

# Here Are Tips to Help Avoid the Most Common Small Business Mistakes

## WHAT NOT TO DO

Small business owners: you're going to want to read this.

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THE DAILY BEAST

By *Beth Braverman*

So, you've started your own business. It's a move that requires courage — as well as a clear-eyed approach to the risks that lie ahead. You can help reduce these risks by being aware of common mistakes and making sure you're setting your company up for success in its first year and beyond. Sounds simple enough, right?

Even if you've had success launching a company in the past, it's easy to get tripped up in the early days of starting a new business. These are some missteps that small business owners often make when they're starting out — and how to smartly avoid them and help safeguard your enterprise.

### Trying to do too much on your own.

As an entrepreneur, you wear many hats. One day, you're leading sales and the next, you're working on back-end HTML. However, there are some areas of your business where you're better off teaming up with professionals who spend their time keeping track of evolving rules and risks.

For example, while more than half of small businesses accept third-party payments, [according to a recent Waze study](#), only a quarter of small business owners knew about new tax rules regarding those payments. A good CPA can help make sure those businesses don't inadvertently make mistakes when filing their returns this year.

"To help protect what you've built, you need a good team around you," says Jen Wilkes, an agent with [State Farm](#) and a small business owner herself. "That includes an attorney, an insurance agent, a certified public accountant, and a financial advisor." (No, reading a small business law blog does not qualify you to be your own attorney.)

People like a [State Farm insurance agent](#) and a CPA who knows your industry free up your time to focus on the parts of the business in which you have expertise—and protect you from costly problems.

### Neglecting to prioritize business insurance.

When it comes to minimizing risk, purchasing [business insurance](#) is one of the most important ways you can help protect your company, but more than 43% of small businesses are uninsured, [according to Verisk](#). A Business Owners Policy (BOP) like the one from [State Farm](#) allows you to create customized coverage based on your needs, which might include general and professional liability, property and equipment insurance, or loss of income.

Depending on your industry and the size of your business, you may need additional policies, like commercial auto insurance. If you have employees, most states also require you to have workers' compensation insurance that pays them if they get sick or injured on the job. It's a lot to consider, but that's where your insurance agent's knowledge comes in!

### Having unrealistic expectations for growth.

Dreaming big is one of the most exciting parts of being an entrepreneur, but it's also important to be realistic about the pace at which your company can grow sustainably. While it's quite possible that you've just launched the next Fortune 500 company, it's also likely that it's not going global in the first year or two. A [2020 study in the New England Journal of Entrepreneurship](#) found that overconfidence among firm founders can ultimately lead to the company's failure.

You don't necessarily need a formal business plan (though it can be useful, for sure) at launch, but you *do* need to have a realistic sense of how much revenue your company might earn each year and the best way to use that cash as it comes in. Thinking too big too early can lead to overspending or over-promising to your clients, both of which can hurt your business over the long term.

### Failing to build up business credit.

Some entrepreneurs like to boast that they've bootstrapped their business with personal funds and a personal credit card. The bigger a business gets, however, the more likely it is to eventually require outside capital or a line of business credit to help with cash flow.

Only about 8% of businesses considered high credit risk were able to get the financing they needed in 2021, [according to the Federal Reserve](#). Having good business credit not only makes it easier for your company to borrow funds when you need them, it also allows you to do so at a better rate. To start building up your credit, get a business credit card and make sure that you regularly pay it off each month.

### Waiting too long to pivot.

The way that businesses operate can change fast—and that's true across virtually every industry. Even established business owners need to continually reevaluate all aspects of their approach to suss out areas in which making a change could better position the firm. A [McKinsey study](#) found that highly successful, agile companies that underwent successful transformation enjoyed 30% gains in efficiency, customer satisfaction, and employee engagement.

"Businesses are having to adapt at a faster rate than even before," Wilkes says. "Whether the need for adaptation results from technological changes, government regulations, marketing avenues, or other changes, making sure you are prepared to adapt and adjust is key." Keeping up with the times is essential to help [protect what you've built](#).

Find a local agent, or visit [statefarm.com/smallbusiness](https://statefarm.com/smallbusiness) to protect your business today.

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