It's a Slippery Business World
Top 5 Things Entrepreneurs Should Never Do

by Carol Frank

In business, even highly successful entrepreneurs make mistakes. Smart business owners are able to learn from their mistakes. Really smart business owners learn how to profit from the mistakes of others. You can learn from them too.

The trouble is, though, that many people are tight-lipped about their failures. Recently, I was able to talk twenty-nine highly successful entrepreneurs into telling me their secret business horror stories and how they overcame them. The forthright tales they spun became the basis of my book, Do As I Say Not As I Did!, Gaining Wisdom in Business Through The Mistakes of Highly Successful People. In sharing some of their stories with you I hope to spare you the headaches, sleepless nights, stress and money hemorrhaging they experienced. Whatever you do, you don't want to fall victim to these top five mistakes made by entrepreneurs:

1) BELIEVE BIGGER IS BETTER

It may seem natural to assume that bigger firms with hefty fees and impressive client lists are a good bet for entrepreneurs. But if you need to hire a PR firm, accountant, lawyer or other service provider you could make out better by selecting a smaller, hungrier entrepreneurial firm that will be as eager to have you as a client as you are to have their services. That's the lesson Amilya Antonetti of Soapworks learned when she hired a big public relations firm to help turn her all-natural soap-based home cleaners into a national brand. While she funneled her precious capital into the PR firm, Antonetti willingly went without a paycheck. Still her sacrifice did not pay off. The PR firm devoted its attention to its bigger clients and generated no results for Soapworks. Instead it sapped several years of the company's cash growth. Antonetti found a younger, more aggressive firm to handle her account, one that got her the results she craved using cost-effective marketing, consumer and corporate education, and guerilla marketing techniques. Soapworks products are now found in grocery stores, drug stores and health supply stores in close proximity to those of her billion-dollar competitors.

2) PUT ALL YOUR EGGS IN ONE BASKET

One is not only the loneliest number, but it is the scariest too. Businesses that rely on a single supplier, vendor or type of customer are only one move away from disaster as Gary Hoover discovered when his retail travel store Travel Fest took a dive because it was too dependent on the airline industry. Hoover had already sold two of his businesses to Dunn & Bradstreet and Barnes & Noble by the time he began Travel Fest and his newest business was also going extremely well. Travel Fest took off in the early 1990s as customers embraced its travel superstore concept of being open seven days a week offering everything from luggage to travel agents, language lessons and currency exchange services. Things began to fall apart, though, when cost-cutting airlines drastically cut travel agent commissions, an important part of the company's revenue. At the mercy of an industry he couldn't control, Hoover never saw the fatal blow to his company coming. He swears that he will never place himself in that position again and neither should you.

3) NEGLECT YOUR BEST EMPLOYEES

Change is a constant in business. How well you explain your soon-to-be-made changes to your employees – and indeed whether you bother to clue them in – can come back to haunt you. Jeff Taylor lost many talented people when he started Monster.com. Before developing the largest job and recruitment site on the Web, Taylor owned a 40-person advertising agency called Adion. Not wanting to dilute the strength of Adion, he invited only younger up-and-coming employees to join the fledgling Monster.com. All went well until he sold both companies to a multibillion-dollar firm

and stayed on to continue growing Monster.com. Just months later, he learned that many former key employees at Adion were leaving the new company because they felt left out. Taylor was able to woo about a third of them back with offers of jobs at Monster.com but it was too late to save the other two-thirds. Taylor realized that he kept his key employees in the dark about Monster.com and erred by not asking them to get in on its development. Now when he is working on developing new ideas and products he routinely involves his best employees.

4) TRUST EVERYONE

Keeping on top of all the details of your business is important even if you implicitly trust your partners, investors and key employees. Remember, it's not personal, it's business. For a lesson on what not to do, ask Judith Briles, whose venture as a hotel developer with a "friend" with whom she had worked on several profitable projects cost her more than $1 million. Looking back on it, Briles realizes she missed several red flags about her partner because she was too trusting. She didn't realize that her partner had a cocaine addiction and was doctoring and forging bogus invoices to fund her habit. To make things right, Briles had to sell her house and her family's clothes to satisfy her creditors after her partner declared bankruptcy. Briles got herself in this position despite having an MBA and a lot of intelligence. She resolved to never be taken advantage of again and went back to school to earn a Ph.D. in business administration with a concentration on behavioral sciences. She wanted to find out how she could have been so easily fooled. The experience changed her career direction and taught her the importance of knowing exactly where the money is going.

5) IGNORE YOUR FINANCES

Many people start their own businesses out of passion and figure that the financial side will take care of itself. Or, they may hire someone to take the burden off themselves, which is what Susan Jones Knape and her husband did when they started their advertising agency Knape and Knape. Jones Knape hired a CPA to be their in-house CFO based on his work with other public relations and advertising agencies. Then they fired the outside CPA firm they had been working with. Jones Knape devoted all her energies to growing her agency's client base and let the CFO watch the money. She was unaware of his history of mismanaging money at other companies and with no outside CPA firm to check up on him he proceeded to make poor decisions on her behalf, including choosing to pay media vendors instead of the IRS, which eventually cost her $350,000 in penalties and interest.

Now that you've read about some common entrepreneurial pitfalls, it's time to say to yourself, "Whew, I'm glad it was them, and not me. Now I know better."

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