Ten Horrific Business Mistakes

During 40 years as a businessman I have made several foolish business mistakes. Many have caused the painful end of an aspiration to build an award winning business. When it comes to folly, however, I am far from alone. There are legions of “wannabes” who have killed their dreams as well. They range from small mom and pop operations to global juggernauts. In my personal world, I can count at least several companies within my investment portfolio whose business founders did the unthinkable as well.

Will I continue to make the same mistakes in the future? The scars on my back are a powerful reminder not to do so. Have I learned from past errors? One would hope so. As a warning to other business builders hoping to celebrate utopia, here are the ten most significant company-killing mistakes leaders must avoid at all cost. Please note that any one of the following is a death knell:

1. **Dishonesty**

Every day we read of business leaders who are crooks. They have lied, cheated and stolen the assets of shareholders, employees and vendors. They have knowingly engaged in unethical, immoral and criminal behavior in the pursuit of self aggrandizement, power, and wealth. They have carefully hidden their misdeeds hoping to avoid the bright light of truth. How often do we see managers make a promise to a client, an employee or an investor to learn later that they never intended to keep it? Sadly, it’s a common occurrence in America. It’s my belief that the quickest path to destruction, for both the individual and an organization, is a manager without integrity. It’s also just a matter of time until such nefarious behavior becomes known and results in the collapse of the enterprise and its people.

2. **Corrupt Culture**
Organizations that mistreat employees and abuse customers are ripe for failure. Firms that base their philosophies on “win-lose” thinking, seeking to take advantage of relationships, can neither survive nor prosper. Such an approach generally begins with leadership that is arrogant and greedy. They, in turn, hire and promote managers of the same attitude and behavior.

3. **Terrible Money Management**

Many firms with excellent potential for growth and fame are brought to their knees by leaders who do not know how to manage cash. The worst case is a company that runs out of money and is unable to make payroll, accounts payable and loan payments. Often, company management has not developed a financial plan that considers three scenarios: conservative, expected, or extraordinary performance, and what to do financially with each situation. Or they have a plan, but don’t follow it. Unfortunately, the moment company leaders learn the company is insolvent; it will be too late to fix the problem.

4. **Pathetic Revenues**

Companies that don’t generate sufficient sales with appropriate gross margins are doomed to fail. No firm can grow or prosper without planned revenue attainment. If there are insufficient paying customers, both current and potential, to sustain an enterprise in the short and long term, economic viability is questionable. Likewise if management is clueless on routes to the customer, is not providing a competitive solution to client needs and has miscalculated pricing, there is little hope for the enterprise.

5. **Customers Are Not Relevant**

Company leaders who don’t listen to and respond to customer needs are facing financial disaster. Sadly, these managers believe their products are compelling; that they are well designed and correctly manufactured. They see no need to talk to potential buyers. They also see no reason to innovate to develop new offerings. They suppose customers will never seek improvements or that competitors will never surpass them. They allocate no funds to research. Customers don’t care for their products and don’t buy them.

6. **Dreadful Customer Service and Support**

Managers who do not take care of customers are destined to fail. Leaders who over promise and under deliver will watch a steady stream of their unhappy customers head for the door, while also telling their friends to shop elsewhere. Managers who mistreat, abuse and disrespect customers will not be successful.

7. **Customer Concentration**

Companies that engage with one very large customer are at high risk. This assumes that the predominant client represents more than 50% of company revenues. I have seen several companies declare bankruptcy when the big buyer selected another vendor or pursued another strategic direction. In either case, these small providers could not recover the enormous loss of revenue and were unable to sustain the business.

8. **No Vision, No Strategy**

When leaders do not understand why the company exists, or have a clear and
knowledgeable view of what it can become and how to achieve it, the
organization will not survive. This is a firm with the wrong people at the
helm. I suppose they change direction on a frequent basis hoping to find their
way. They dither and meet continually seeking for answers that don’t arrive.
They try hard, but are naive. They are lost and don’t know it. They are aboard
a ship that’s about to collide with an iceberg.

9. No Priorities, No Processes

Firms that fail don’t have key objectives. Furthermore, they have not
developed repeatable steps to accomplish core tasks. These managers engage
themselves in meaningless activities that miss the mark. Their motions do
not represent progress. Their employees are not productive. They look busy,
but accomplish nothing. Without written processes that are clear, concise and
thoughtful, employees commit errors. Time is wasted. Money is lost.
Efficiency is lacking.

10. Wrong Workers

Hiring the wrong people can kill an organization. If they are incompetent,
tasks won’t be accomplished. If they don’t fit an exceptional company culture,
they will be disruptive and negative. If they are dishonest, they will steal and
lie. If they are not happy, they will abuse customers and fellow employees. If
they are not capable of growing professionally, they will not improve and
contribute to the organization. If they are not committed to the company,
they will leave in the near term.

There are, of course, other factors that also contribute to business loss. These
are the ones I have personally experienced or have seen in other ventures.
Today, I have described what I view to be the Top Ten serious business
mistakes. In another column I will contrast this list with the Top Ten
principles for generating high flying success.

In the meantime, I invite you to share your own stories on what makes or
breaks an enterprise. You can reach me here via Forbes, or at my personal

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