

Top Financial Management Lessons Learned From 'Shark Tank'

7 min read



Perhaps you dream of landing your business the opportunity to make a pitch on *Shark Tank*TM, or maybe you're hoping to navigate your business to success without having to worry about the *Sharks* telling you they're out.

Key Takeaways

- **Being Overworked and Burning Out:** A 2017 study from Kronos found that 95% of HR employees interviewed reported that employee burnout had a negative effect on their turnover rates
- **Lack Of Engagement:** Gallup study that surveyed 34 million workers around the world found that highly engaged employees were 59% less likely to look for new careers or jobs in the next year compared to their less engaged counterparts.
- **Inflexible Office Models:** More than 50% of employees now desire to work more flexibly, meaning they want both flexible office hours and remote work opportunities

Maybe you'd like to grow your business without having to tremble in terror in front of the notoriously cunning Mr. Wonderful.^[1]

Whether you dream of shining the prime time spotlight on your business or making it the more traditional way, you need to know the ins and outs of your company as if you were preparing every single day to go on *Shark Tank*. The types of questions the *Sharks* ask the entrepreneurs who come on their show offer many financial management lessons. Primarily, the questions they ask teach you what's important in business and what you need to know about your business to be successful.

7 Important Business Lessons From Shark Tank

1. Know Your Numbers

One of the first questions the *Sharks* usually ask is "What are your sales?" quickly followed by, "How much does it cost you to make?" and, "How much do you sell it for?". Other important numbers often discussed by the *Sharks* that you should know include your net profit, profit margins, customer acquisition costs (how much you spend to convert or acquire each customer), operating/overhead costs, operating income, and market share – to name just a few key metrics.

The metrics that are most important to your success vary depending on your business and industry. However, the *Sharks* have demonstrated time and time again on *Shark Tank* that entrepreneurs who don't know their numbers also don't really know their businesses.

2. Sales Do Not Equal Success

The reason why the *Sharks* always follow up the what-are-your-sales question with the how-much-does-it-cost question is that they're trying to determine the company's margins and profit potential.

This lesson is vital because healthy sales can often create an illusion of success in a business. When you don't know your numbers, lots of sales can lead you to believe you're doing very well. However, sales are not the same as profits. If you're spending more to earn each dollar you bring in, then you're at a loss and your company won't stay afloat for long.

Read More: [When Your Sales & Profitability Are Struggling, Do THIS...](#)

3. Be Realistic

Whether you're coming up with a valuation for your business or projecting next year's revenue when working up a budget, be realistic. Yes, optimism is a key ingredient to every entrepreneur's decision to start a business. Too much optimism, however, can be disastrous. It can lead one to over-value their company, which can turn off potential investors. Too much

optimism can also lead business owners to inflate their sales projections, winding up spending too much.

"Your methodology - management accounting practices, and the fact that you understood my needs for the business, established the P&L the way that I needed to have it set up to run the business - was very beneficial to me. We were profitable the first month after GrowthForce, and I knew it because my accounts and books were clean. I could understand where the money was coming from and going to."

- Joe Aikins, CEO JTAM Engineering

[👉 Read more on how the freedom to focus on growth instead of managing an accounting department fueled profitability for this Engineering firm.](#)

4. Be Unique and Solve a Problem

During their pitches, entrepreneurs on *Shark Tank* usually demonstrate a common problem and then explain how their product or service solves the problem. The *Sharks* then usually ask the entrepreneurs to explain what it is that makes their product, service, or company different.

Whether you're selling a snack to satisfy cravings, a dripless squeegee, doorstep deliveries, or bespoke business logos, there are two lessons to learn here: First, your product needs to solve a problem, a problem that's common enough that you'll have numerous potential customers. Second, your company needs to solve that problem in a way that sets it apart from the competition (i.e. all the other companies that are currently trying to solve the same problem).

Solving a problem gives you access to a market. Solving that problem in a uniquely appealing way gives you market share.

Read More: [Your Guide To The 5 Stages of Business Growth](#)

5. Know Your Market and Have a Plan for Distribution

Now that you have a market because you've solved a problem, you need to understand everything about the market and have a plan for distributing your product or service within it. You should be well versed in the size of the market, the portion of the market that's currently underserved or untapped, the portions your competitors are currently serving, and whether the market can grow or is fixed.

6. Look for Smart Money

One of the reasons why so many entrepreneurs are keen to snag a spot on *Shark Tank* is that the show gives them the opportunity to connect not just with investors who have money but with wealthy investors who have scads of experience and invaluable industry connections.

If you're ready to take your business to the next level and decide that you need to bring in investors to help you grow, then you need to recognize the very important difference between money and smart money. Plain money comes from investors who have it but who do not possess experience or useful connections. Smart money comes from investors whose experience and network can team up with their money to help you grow your business and turn a nice profit at the same time.

7. Cash Reserves Solve a Lot of Problems

Cash flow is king (and while we're running with that analogy- cash flow is queen.)

You need to build a cash reserve. Having a cash reserve can protect your company from a lot of potential problems including:

- Cash flow shortages that lead you to accept a bad business deal from an investor
- Cash flow shortages that prevent you from paying employees on time
- Cash flow shortages that make it impossible to pay your bills on time
- Cash flow shortages that create supply chain issues within your company

Having a cash reserve will also increase the real valuation of your company, demonstrate your financial management prowess, and make your business much more attractive to potential investors.

Swim With the *Sharks*: How Outsourced Accounting Services Can Get Your Business on the Right Track

If you have yet to learn these important business lessons or establish sound financial management best practices in your business, then you could be at risk of hearing Mr. Wonderful utter the dreaded phrase, "You're dead to me." If you never step foot on the *SharkTank* stage, however, you still need to be prepared to answer the kinds of questions that the *Sharks* would ask because having the answers to the kinds of questions they ask can open up the potential for your business's most successful future.

Rather than partnering with a *Shark* or other savvy investor in the hopes they will find the answers for you, you can start by first beefing up your back office with outsourced accounting services. Outsourced accounting services are designed specifically to cater to and be affordable for startups, small and medium-sized businesses, and growing businesses that will need to scale services as they expand.

With your business dreams at stake, you can't run the risk of being unsuccessful because you failed to focus on the financial side of your business because the truth of the matter is that the "financial side of your business" is your entire business. If you don't know your numbers, then you can never fully understand what makes your company tick, what your growth potential is, and most importantly what makes you profitable.

With a robust back office complete with automated processes and streamlined tools and technology, you'll have the answers to all of the *Sharks'* questions and more. You can run your business like a seasoned professional, and you'll never have to worry about shaking in your boots in front of Mr. Wonderful's intimidating stare.



Inaccurate financials = Constant frustration
Is this how you want to run your business?

SPEAK TO AN EXPERT

[1] <https://www.kevinoleary.com/>