

# BMGT 299: Entrepreneurship Capstone

## Unit 11 Course Materials



### **! Pitfalls & Helpful Hints!**

I once heard a phrase that went like this: “No one ever got hit by a train when they saw it coming.”

Good advice. In this learning unit I want to discuss “Pitfalls and Helpful Hints” – common experiences many entrepreneurs have shared. It sometimes involves that “*Inner voice*” that keeps you questioning the decision to take on the risk of a business. You think about it day and night – at night it keeps you up thinking of your next move. These feelings are interpreted as “exhilaration” in an entrepreneur.

“Worry” on the other hand is destructive when it keeps your mind “off the ball” – and putting resources and time towards things that you can’t change. But, think of this; what state of mind would you prefer to be in? A state of relaxation or a state of stress? – Most people prefer relaxation. But what if the question is; “What state are you more productive? Relaxation or Stress?” – And the most common answer is “stress.” So sometimes stress tells you what is urgent and needs your utmost attention – and this is good, but if you spend your day so “worried” and “stressed out” nothing positive gets done.

Your business adventure is just that, an *adventure*. Enjoy the challenges and rewards – in the end, it is about the journey. Get excited!

Common Pitfalls I am talking about include:

#### **Pitfall 1: Giving up too soon.**

The reasons for giving it all up can include the perception of “it being harder than you expected.” – The first years of your business will be spent “paying your dues” to grow your business to a self-sustaining basis. After that, retaining that level of profit.

Then again, “Harder than what?” – What did you expect? Don’t mislead yourself into thinking it is easy. It can be seen as fun, so enjoy yourself – just keep focused on your goals.

#### **Pitfall 2: You can’t take the “ups and downs” of cash flow.**

You have heard the phrase, “feast or famine” in regards to business ownership, farming, whatever. It may be the normal sales cycle (such as more sales during Christmas than in February) – so plan for it. It must be considered a part of your financial plan. Forecast and save accordingly. For support, talk to other entrepreneurs, they can share similar stories and how they overcame the challenges.

#### **Pitfall 3: You find you are in the wrong business!**

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The solution depends upon the cause – “Are you not happy doing what you are doing?” Don’t confuse this with having problems. Ask yourself if the bills were paid, would you enjoy what you are doing? Remember early in this course when you created a decision chart matching your personal and business goals with your choices of differing businesses. If you did this activity with much thought, you could avoid this problem. Maybe you find the business you bought held more liabilities than disclosed? What then? Be sure you investigate the reason the owner is selling their business. You often hear, “for health reasons”, “retirement”. and others. Be confident these are legitimate reasons – if the problem is they are losing money, then you want to be certain you can turn those issues around.

### Pitfall 4: **The wrong people**

It is very easy to be won over by a person in an interview and end up with more problems than benefits. These “bottle necks” in your business must be addressed quickly. Do your due diligence before hiring anyone. If it is a “partner” the difficulty level is high. Can you buy them out? What is their value to the business, if they are the brains behind the products you sell, it may be worth overlooking some social flaws. Know who you go into business with as much as you would select a spouse.

### Pitfall 5 : **The Activity Trap**

Are you always busy, but nothing seems to get done? (Diary your time over one week and look back to measure your success. Maybe you need to hire out some of the responsibilities that you are not meeting. Maybe you need to hire talent or skill that you lack. Whatever it is, clearly identify the needs and create a variety of solutions and select the best one.

If what is being done isn’t “mission critical” – consider re-prioritizing your time. You can’t achieve your goals until your business is financially sustainable, so reach that goal first – before moving on to new product offerings.

Is there a better way? If you can increase efficiency (process) while maintaining customer satisfaction, do it!

### Pitfall 6: **Where did all the money go?**

It is easy for amateur entrepreneurs to “surround themselves with the trappings” of being in business and losing sight on their product and getting them, satisfactorily to your customers. Custom Truck wraps are not necessary, (even if they advertise your business) until you focus on the basics. Spending time in the planning stages developing 50 new “possible” products that can never move forward until at least one is profitable and money can be re-invested. Focus on step one before focusing on step 9!

Money can disappear in a number of ways. You can steal it from yourself growing faster than profits will allow. People can steal it from you, from employees to customers.

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Freebies by the owner can undercut profits and send a signal to their employees that this is acceptable. Watch your pennies!

### **Pitfall 7: Inventory Overkill**

Pareto's Law states that "within any given group, a few items are important, but most are not."

Make certain you follow this law. Tying up dollars in inventory, or menu items, or...well, whatever applies to your business, will eventually suck out every dime you have.

### **Pitfall 8: Nice Guys Usually Lose**

Yes I know this sounds cynical, but I don't want you to look at it that way. When you start your business, you will engage in hassles and negotiations with employees, suppliers, customers, banks, governmental agencies and competitors. Sometimes it will pay to be unreasonable. The reason is simple, You will often be in the position of adversary.

**Final Note:** My intent is to point out some common pitfalls so that you can identify and avoid them. It is not to discourage you, rather provide you confidence that there are trail blazers before you that have faced similar challenges. Good luck!

There is no assignment for these Course Materials