Confronting Business Myths

I just got done participating in a SCORE Webinar that was taught by Barry Moltz. I wanted to listen to it because I enjoyed one of his most recent books called “Getting Small Businesses Unstuck”. The topic of the webinar today was “The 7 tools you need to grow your business”. In it he referenced several common business clichés and myths that plague small business CEOs.

So I got to thinking about small business CEOs that I have mentored that had a tough time dealing with some principles that they had heard or been told and they were trying to incorporate them in running their business. Unfortunately they are common business “myths” that simply won't deliver? Moltz has written about these in several of his articles and I have used them in my chats with SCORE clients.

Moltz comments that “small business owners believe a lot of myths about how to run their companies. These are things they assume to be true, but when put into practice, simply don’t work.” Here are some of his examples.

1. The customer is always right. If the customer was always right, every company would be out of business! Running a business at the whim of the customer will never lead to a profitable company. However, since the customer is always the customer, it is important to see things from their point of view, listen and empathize. The next step is to firmly set their expectations from the start so they will be satisfied at the end.

2. Build it, and they will come. This is not the Field of Dreams! Just because a founder builds it does not mean customers will line up to buy it. The corollary to this myth is that customers will always buy the best product. Success in business is really about building the best distribution and marketing for the product. This is where so many business owners forget to focus.

3. Sales is the most important number. Nonsense! In measuring financial performance, sales are vanity, cash flow is sanity. It makes no sense to grow the sales of a company if they keep losing money over a period of time. Is there less money at the end of the month than at the beginning? Fail! Successful small business owners focus on cash flow and know how to read their cash flow statement.

4. Team work is about building consensus. While the success of the company does depend on building a great team, let’s not get confused. Steve Jobs always said that consensus is not the same thing as collaboration. The leader sets the direction and the team needs to be able to effectively work together to accomplish that objective.
5. The financial numbers can be outsourced. No they can’t! Financial statements are the company’s score card. If an owner does not know where they have been, how can they know where they are going? Profit and loss, balance sheets and cash flow statements need to be reviewed and understood every month.

6. Customers only care about low prices. Some of the best companies in the country deliver low price and great customer service—like Wal-Mart, Southwest Airlines and Costco. Since most things are a commodity, small business owners will not be successful competing on price. They need to focus on the value their solution brings to solving the pain of the customer.

7. Under-promise and over-deliver. The myth is that if a company sets the expectations of the customer low, and then subsequently exceeds them, their satisfaction goes up. The truth is that if the expectations are set too low, the company will never have the opportunity to get or retain that customer.

8. Success is about making money. Sure, it’s one of the ways to keep score, but if the small business owner focuses on only getting rich, then he will never achieve it. Build value and cash flow from the company, and the financial rewards will always come.

9. Spend money to make money. The truth is that too much money can actually make the business owner stupid! Throwing a lot of money at a problem is proven to be wasteful and not an answer to any solution. Spend money carefully and measure each investment’s results.

10. Be active on all social networks. The truth is that social media can be a worldwide waste of time. The small business owner should find out where his customers' and prospects' conversations are happening. Then, focus consistently on that social media tool to become part of that conversation.

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Dean L. Swanson
Southeast Minnesota SCORE
c/o Rochester Area Chamber of Commerce
220 South Broadway, Suite 100
Rochester, MN 55904
www.seminnesota.score.org/

*Dean is a volunteer SCORE Mentor and Regional Vice President for the North West Region