

# How to Avoid Nasty Business Surprises

By David Brewster

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Conducting business in the 21st century often requires quick decisions. This often leads to sound data being replaced by perception as the basis for making important resolutions. The risks in this approach are clear: business decisions made without a solid grounding in reality can lead to disaster.

Last week, the former head of collapsed Australian insurer HIH made a startling admission. He said that 'gut feel' had formed the basis of HIH's decision to takeover its smaller competitor, FAI. The takeover turned out to be a grave mistake - and a significant contributor to the demise of HIH.

Now this was a Big Decision with Big Consequences. But smaller examples abound and while they might not send businesses broke, they can easily result in nasty surprises and wasted money.

Equipment purchases, hiring of extra staff, advertising campaigns, moving to bigger premises, etc. etc. Decisions to do any of these are often based on perception, impulse or 'gut feel', rather than on even the simplest analysis.

This should not be surprising. On one hand, we make personal buying decisions every day based on perceptions enhanced by marketing. It is part of our modern conditioning.

On the other hand, despite the fact we live in an age of abundant information, only a selected few have learnt how to use that information effectively. For most, doing even the most rudimentary analysis seems all too hard. Perception wins out - and another riskier-than-necessary decision is made.

The solution to this problem is simpler than you may think. You need to learn the mystical art of analysis.

"That sounds way too complicated!" I hear you cry. It needn't be. Chances are most of the basic analysis you need can already be done by your computer.

For example, almost every business these days captures basic information about their sales in their bookkeeping software. With a couple of clicks, you can generate a simple report which will tell you what percentage of total sales has come from each customer and/or each product or service you sell. (If you don't know how, ask your bookkeeper or accountant).

Armed with this simple information you might revisit your approach to marketing (how can we attract

more of the bigger customers?), to customer service (are we looking after the right people?), to product/service range (is the effort needed to manage the small products worth it?), and so on.

This sort of simple analysis is best learnt by doing. With practice, you will start to ask yourself "what information could help me with this decision?" and get quicker at finding that information.

You will gain a better understanding, and more control, of your business. You will shun perception in favour of facts. And you will have fewer expensive surprises.

(Discover how to find your business' deepest secrets using simple analysis. Visit: <http://www.businesssimplification.com.au/actions/analysis.htm> )

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