

5 Inevitable Decisions Every Business Leader Must Face

7 min read



When you picture a leader, you probably conjure up images of generals charging into battle ahead of their soldiers.

Key Takeaways

- **Big Decisions All Business Leaders Face:** Developing your business strategy involves numerous small choices, rather than one, big decision. However, once your strategy is set, it will guide...
- **When To Hire & When To Fire:** Maintaining a high-quality company culture is vital to maximizing profitability in your people — even if that means letting go of a top performer...
- **Start Making Better Business Decisions Today:** In business, decision-making should have more to do with preparing, strategizing, and planning than has to do with reacting...

At times, running a business can feel a little like a battlefield albeit without the violence. Although it's certainly not an endeavor for the faint of heart, business leadership is almost entirely about making decisions: big decisions, little decisions, and all the choices that fall in between.

In business, the decisions you make tend to fall into five categories[1]:

1. Talent management
2. Customer management
3. Financial management/strategy
4. Operations
5. Leadership

Each category of a business leader's decisions affects the success or failure of your company. Whether deciding when to grow your sales department, which employees to promote, or what marketing campaign to run, your choices can ultimately make or break the business.

Although all decisions are important in business, some choices are more difficult to settle than others. During your time as a business leader, you will inevitably need to make the following tough decisions — probably multiple times. Continue reading to learn how you can take a better approach to decision-making for a more successful future.

5 Big Decisions All Business Leaders Face

1. Picking a Business Strategy

Operating your business by instinct is like shooting from the hip on the battlefield. You might get lucky a few times, but you'll eventually begin missing the mark. It's essential that you determine a [business strategy](#) that includes long-term goals, short-term benchmarks, and an operating framework designed to orient every piece of your company around your goals.

Developing [your business strategy](#) involves numerous small choices, rather than one, big decision. However, once your strategy is set, it will guide the path you take throughout the future. By illuminating the good choices and highlighting the bad choices, a business strategy will simplify your job as CEO. When you encounter a tough decision, but you also have a business strategy, you can simply reference your long and short-term goals to determine which course of action will best help you accomplish those goals.

Voilà! Decisions made!

2. Determining How to Increase Profit Margins

In business, profits don't always equal profitability.

You know that in order to break even — or better yet, be profitable — you must generate at least enough revenue to cover your costs. If your profit margins aren't high enough, then you can take one of two actions (or a combination of both): raise your prices or cut costs. The choice to do either and determining exactly how to cut costs or raise prices in the most profitable way is complicated, to say the least.

Read More: [You Can't Fix Your Pricing Problem Without Doing THIS First](#)

However, there are management accounting tools available that will simplify your analysis of your company's costs and pricing. Start by calculating your break-even point. Then determine how much you need to cut costs or increase prices to reach your desired profit margin.

Next, analyze your [pricing strategy](#) and use job costing to reveal your true costs. Use this information to determine whether you have [pricing problems](#) to fix or if you can find creative ways to cut costs without hampering service, quality, or productivity.

Using Data To Make Critical Decision: How This Business Breakeven
To \$1 Million In Profits (in ONE year)

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3. When To Hire & When To Fire

[Talent management](#) is essential to your business strategy and success, and properly managing your talent comes with simple decisions and some really tough decisions, too.

Every business owner looks for talent that can perform, generate revenue, increase profits, and contribute to business growth. Sometimes, however, you might find that your top talent doesn't fit in with your company culture. Although these employees make great strides every day, they can also poison the performance of the people working around them.

You might have a mid-level manager who is incredibly productive but whose tendency to micromanage causes high turnover rates in their department. You might have a sales associate who consistently generates revenue but whose poor attitude puts a pall over everyone working around them. Although these employees are successful at their jobs, they can end up doing more harm than good for the company in the long run.

It's important, that while appreciating every success of your employees, you also possess the awareness to observe and address problems that emerge within your company culture. Plus, it's essential that you recognize when you need to make the tough decisions that are necessary to preserve the positive office environment you've worked so hard to cultivate for your business.

Maintaining a high-quality company culture is vital to [maximizing profitability in your people](#) — even if that means letting go of a top performer.

4. Throwing Back a Big-Fish Client

Not all business is good business. Although each of your clients might seem like a precious gem that should be held close no matter what, that simply is not true. Learn to recognize bad clients and do what's necessary (fire them).

- **The Out-of-scopers** - Bad clients might be customers who require constant out-of-scope attention, which demands too much employee time and attention and increases your costs. These clients either need to pay a premium price for the exceptional level of service they're receiving, or it's time to go.
- **The Perpetually Late** - It's one thing to forget a payment or pay late every once in a great while, but it's another thing entirely when a client pays consistently late. This costs you resources that likely won't be completely recuperated in late fees alone.
- **The Stubborn** - When clients resist change, then you can't help them. Whether you're a consultant whose suggestions have not been implemented or a marketing company whose talent and creativity aren't appreciated, you're wasting time and resources on clients who simply won't be helped and, as a result, ultimately won't be satisfied with your services.
- **The Big, Expensive Fish** - So, you've landed a gigantic client or job. Congratulations on being picked by/for the best. Now, determine whether the big client/job is going to generate major profits or if they're going to wind up costing you big-time, instead. When

it comes to serving clients like these, it's important to keep an eye on a profit and loss statement for the individual client or job to determine whether they're generating enough revenue to justify the large drain on your resources.

Some clients are bad for your business. As a business owner, it's important to recognize when you have a bad customer and to make the difficult decision to stop working with them when they start costing you money, causing grief among your staff, or hampering your success in another way.

5. Deciding What to Do with Profits

Earning profits is wonderful, but no one ever said that deciding what to do with them is easy. As CEO, you're charged with determining the smartest, most strategic use of free [cash flow](#) after all the bills are paid. You must determine whether the money should be saved for a rainy day, paid out in dividends to your shareholders, or reinvested in the business by purchasing new equipment, hiring new employees, or another form of expansion.

Read More: [Save Your Small Business With These Cash Flow Strategies](#)

When a business owner has free cash flow available, saving is sometimes the best choice. However, saving the money can also be the least profitable way to leverage the dollars. To determine which is the right choice for your company, you must look to your business strategy and to the future.

- Do you foresee cash flow challenges looming on the horizon?
- Is your business experiencing demand that it doesn't have the capacity to satisfy?
- Is a piece of equipment nearing the end of its life or restricting your productivity?

These are all questions to consider when determining how to use free cash flow to continue moving your business in the direction of success.

Read More: [3 Phases of Making a Business Profitable](#)

Start Making Better Business Decisions Today

To [start making better choices as a business leader](#), you need to:

- Foresee potential issues and plan ahead.
- Create a process for identifying and making decisions.
- Strengthen your business model.
- Take charge of your cash flow.
- Create an operating framework that supports your business strategy.

In life, we often face difficult choices when reacting to unexpected changes. In business, however, decision-making should have more to do with preparing, strategizing, and planning than has to do with reacting. In other words, you should be making decisions and taking action in your business before situations that demand action arise.

When business leaders anticipate difficult situations and prepare themselves for tough choices, they cruise through their short-term business goals on the way to achieving long-term success.