

Challenges of Managing a Small Business

A vital source of innovation, jobs and ideas, small businesses are the foundation of the American economy.

Small business ownership does however come with many inherent challenges. The issues identified during business research conducted more than ten years ago by the IIB remain the fundamental issues of today; only their priority has changed.

What are these challenges? How can you prepare yourself to meet them? How do experienced and successful small business owners manage their businesses?

The answers to these important questions can provide valuable insight and support for small business owners at any stage of a venture.

The Challenges

Discussions between groups of small business owners revealed ten common challenges faced by small business owners:

1. **Knowing Your Business**
2. **Knowing the Basics of Business Management**
3. **Managing Finances Effectively**
4. **Managing Time Efficiently**
5. **Managing People**
6. **Satisfying Customers by Providing High Quality**
7. **Knowing How to Compete**

Challenge No. 1: Knowing Your Business

People who succeed are the ones who know the most about what they are doing. Without exception, small business owners agree that knowing your industry is fundamental, expert knowledge of your industry practically dictates your success.

Small business owners believe that knowing your business entails in-depth industry knowledge, market savvy -- such as competitive knowledge and how to attract customers -- and a certain practical knowledge of how to find suppliers and distributors. Owners believe the necessary expertise is acquired through a combination of formal and continual study, and on-the-job experience. Unanimously, they recommend that new or would-be owners become as qualified as possible in all of these areas, beginning with professional education.

By being an expert you control a great portion of your destiny.

Challenge No. 2: Knowing the Basics of Business Management

In addition to knowledge of a specific field, small business owners need to know the basics of managing a business -- for example, the principles of accounting and bookkeeping, production scheduling, personnel management, financial management, marketing, planning for the future, and more. Many owners feel they were under prepared in these areas and, they are correct. There is a limit to the expertise of any ONE individual.

Management [or executive] skills also include goal-setting and decision-making, and human resource development. This last aspect is important, noted many owners, because it builds the future of a business. Not only must you find and retain good employees, but you must continually train them to ensure that you have a qualified staff as the business grows.

As a business grows, the need to further develop management skills intensifies. In addition to such areas as managing people, the ability to plan is an essential skill that builds the future of a company.

To help with ongoing planning during the life of their businesses, many owners develop a formal business plan.

Business plans usually include projections of fixed and variable expenses, and analyses of the company's break-even point (the amount of sales necessary to cover expenses), competition, and projected sales. A business plan also includes strategies for marketing and growth. IT is the firms roadmap to the future.

During any kind of planning activity, outside consultants can provide valuable expertise and serve as invaluable tool to an owner in improving and supplementing their business management knowledge.

Challenge No. 3: Managing Finances Effectively

Cash flow is the pervasive financial management issue for small business owners. Most businesses that fail do so not because they were unprofitable but because they ran out of cash. While profit is the scorecard for business cash is its blood.

Another challenge to successful financial management is extending credit to customers -- a necessary part of many businesses. Customers often expect it. However, many owners find it difficult to evaluate the credit risk of potential customers.

Monitoring accounts receivable to assure a steady cash flow is a universal concern of small business owners. If a business can't keep track of your receivables and follow upon them, you'll always have a cash flow problem.

Many small business owners use professional services to help manage the financial aspects of their businesses. Accountants are the most frequently relied-upon financial advisors; and work most effectively when complimented with an advisor who has strong planning and operational skills.

Challenge No. 4: Managing Time Efficiently

The long hours and variety of tasks required to manage a small business demand good time management skills. Every small business owner feels stretched. Running any kind of business involves many different responsibilities and little time in which to fulfill them. This is a continual challenge ... while an owner working on their business, they're not spending time working on cash flow, attending to business management or planning for the future.

The freedom to delegate responsibilities to people who can fulfill them is important to small business owners, who often find their time stretched to the limit. Business owners must hire the best, most qualified people they can, whatever the area is; and then delegate.

Stores are full of books on time management, and indeed, small business owners reported that this is one of their favorite topics. Some owners reported that they also attended time management seminars.

Based on the input of owners, telephone calls and appointments are two key areas of time management. Several owners reported that they group their calls during specific times of the day - first thing in the morning, right before lunch, and at about 5:00; people are most likely to be in their offices during these times.

Another successful technique that many owners use is referring back to their business plan. This helps them set priorities and ensures that they spend their time where it will be used most effectively.

The penalties for not using time wisely can be stiff. Many owners reported that they knew of many businesses that had failed because the owner hadn't worked the hours. At best, inefficient time management can prevent a company from running smoothly and cost-effectively.

Owners summarize their time-management methods in a three-point plan:

Be disciplined about your time. Making a business successful demands your time. Again and again, owners stressed the importance of putting in the hours.

Stick to your original plan. When in doubt about where to put your time, check your business plan for priorities.

If you have the opportunity, delegate responsibilities to those who can fulfill them.

Challenge No. 5: Managing People

A positive representation of any business has to do mostly with its employees. Employees have to know what the company's goals are and what type of it wants to portray.

Finding, keeping, and managing good personnel, both hourly employees and management, ranks among the major challenges for small businesses. Many owners believe that it is critical to success.

Finding qualified employees can be a real challenge. For example, in addition to competing with larger companies for business, small business owners find that they must also compete with each other when it comes to hiring good employees.

Nonetheless, small business owners believe in their ability to compete for good employees because they can offer some benefits that big companies cannot - such as flexible schedules, loyalty and other intangible benefits.

The road to building a competent staff is often paved with challenges. Many small business owners find it difficult to select the right employees. Retaining good help is particularly difficult.

Motivating employees through encouragement and guidance helps to build and retain a competent staff. Here, too, a realistic and supportive attitude can help meet the challenge:

Motivating employees to consistently deliver quality is critical to business success, particularly for a service business. Owners must communicate their goals effectively and train their employees to help achieve these goals. All this requires a delicate balance act.

Generally, owners rely on employee training to ensure that their staff is competent and has the right attitude.

Compensation is a second effective method to motivate employees into conveying a positive attitude and working responsibly. As might be expected, many owners find this a particular challenge. While small businesses typically do not have the resources to pay high wages, they need to adequately compensate employees in order to attract and retain them.

Benefits are another important way to attract and retain good employees. A fair and generous benefits package helps employees feel both valued and secure - - two important characteristics that small business owners feel they can offer to their employees. Even the smallest of businesses can offer such benefits through group programs. Being creative with intangible benefits is another effective way to retain employees.

When an employee doesn't work out, then what? Many owners find this one of the most challenging aspects of the business. Often, the difficulty of firing an employee leads owners to retain weak players longer than they should.

Challenge No. 6: Satisfying Customers by Providing High Quality

First and foremost, recommend owners, commit yourself to providing quality. This establishes and maintains credibility with your customers.

Deliver the best possible product or service and do everything you can to ensure that your customers are satisfied. This is the creed by which small business owners everywhere live. Upholding it is a constant challenge. Customers are the foundation of your business. Thus, it is absolutely essential to do everything possible to please them.

As a business grows, it's important to maintain quality - but when sales begin to increase, it can be a major challenge to keep the original commitment to the quality and benefits of your product. Thus, most businesses set a goal for controlled growth.

Again and again, owners stress the value of adhering to their original business plan. Owners sometimes struggle to uphold their commitment in the face of stiff competition - but they find that maintaining the integrity of their idea and focusing on their strengths are the best long-term competitive strategy:

Challenge No. 7: Knowing How to Compete

Many consider the best advice for competing successfully is to find a distinctive niche in the marketplace. It could be price, or variety, or service . . . whatever it is, stick to it.

To keep customers and add new ones, owners stress the value of knowing how to compete. They have learned through experience that there is a difference between plain competing - for example, relying on low prices - and knowing how to compete effectively. Owners believe that competitive savvy means being true to what made them successful in the first place - keeping the integrity of their original vision, growing strategically, and above all, using their strengths as leverage in the marketplace. All this is achieved while keeping an ever-vigilant eye on what the other guys are doing.

Here again owners stress the value of adhering to their original plan.

Owners sometimes struggle to uphold their commitment in the face of stiff competition - but they find that maintaining the integrity of their idea and focusing on their strengths are the best long-term competitive strategy:

To keep capitalizing on their strengths while sales increase, most owners set a goal for controlled growth.

How do owners expand their customer base? Most rely on a variety of methods. Eventually, they develop a mix of keeping their sales staff motivated and marketing effectively. Always remember ... effective marketing involves communicating the benefits of your product or service to obtain new customers.

Many business people stress that they found great value in tapping the expertise of outside marketing consultants.