13 Business Mistakes That Can Nearly Break You … Literally

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Neil Patel is the co-founder of 2 Internet companies:
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Through his entrepreneurial career Neil has helped large corporations such as Amazon, AOL, GM, HP and Viacom make more money from the web. By the age of 21 not only was Neil named a top 100 blogger by Technorati, but he was also one of the top influencers on the web according to the Wall Street Journal.

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In the last nine years, I have founded nine dot-com companies. Most of the companies failed miserably and lost me about a million dollars, but luckily a few did well enough to cover my losses. Looking back, the main reason I had so many unsuccessful ventures is because I made some really big mistakes. Hopefully, learning from my mistakes can help you avoid some of the same pitfalls.

1

Don't spread yourself too thin
A lot of good opportunities will come your way and your gut reaction will be to do them all, but don't. I made this mistake and what ended up happening is that all of my businesses suffered, even the ones that were doing well. Within 3 to 6 months of me spreading myself too thin, all my businesses suffered because I hadn't spent enough time on any of them, even though I had employees and business partners who were helping me out. Remember, no matter how big or small your business is, you have to spend all of your time on it.

2

Pick the right business structure

Not only is it important for you to incorporate your business, but it is also important to pick the right business structure. It may not seem important when you are starting your company, but once you start making money, it becomes a huge deal. For example, my accountant tells me that if your company makes under $200,000 in profit a year, a C corporation is good for you because of the tax benefits. If you make more than that, consider getting an S corporation or a limited liability company.

I found this out the hard way. When my company started profiting seven figures a year, I discovered I had the wrong type of corporation. I ended up getting taxed twice—the company paid taxes on the profit and then I paid taxes on the dividends I got from the company.

3

Don't get ahead of yourself
Entrepreneurs have a tendency to get trapped in a Wonderland, in which you start dreaming about how much money you're going to make. I hate to break it to you, but dreaming is unproductive. There is no possible way you can predict how well you are going to do. *So stop dreaming!*

Over the last nine years as an entrepreneur, I can't imagine how many wasted days and even months went by because I dreamed about

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making money instead of working on making it. If you are going to follow someone's word, follow Nike's…*just do it*. If you want to be rich and successful, you have to work hard. There is no short cut.

4

Be careful whom you trust

I was working with a few developers and engineers for three months and they came to me with a business proposition. The first three months of working with them went well, so I decided to hear them out. The business opportunity they presented was supposed to revolutionize the hosting industry, but the catch was, they were broke. I ended up dumping four to five figures into the company every week, buying them a house to live in, and giving them some money for living expenses.

In the end, they took my money, stole from the company, and ruined the house. No matter how well you think you know someone, be careful, because you don't know who is going to take advantage of you. One stupid mistake can cost you thousands of dollars.

5

Hiring doesn't solve all of your problems

Here are the four big mistakes I made when I hiring people:

1. Just because someone did really well in their last job doesn't mean they are going to do well in your company. For example, if they were a rock star sales person that worked for your competitor, it doesn't mean they will be a rock star sales person for your company.

2. Hiring more employees is a lazy man's way of solving a problem. If you want to increase your sales, try to do it yourself before you hire someone. In the long run you should hire employees if you want to grow your business, but make sure you first know what problems these employees will face or else you will have a tough time managing them.

3. There are a lot more costs associated with hiring an employee than just their salary. Their office space, insurance, computers, and other expenses add up. The biggest of these expenses is managing the employees themselves.

4. Using virtual employees sounds great at first, but in reality, some people aren't very efficient when they work remotely. If you have any off-site employees, consider using efficiency tracking software to see how they spend their time.

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Make your employees accountable

If you don't set up and enforce some standards with your employees, they may start slacking off after a while. If you travel frequently like I did, they may really take advantage of the situation when you aren't there. The first day a new employee starts, be sure to make your policies clear, otherwise it may become difficult to change their habits later.

During my first few years as an entrepreneur, I didn't hold any of my employees accountable. Every time they told me something, I took their word for it. On top of that, I didn't correct them when they came in late, and after a while, it became a daily habit.

To solve this problem, I began using project management software and made each of my employees upload what they completed at the end of each day. This way, I was able to keep track of what each employee did.

On top of that, I made everyone clock in and out. This allowed me to see who came in on time and who didn't. At first, I didn't think it was a big deal that a few of my employees came in 30 minutes late each day, but over the course of a year, it added up to over 3 missed weeks.

7

Collect your money on time

Making money may seem like a hard thing, but collecting money from people who owe you can be even harder. In 2008, I worked for 8 companies that never paid me. This wasn't a few dollars either—a few companies still owe me over $100,000. Sadly, I don't think they will ever end up paying me.

In all your business dealings, be sure to collect your money upfront before you provide any service. No matter how large a company may be, they can still go bankrupt. Contracts and debt collectors won't help much if the company doesn't have any money.

If, for some reason, someone does owe you money, keep after them until you get paid. If you act like you don't need the money, you'll never get paid. But if you keep on top of them (I like to refer to this as whining), hopefully they will eventually pay you.

8

No detail is unimportant

You can't be in control of everything forever. Eventually, you'll have to pass off your bookkeeping to an accountant and your hiring to a recruiter. You might even have to pass off managing these people to someone else in your organization.

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Although you might not be able to do everything, you still should know what's happening in your company. Even the smartest employees can make mistakes, so if you know what's going on, you might be able to prevent them.

For example, just a few weeks ago, I realized that my web hosting bill was costing my company around $300,000 a year. Because I wasn't paying attention to it, I didn't work on cutting it down. After a few short conversations with my hosting provider, I learned how to save over $90,000 by prepaying some of the fees.

9

Time is not on your side

Especially with your first company, you will want everything to be perfect. The reality is, there will always be problems and nothing will ever be perfect. So instead of trying to make everything perfect, just launch your company before someone else beats you to it.

With my first software company, I wanted the software to be perfect before I launched it. I took so long in trying to make the software perfect that Google launched a competing product before I did. After that, I had no chance of succeeding because Google's product was free and mine wasn't.

10

Be cautious about advice

When I started my first business, a lot of people wanted to give me advice. Every time someone gave me advice, I followed it, because I figured they were more successful than I was. Instead of their advice helping me, it caused me to run around in circles and make more mistakes.

I am not saying that you shouldn't listen to people, but don't take their word for everything. It doesn't matter if they sold a company for a billion dollars – they probably don't know your business as well as you do. Do your homework and make sure the advice people are giving you is right for your business.

11

Don't be afraid of the unknown

With my first business, I wasn't able to accept payments online. I didn't know how to and I was afraid of the problems it could create. While that may sound stupid, as a 16-year-old, I didn't know any better.

In the end, my fear of accepting payments online was one of the biggest reasons my business failed. Instead of being afraid of it, I should have done some research on how to accept credit card payments and deal with the implications of charge backs.

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If you are afraid of something that you aren't familiar with, just deal with it. The worst that could happen is that you'll stumble along the way.

12

Money doesn't solve problems, it causes them

If you think money is what you need, you're wrong. Having less money can spur creativity and allow you to come up with unique ways to accomplish what you want.

Plus, the more money you have, the more comfortable you become. The more comfortable you are, the more your business will suffer.

For example, with my first company, I didn't have much money, so I had no choice but to figure out how to make it profitable quickly.

On the other hand, with my second company, I had a bit more money so I wasn't worried about profitability. This caused the company to grow a lot slower than it should have.

So before you hit the road for 6 months to pitch a bunch of venture capitalists, think about how much further you could get if you spent that time working on your business.

13

Emotions and business are a bad mix

It's hard to think without your emotions. From a young age, you acted on emotion rather than logic. *So why stop now?*

During my first few years as an entrepreneur, I made most of my decisions based on emotion instead of logic. Not only did it cost me money, but I also would have been a lot further along in my career had I based my decisions only on logic.

Do what's best for the business and not just what's best for you.

Sometimes, the best way to do this is to step back and take a break when you're emotional. Once you calm down, you can then reevaluate the situation and make a decision.

Conclusion

No matter what, you are going to make mistakes in life and in business. Even if I told you every mistake that I made, you will still make them. If you want to succeed, don't give up! Sooner or later you will do well, but like anything worthwhile it takes time.

If you are going to take away one piece of advice, take this one: learn from your mistakes. As long as you don't keep on repeating the same ones over and over again, you will be fine. ■

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