

15 Challenges Of Starting A Small Company

Starting a small business is a significant achievement for many entrepreneurs, but maintaining one is the biggest challenge. There are many common challenges every business faces, whether they are large or small businesses.

These include hiring the right people for a venture, building a brand, developing a customer base, etc. More than 50 million are surviving presently and over the last five decades, the SME sector has grown powerfully by contributing 46% of the country's exports and building millions of jobs annually.

The SME sector has a lot of possibilities for growth in the coming years with respect to job creation, entrepreneurial spirit, and innovation. However, the sector has always struggled due to a load of challenges. Unfortunately, the trend for challenges in the upcoming year also increases.

Here are 15 Challenges of starting a small company

1) Funding

Access to funding is possibly the biggest challenge faced by a small company. "The last few years have been comparatively hard from an investment point of view." Funding can be very hard for a small business after ordinary lenders are often unwilling to fully engage with them and pause to invest a production cost of capital.

Despite this, the stand-up of challenger banks, peer-to-peer lending, and different lenders are starting to make funding

more accessible to small companies, and this may become a useful avenue for small companies in the upcoming years.

A lack of funding can have a huge knock-on outcome for your small company, and in particular, it can be a large factor influencing inventory management. If the budget is down, businesses will fight to keep up with demand and may lose out on sales.

2) Regulations

Nowadays, companies cannot be said to be engaged autonomously because there are simply so many regulations and policies that businesses must consider. This includes things like complying with the national living wages and pensions auto-enrolment, among many other policies.

This excludes industry-particular regulations that will apply to the industry you are in. The food industry, for example, has a score of policies that the companies must contend with before it even considers setting up a shop. Inventory management software can help food manufacturing companies full of safety and health requirements.

While larger companies are often able to include the price of running through these procedures as part and parcel of the price to the consumer, it may not be that simple for a small enterprise. Keeping up with ever-changing regulations is a time-consuming and priced affair, and this poses a big risk for small companies that may be struggling with funding already.

These regulations can become an important factor influencing inventory management, and may disturb your ability to manage inventory as well as you would like. Food industry regulations can be specifically stifling in terms of your inventory management processes.

3) Setting a Vision for the Future

With a small company, sometimes you're so busy putting out fires and trying to take care of your day-to-day tasks that you don't always have time to think about future plans.

Without a long-term vision, small ventures don't always have a direction for how they perform their day-to-day tasks. The best thing you as a business owner can do in these situations is to use technology and automation to make your jobs easier and get freeing up and that time can be dedicated to thinking about the future.

4) Finding New Customers

For small businesses to survive, they need to keep growing and looking for new customers. Small business challenges are trying to acquire new business. Of course, it's not always easy to find new customers because customer acquisition costs tend to be high.

Fortunately, there are new technologies nowadays to find new customers. It's just a matter of using the right channels efficiently with the sometimes limited budget that small companies have to spend on marketing and advertising.

5) Recruiting top talent

Small companies often succeed or fail based on the quality of their team. Naturally, one of the challenges small businesses face is finding the right team members and recruiting the best talent.

Without much name recognition or the ability to pay high salaries, small companies often struggle to convince high-end talent to come aboard. But they can do that by showing them that the business provides a great work situation and an enjoyable environment to do their job.

6) Financial Management

Managing the finances of a small company is one of the biggest challenges for anyone, no matter how skilled they are in other business areas. That's because, for a small company, you might be a master of your craft rather than a master of finance. Not everyone can be an expert at profit margins and cash flow because these are learned skills.

7) Increasing brand awareness

Statistics show 72% of brand managers say that building an audience is more valuable than direct sales, and, because of this, marketers in 2021 say that their primary goal for running marketing campaigns is building brand awareness.

Building brand awareness helps generate trust with your audience, helps them associate your small companies with your products and services, and those factors combined help drive sales and build a base of loyal customers.

8) Lead Generation

Another problem most small companies share is lead generation specifically, generating enough leads to keep the sales team happy. Generating leads that are both high quantity and high quality is an important goal. A successful lead-generation engine turns website visitors into prospective customers.

9) Hiring talented people

53% of respondents to a CNBC study stated that the most important problem facing small companies was labour quality. To begin with, 76% of hiring staff say attracting quality candidates is the biggest challenge for small companies.

10) High Competition

Making a business stand out in today's competitive market is one of the biggest challenges facing small companies. Products and services can be easily replicated and maintaining the USP is difficult.

Hence, businesses need to look beyond the product which is already. Things like improving customer service, making the product exclusive and offering convenience in the form of home deliveries can help a business stand out.

11) Ineffective Marketing and Advertising

To reach out to new customers small companies need to market and advertise their products such that getting celebrity endorsers and put-up giant billboards is impossible.

The way out for small ventures is to generate word-of-mouth recommendations and use digital media smartly.

12) Keeping up with the market trends

A market trend or strategy that works today may not operate a few months later. As a business owner, you must remember that market research is a continuous evolution, not a one-time thing.

Market research will help you to maximise profitability, target your potential customers and predict future demands, thus helping you to keep up with the market. As your business grows, you will attract new customers and new competition.

13) Balancing Quality & Growth

One of the business challenges that small company owners often face is scaling up their business while maintaining their product quality. Every growing venture needs to make a compromise between profits, scalability and quality.

14) Staying Compliant with Government Policies & Rules

Your company's tax brackets and applicable regulations will possibly keep changing as your company grows. The main challenge here will be to stay updated with the government laws that apply to your company in the current situations in the market.

Summary

The challenges faced by small companies are considerable, and one of the worst things a would-be owner can do is go into business without considering the challenges ahead.

In this article, we have maintained 15 challenges more accessible, but there is no avoiding them. A competitive drive is often one of the reasons people start their own ventures, and every challenge represents another opportunity to compete.

FAQ's:

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