Cash Management

Making the sale is only the first part of a profitable business transaction. How you manage the revenue generated by your sales will have a great influence on how much of that money finds its way to your bottom line.

Profitable management of cash flow calls for never allowing any of your money to lie idle. The worst place to deposit your daily receipts is in a low-interest/no-interest checking account.

Instead, open a money market account at your bank and have it linked to your checking account for telephone or online transfers. From that point on, deposit your daily receipts into the money market account where they will immediately start drawing interest. NEVER deposit receipts directly into your checking account. Keep a minimum balance in the checking account and transfer cash by phone or online only as needed to cover checks written.

While money market account interest currently may be only slightly better than checking account interest, this is a temporary situation. Over the long term, the difference is likely to grow significantly.

Worst money sin of all: leaving checks or cash lying around in a desk drawer until you can get to the bank. Using every cent of your money to make money is the smart way to bolster business profits.

6. Failing to Ask for Outside Help

"By their very nature, entrepreneurs are independent thinkers," says management consultant Carl Robinson, Ph.D., Seattle WA. "That's why they are often reluctant to reach out to others for help in areas where their own experience may be lacking. I feel that any small business owner will benefit from forming a peer group made up of owners of non-competing local businesses. This is an excellent way for a business owner to benefit from a no-cost advisory board. In a successful peer group, everyone helps everyone else through the exchange of experience and ideas.

“A good place to locate potential members of a peer group,” says Dr. Robinson, “is one of your local service clubs such as Rotary, Kiwanis, or Lion’s Club.”

7. Failing to Develop Good Hiring Skills

“One of the most common mistakes small business owners make is hiring poorly,” says consulting psychologist Carl Robinson, Ph.D. “Most small business owners have never received any training in selection and assessment of people. As a result, they tend to fall victim to every “interview bias error” known. If you make a single poor hiring decision, especially if you have fewer than ten employees, you can be derailed big time.”

Among the suggestions Dr. Robinson offers are these:

- Prepare interview questions in advance. Take notes so that you won't forget what the candidates said. I guarantee that you will either forget what the first interviewee said or mix his/her responses with subsequent interviewees if you don't take notes. Ask each candidate the same questions so that you can compare answers and more accurately compare the candidates.
- Don't go too far too fast. Don't make a hiring decision based on your first interview. Take your time. Compare candidates.
- Make the candidates feel comfortable - they reveal more if they aren't on guard. If you make the interviewees feel like they are being interrogated, you'll learn how they respond to questioning under pressure but it's unlikely they'll tell

you much revealing about themselves if they are on the defensive.

- You must sell the candidates on the job and you, but don't talk more than 20% of the time. Let the candidates do most of the talking
- Ask open-ended questions. Avoid questions that can be answered with a simple yes or no.

There is, of course, much more to skillful hiring techniques. Author Walsh, advises starting with what hiring experts call structured questions. “Ask them of every candidate and base your comparisons on their answers.” He suggests using a standardized worksheet to do this, checking off each applicant's strengths against the job skills required for the position.

These seven missteps aren't the only management errors that can negatively affect your business, but steering clear of them can go a long way toward optimizing your bottom line.

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*Continue Building
Your Skills*

Seven Costly Management Mistakes And Seven WIN Team Training Tools to Help You Build Your Skills to Avoid Them

1. Trying to do it all yourself: “Building a Collaborative Team Environment”
2. Failing to understand the true meaning of marketing: “Goal Setting and Measuring Results”
3. Failing to avoid the pitfalls in hiring friends or family: “Selecting Team Members”
4. Failing to take action on unsatisfactory employees: “Managing Team Performance” and “Managing Team Conflict”
5. Failing to follow the principles of profitable cash management: “Team Roles and Responsibilities”
6. Failing to ask for outside help: “Working With Your Supply Chain”
7. Failing to develop good hiring skills: “Selecting Team Members” and “Creating A Team Charter”

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