

# [Solutions to the problems of small scale business](https://assignbuster.com/solutions-to-the-problems-of-small-scale-business/)

1INTRODUCTION A small-scale business is a business that is privately owned and operated, with a small number of employees and relatively low volume of sales. In addition to number of employees, other methods used to classify small companies include annual sales (turnover), value of assets and net profit (balance sheet), alone or in a mixed definition. The smallest businesses, often located in private homes, are called micro businesses (term used by international organizations such as the World Bank and the IFC) or SoHos.

The term “ mom and pop business” is a common colloquial expression for a single-family operated business with few (or no) employees other than the owners. Small-scale businesses are in an enviable position because they have the ability to be agile and fluid in their procedures and practices, compared to larger businesses that have many layers of bureaucracy. However, small-scale businesses face many challenges due to their size, and owners need to address these problems and come up with unique solutions for their small business to survive and prosper. 2. PROBLEMS AND SOLUTIONS i) Difficult to Attract Customers: Small-scale businesses typically have a more difficult time attracting customers than larger companies. They have smaller marketing and advertising budgets. Also, some potential customers are reluctant to do business with small businesses, especially new businesses without a loyal following, since they believe that these businesses may not be around for a long time or that they will not be able to provide the appropriate level of service. Solution: A challenge for small-scale businesses is to make sure that they provide excellent customer service and instill confidence in their customers. ii) Hard to Attract Employees: Small-scale businesses also face challenges when hiring employees. It is difficult for many small businesses to compete with the salaries and benefits that larger corporations provide. Many potential employees are also hesitant to work for a small-scale business because they feel that there is not the opportunity for advancement. Solution: If you can’t provide full benefits for full-time employees, you can opt on hiring part-timers or contractual. (iii) Difficult to Grow: Due to their size, many small-scale businesses find it difficult to grow.

They have limited budgets to use for expansion and marketing campaigns. They also have limited human resources to work on growing the company. Solution: Small business owners must find creative ways to use their limited resources to grow the business while running the day-to-day operations of the company. (iv) Must Compete Against Bigger Companies: Possibly one of the biggest problems facing small-scale businesses is that they have to compete with much larger companies. Larger companies have bigger budgets and can usually provide products and services at much lower costs.

Solution: A small business must be able to either match the prices charged by larger businesses or provide extra benefits to the customer such as better customer service. (v) Difficult to Finance Expansion: Small-scale businesses face challenges obtaining money for expansions. Larger corporation have many more resources available to them to obtain capital to expand, and banks and lenders are much more willing to lend money to a large company with tangible assets that can be used for collateral. Larger companies also have the option of selling shares of stock to the public to raise funds.

Solution: There are already several financing programs offered by the government, NGOs, and banks that cater especially to SMEs. (vi) Value: Some businesses struggle to generate leads and then turn those leads into prospects. Others can get the leads just fine but can't convince the buyers to buy. Businesses may have a large list of people on their contact list but still struggle to turn those prospects into paying customers. Although there could be other factors at work, part of the problem is the lack of value provided by the business.

Simply put, if a business wants to get money from a customer, it needs to prove that the customer is getting something in exchange. That's value. Solution: Value is created when a product or service solves a customer's problem or fulfill a customer need. This might be a fairly simply situation. For example a customer wants some chocolate so they buy a chocolate bar. The value they get from that purchase is the fulfillment of their need. Or, this can be a more complex situation. For example, a customer wants to get from point A to point B so they might need some kind of transportation.

But they also need to get there quickly (so the bus is out) and without a lot of effort (so a bicycle is out). That leaves a range of cars or trucks. But they have another need, perhaps one they don't even realize. They want jealous neighbors. So they buy a beautiful high-end sports car to solve all of their needs at once. Customers only buy to solve problems or fulfill needs, even if they aren't aware of the needs or can't adequately articulate them. Businesses that are successful understand exactly what problems they solve and what needs they fulfill and they target those in their marketing.

Examples: The classic, beloved example of the difference between a product and the value it provides is the drill. A customer does not buy a drill. They buy something to make holes. The business that will sell more drills is the one that can relate to the consumer that their drill makes the best holes (and, perhaps, solves other needs like being low budget or quiet or easy to use or rugged). CONCLUSION Small businesses are an integral part of the country’s social and economic fabric. Encouraging small business ownership and new firm creation, though, means more to our economic success than simply the preservation of Main Street values.

Entrepreneurship injects vitality and a competitive spirit into our economic landscape that is not readily available from large business. Research shows that small firms play a vital role, for instance, in innovation, regional economic development, and the pursuit of new markets. These firms are responsible for half of our real gross domestic product, employ half of the private workforce, and generate the majority of our net new jobs. Moreover, self-employment serves as an opportunity for many of our citizens to better themselves by taking their fate (and risks) into their own hands and generating new businesses.

Many of us will be looking to our leaders for solutions to the challenges confronting small businesses across the country. Putting in place policies that promote economic growth and stability will allow entrepreneurs to more easily exploit the opportunities that confront them. REFERENCES Acs, Zoltan J. and Catherine Armington. Endogenous Growth and Entrepreneurial Activity in Cities. Working Paper CES WP 03 02. Center for Economic Studies, U. S. Census Bureau (January 2003), available at http://www. ces. census. gov/index. php/ces/cespapers? down\_key= 101665. Acs, Zoltan, William Parsons, and Spencer Tracy (Corporate Research Board, LLC).

High- Impact Firms: Gazelles Revisited. Office of Advocacy, U. S. Small Business Administration (June 2008), available at http://www. sba. gov/advo/research/rs328tot. pdf. Bates, Timothy. Race, Self-Employment, and Upward Mobility: An Elusive American Dream. Washington, DC: Woodrow Wilson Press Center (1997). Baumol, William. “ Small Firms: Why Market-Driven Innovation Can’t Get Along Without Them. ” The Small Business Economy: A Report to the President. Chapter 8 (December 2005), available at http://www. sba. gov/advo/research/sb\_econ2005. pdf. Bollman, Andy (E. H. Pechan and Associates, Inc. . Characterization and Analysis of Small Business Energy Costs. Office of Advocacy, U. S. Small Business Administration (April 2008), available at http://www. sba. gov/advo/research/rs322tot. pdf. Breitzman, Anthony, Diana Hicks, and Maryann Feldman (1790 Analytics). An Analysis of Small Business Patents by Industry and Firm Size. Office of Advocacy, U. S. Small Business Administration (Forthcoming, November 2008). Bruce, Donald. “ A Tax Policy Update for America’s Small Businesses. ” The Small BusinessEconomy: A Report to the President. Chapter 6 (Forthcoming, December 2008).