

# Six Biggest Lessons Learned By Small Businesses And How To Apply Them To Your Business

Written by Carey P. Yates  
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Chances are you have read plenty of advice about how to run a business. It's easy to find helpful hints and inspiring success stories. But what about the mistakes you should take care to avoid?

As a banker I've seen well-intentioned, capable small business owners face some of the same challenges in a wide range of fields. To help you learn from their experiences, I'd like to share with you the six biggest lessons these business owners have revealed to us. Each of the six missteps are preventable, from strategic decision-making to everyday banking:

**Going it alone.** Some entrepreneurs trust only themselves, a partner, or a spouse when facing key decisions. However, it's best to include at least three other people in your decision-making: an attorney, a CPA, and a financial advisor or banker. This team of advisors should be dedicated to helping you succeed and communicating with each other to accomplish this goal. Without their specialized expertise you may not have the experience you need to understand all your options and choose the right path.

**Wearing all the hats.** "If you want something done right, you have to do it yourself" may sometimes be true, and for a cash-strapped start-up it's certainly cheaper. But as your business grows, it's essential to get help. Responsibilities such as bookkeeping, taxes, and payroll take up time you could spend serving your customers. Even more importantly, getting them wrong can be dangerous. Hiring a professional not only helps prevent errors, but shifts much of the risk to someone else.

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**Keeping your head down.** Focus and dedication are watchwords for the successful entrepreneur. But business owners also need to make time to seek wisdom in the wider world. For example, some business owners may not be aware that there's a fairly simple way to get their website ranked higher on Internet searches. If you are seeking wisdom every day this is the kind of useful information you will find. Research and planning for the future can seem like secondary concerns, especially when you're not sure where to go for information. Whether your quest for knowledge includes online research, trade shows, Chamber meetings, or networking with peers, it's a vital investment to make. Otherwise you risk missing out on ways to improve your business, such as funding opportunities for small businesses or educational resources to help you tackle tomorrow's challenges.

**Running lean on cash.** Small businesses need at least three months of cash flow in reserve to be ready for seasonal fluctuations or the inevitable dry spell. It is often difficult to do so, especially if you developed frugal habits when you just were getting started. Making a commitment to put cash away monthly can help, and so can a line of credit. Think of it as a sort of insurance policy: if you don't make the investment, the results could be devastating.

**Avoiding credit applications.** This mistake is a close cousin to the one above. Minimizing your debt may be a good goal for your personal life, but most businesses will require some level of borrowing capacity at some point. Applying for credit before you actually need it, and making a point of tapping your credit regularly and repaying promptly, will help you build a solid credit history and a source of ready cash when you do need it. In many cases, if you wait until you actually need credit it can be harder to get.

**Combining accounts.** Not separating business and personal accounts is a common error. It's an easy one to make when you're starting out and want to "keep it simple." However, co-mingling your credit cards and bank accounts makes it nearly impossible to get a sense of your business cash flow. It's even worse for doing your taxes, let alone justifying business expenses in case of an audit. Establishing dedicated business accounts lets you start building a credit history in the business' name, which can make it easier to secure financing.

Do any of these sound familiar? To avoid these and other pitfalls, take a long look at the way you work, and make sure you are following business practices that will keep your business headed towards success.

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