

The Most Common Mistakes of Business Leaders

9 min read



Key Takeaways

- **Lacking Vision and Failing to Define Success:** An operating framework differs from your business plan, and can be defined as mindful, intentional, and well-planned business operations.
- **Not Using Financial Data:** Your financial reports can help you drive employee performance, optimize your prices, strengthen your bottom line, improve employee retention, and even time new hires perfectly.
- **Not Defining Your Company Culture:** A positive company culture assures that your employees feel energized about the work they do; they don't dread going to work, and they perform to the best of their ability when they are at work.

"One thing is certain in business. You and everyone around you will make mistakes." - Richard Branson

When you decided to turn your talent, brilliant idea, and unstoppable drive into a business, you also transformed yourself into a leader.

However, this is easier said than done. No matter how far along you are in your journey, like every other dreamer who now finds themselves in the position of business leader, you will undoubtedly make mistakes along the way.

Doing your best to be aware of potential pitfalls, recognizing when you trip up, and having the fortitude to amend your mistakes could mean the difference between running a successful business and going out of business due to [costly bad leadership](#).

The 10 Mistakes Business Leaders Are Most Likely to Make

You might want to just hunker down and work on your core competencies, but running a business asks you also to emerge from your office, focus on your people and operations, identify the strengths and weaknesses of your business overall, look to the future, and to make the sometimes difficult decisions that are necessary to push your business to the next level.

1. Not Delegating - Not Letting Go

When an entrepreneur starts a business, they do all of the work. They are involved in everything. Eventually, they hire and start delegating, but they often keep getting their hands dirty.

Many business leaders have a hard time letting go. Eventually, some of this wears off, but there's always that lingering concern whether things are being done right.

Also, the only way to help your management team grow into good leaders is to allow them to own the outcome, even if they fail. It's important to let go and encourage employees to do things their way. They may have more knowledge and expertise than you do (in that specific task) resulting in a better outcome. Or they may fail, but when you encourage them to learn from their failures, it will make them stronger.

It's important to [let go of the tasks](#) that don't truly need your valuable time and attention because your time will be better (more profitably) spent focusing on leadership, strengthening core competencies, and planning for the future.

2. Lacking Vision and Failing to Define Success

As a business leader - you are the visionary. You must lead with a vision of the future.

That's easier said than done. It's essential that you establish an [operating framework](#).

An operating framework differs from your business plan, and can be defined as mindful, intentional, and well-planned business operations.

Essentially, an operating framework should define the actionable strategy that will enable a business leader to successfully execute their business plan.

An operating framework enables you to define what success means for your business as a whole, plus each of its departments and employees. This will orient everyone around common goals, set concrete benchmarks, and move your business and all of its parts collectively toward a successful future.

Establishing long-term goals, and identifying the short-term goals that will help you get there will dictate how you lead your business and the decisions you make to achieve whatever success is for you.

Assigning smaller but related goals and objectives to departments, teams, and individuals that all contribute to achieving the overall operational goals and objectives for the business, are referred to as [cascading goals](#).

3. Being Reactive, Instead of Proactive

Business leaders who wait for things to happen before they make decisions are using a reactive approach to leadership. However, proactive leadership is a much more desirable approach. This involves strategizing, planning, and financial forecasting to anticipate opportunities and challenges, so you [can make better decisions](#) and be ready for changes as soon as they arrive.

When a CEO constantly avoids making choices, the business is kept in a perpetual state of clean up, scrambling to pick up the pieces, rather than sprinting toward the next goal.

When you plan ahead using actionable financial intelligence and make more strategic, data-driven decisions, you're in a better position to control the outcome of a potential situation or avoid a potential problem.

Of course, you won't be able to foresee every roadblock or opportunity that lies ahead, so when you are forced to react do so calmly and intelligently.


4. Not Sharpening Your Business Acumen

[Business acumen](#) is defined as business skills and know-how plus instinct. You have business acumen in you, and you have the power to hone your skills every day!

As a business owner, the instinct is likely already inside you. You're creative, you have valuable ideas, and your charisma helps you sell your services.

However, business owners often lack the part of their business acumen that lives in the back office — financial insight and ability to read management reports, knowing how to identify and control your business drivers, market understanding, job costing, etc. This can lead to cash flow problems, operational disasters, marketing mistakes, and insufficient leadership.

Commit to investing the time and resources into honing your business back office skills and sharpening your acumen.

 **Tip:** Read, read, read. Carve out time in your day to read current events, market trends, business news, technology developments, etc. This will keep your business acumen sharp and keep you up to date on your industry's latest trends.

5. Not Using Financial Data

If you don't get the financial reports you need, if you don't trust your data, if you delay in reviewing your financials, or if you just aren't sure quite how to interpret them, then you're missing out on a wealth of [financial insights](#) and information about your business.

Your financial reports can help you drive employee performance, optimize your prices, strengthen your bottom line, improve employee retention, and even time new hires perfectly.

What Tommy mentions (below) is an example of why many of our clients come to us for help - they need numbers they can trust...

“There was a time in my life that I hated financial reports because the data was off and I couldn't rely on it. Now, the data within our GrowthForce reports are **everything I need to make critical decisions about the company to grow.**”

-Tommy Mello, Owner, A1 Garage Door Service

Making decisions on your gut will only get you so far. You should have a transparent understanding of your business's financial health, evaluate historical trends to set benchmarks and avoid cash flow shortages, and be using your financial insights to make data-driven decisions that will take your business to the next level.

6. Failing to Leverage the Back Office

Too often, business leaders view the time and attention spent on bookkeeping and accounting as a headache that simply gets in the way of doing more important work. These business leaders, however, are missing out on the enormous wealth of insights that can be found by tracking and knowing your numbers.

Of course, your bookkeeping and accounting system exists to help you stay compliant and tax-ready, but, when you know how to leverage it, your back office will become your most trusted advisor. The back office knows all — from helping you know exactly when you need to hire new employees and how to reward their achievements to showing you where you're most profitable and least profitable, when to expect cash flow shortages, and more.

Build a Better Back Office That Can Help You Take the Reins and Lead

For a small or medium-sized business, building a robust back office can be a costly endeavor. However, teaming up with an experienced team of [outsourced management accounting professionals](#) can turn your business leadership dreams into concrete, achievable goals. With the right system in place, your back office can provide you with the ability to see through the fog to the path ahead of your business, giving you the necessary foresight to set goals and make the right decisions.

7. Lacking Communication

If you fail to communicate clearly and effectively with your employees, they won't have a clear understanding of your expectations for them.

As a result, they might end up failing in their jobs simply due to a lack of understanding exactly what they're supposed to be doing, which [benchmarks](#) they should be striving toward, and when their actions might be holding back the business.

Annual employee reviews are a step in the right direction, but they don't provide nearly enough feedback to help your people be as successful as they can be. It's even better if they are done every six months.

You should strive to continuously provide employees with ongoing feedback — constructive criticism, encouragement, and applause — whenever it's appropriate. This will keep your team and company well-oriented and on track.

Also, [traction meetings](#) help everyone stay aligned and resolve issues before they build.

8. Not Having a Growth Mindset

Business leaders can sometimes become too set in their ways and, as a result, begin to resist change.

Closing yourself off to innovation, however, is a grave mistake in business. Even if the industry in which you're operating remains relatively unchanged, you never want to miss an opportunity to get ahead of the curve by being open to new ideas and innovation.

A growth mindset means being flexible enough to hear and really consider new ideas — whether they come from the top or the bottom of your organization — and being ready to pivot when doing so makes sense.

In its essence, having a growth mindset means believing that intelligence is not fixed or predetermined. Having a growth mindset is having the ability to recognize that the human brain is plastic, not static – the human brain has the ability to learn and improve.

When businesses and business leaders operate with a [growth mindset](#), they seek challenges and embrace failure as a positive part of the learning and growth process.

By leading with a growth mindset, business leaders also cultivate and encourage a mentality of growth mindset in their companies, encouraging their employees to challenge themselves and learn with a growth-oriented company culture.

9. Not Defining Your Company Culture

Company culture consists of your business's personality, values, and what it feels like to work for your company. When you leave your company's culture to develop on its own, you risk allowing the development of a toxic or negative work environment that fails to motivate, invigorate, and unify your employees.

Actively strive to cultivate a positive work environment in which employees feel motivated, supported, and fulfilled in their work. A positive company culture assures that your employees feel energized about the work they do; they don't dread going to work, and they perform to the best of their ability when they are at work.

In addition to fostering open communication and providing attractive incentives, a great way to cultivate a [positive company culture](#) is by getting your business involved in community outreach and philanthropy.

According to a study from The Philanthropy Outlook, 58% of U.S. workers look at a company's social and environmental commitments when selecting a workplace. [1] When your business contributes to the greater good, your employees do too, and this helps them feel like they are serving a greater purpose while they earn a paycheck.

10. Not Recognizing Employee Achievements

You've taken the time to set long-term goals and short-term benchmarks for employees to strive toward. Now, don't fail to recognize when an employee goes above and beyond, meets goals, and succeeds.

When you reward your employees (usually with a combination of monetary compensation and public recognition), you'll [maximize profitability in your people](#) by showing them that they're a part of something bigger and that the tasks they do at work matter. Plus, all of your employees will be further motivated to emulate the newly recognized model for success in your business.