

Misconceptions on Business

When discussing business concepts with people I find they focus on the wrong ideas. I thought I would go through the major ideas that I think run contrary to many people's conceptions.

1. Your craft, skill and/or expertise is not how you build a business.

Great skill makes you a wonderful asset to someone who knows how to run a business. However, I'd bet on the success of a plumbing business run by a guy who knows how to create a customer experience, get customers, manage money and knows absolutely nothing about plumbing rather than betting on the success of a master plumber running a business.

2. Don't underprice your product.

I've never met someone who is running a failing or stagnant business because their prices are too high (though it is possible). You can't just pay your costs, and throw in profit to live on. You have to finance your growth, finance your ideas to constantly improve your customers' experience, and finance good margins for savings to survive a recession. Most people would rather pay 20% more in non-retail businesses for a good customer experience (maybe even in retail?). People will also attribute a higher perceived value when you charge more.

3. Measure everything.

Most businesses blindly throw money in directions without knowing the details and results. This isn't just small companies. Most large businesses have burdensome internalized interests that make the business unresponsive and inflexible.

The rule I have in my business is that I am unwilling to invest in an advertising method if I can't measure the results. I ignore any information that is unquantifiable. I could write a book about how many of my assumptions were destroyed by actual data and analysis ... that would actually be a good book that I haven't seen, maybe I could title it *Analytics for Small Business*. Getting information is much easier than you would assume, it just takes some creativity and a little bit of effort to write it down.

4. Value your time properly.

Your time is the most scarce resource you have and you can't do everything at the same time. This means that you need a way to quantify your work time. Are you doing work that can be replaced by someone making \$15 an hour and forgoing doing sales work that can

make you \$50 an hour? Hire someone. Are you spending time with a particular customer to such a degree that you have low hourly pay from them? Raise their price to make the value up or drop them as a customer.

I have other ideas on business, but these are the ones that I find most people get wrong to some degree.