

# [Problems and challenges faced by small businesses commerce essay](https://assignbuster.com/problems-and-challenges-faced-by-small-businesses-commerce-essay/)

Evidence suggests that small business stands a significantly higher chance of failure than a large business yet many small businesses survive and some grow. The following points have been discovered that hinders the success of small firms in entrepreneurship, economies of scale, human capital implementation, limited resources, geographical location, and management skills, thus management service is a key differentiator between good, bad and indifferent companies. People become frustrated when their expectations are not met. We operate in an increasingly global economy, which is highly competitive. Recently customers have a more extensive range of choices for products and service hence the importance of superlative management skill should be devised. Good management service keeps customers coming back; while awful customer service drives them away, taking their friends, workmates and families with them along. It is highly crucial in ensuring that small businesses not only survive but grow in the quality of management, hence lacking key management services could limit the success of small business. In this literature I am going to analyze, compare and contrast the problems faced by small businesses in entrepreneurship.

## PURPOSE OF LITERATURE:

The purpose of a literature review is to explain or briefly analyse the work that has

Been reported on a particular topic or field. Literature reviews form a central component of

Research reports and technical articles for an important reason, it is also a process whereby one establish theoretical framework for a topic or subject area. It is very important to identify the key terms of the literature terminology. This includes the dependent variable and independent variables.

## RESEARCH QUESTIONS:

Why do small businesses encounter so many difficulties at start up point?

What are the major problems influencing small firms in entrepreneurship?

Is it relevant to acquire entrepreneurship skills before venturing into small business?

## RESEARCH OBJECTIVES:

To compile a variety of entrepreneurial ideas related to entrepreneurial opportunities using various techniques.

To recognize the importance of planning and give examples of how planning can overcome problems.

To analyze obstacles and explain how these obstacles may impede creative thinking and generation of new ideas.

To summarize the personal entrepreneurial skills and demonstrate these skills in a variety of situations.

## INTRODUCTION:

According to Paula McCoy Pinderhughes, an entrepreneur is a person who visualizes or possesses a burning desire to make a change through hard work, dedication and determination, knowing that it will satisfy their ultimate personal and business objectives. On the other hand, Entrepreneur in English is a term applied to the type of personality who is willing to take upon her or himself a new venture or enterprise and accepts full responsibility for the outcome. Jean-Baptiste Says, a French economist is believed to have coined the word “ entrepreneur” first in about 1800. He said an entrepreneur is “ one who undertakes an enterprise, especially a contractor, acting as intermediate between capitals and labour

Typically, entrepreneurship means a company is being formed with the express goal of becoming larger through an aggressive growth agenda. Entrepreneurship is a corporate spin-off or start up. Small business is a family-owned company or consortium of professionals that is formed with specific objectives in mind. In most cases, aggressive growth is not as important as providing adequate income for the owners.

The common denominator of all forms to start-up and new businesses is that they are unknown in the marketplace. This is the major challenge to any new business. For example, the launch MLife at a recent Super Bowl created a substantial amount of confusion as to what exactly was being offered. While the company’s website was flooded with inquiries (so much so that it crashed), most people did not bother to find out and the take-off was slow.

Many consumers are cautious about trying new goods, services or companies. Purchases are often based on known brand names and familiar purchasing patterns. It is much easier for customers to purchase the same brand they have always purchased or another brand name they recognize or have used. To be considered, a new business must move the brand into a person or business’s evoked set of brands.

This dilemma is heightened by the massive amount of marketing clutter that all companies face. Overcoming clutter is especially difficult for new firms with limited budgets for marketing and promotion. Traditional methods of advertising and consumer promotions may not be enough to get recognized.

Company leaders must be sure to deliver on promises and provide a high quality experience especially on the customer’s first purchase. On bad encounter will often lead to a negative word of mouth. A new business will probably not get a second chance if the customer has a bad experience.

## THE PROBLEMS AND CHALLENGES

Today, with the internet boom, entrepreneurs have become one of the most dynamic forces in the economy. Entrepreneurs are now driving the technology boom, which is itself driving much of the world’s economic growth. This makes entrepreneurs very important from a macro-economic perspective. They have become a broader economic phenomenon that has a major impact on the economy. As the globalism of business becomes even more widespread, this impact will be felt even more deeply. Entrepreneurs are already becoming a major force in developing nations and in the economy worldwide.

The scope of what entrepreneurship involves will continue to change and evolve as the world continues to change and evolve, and yet there are some common issues of how to start a business, how to finance the business, how to run the business that within this community we can share and learn from each other. While we still have many heroes and stories, entrepreneurism is an established field with a wide range of issues at all stages of the enterprise.

A common factor for all entrepreneurs is the challenge of starting a business, be it through inventing something, looking for a new idea within a business, finding the right opportunity to break into a business or buying into a franchise. And these entire take planning – organizing all the aspects so that the entrepreneur can reach his or her goals. All entrepreneurs are also faced with financing their entrepreneurial venture. Even entrepreneurs usually are faced with financial hurdles within corporate rules. So unless the venture comes from one’s own pocket getting money is a challenge that requires preparing funding proposals or applications to be written and/or presented for loans, venture capital, angel investors or even IPO’s. There is so much information written about these stages of an entrepreneurial venture that sorting the good from the bad is an overwhelming challenge in and of itself.

Once past those challenges, however, one would think there would be smooth sailing. Given the business has a good plan; everything should proceed with minor glitches. However, the implementation stage seems to be the real make-or-break point of an entrepreneurial venture. There are hypotheses that part of the problem is that idea people and implementation people are very different breeds of people, but there are enough exceptions to that rule that is a difficult position to defend. More realistic, perhaps, is that there are such a wide variety of skills needed at the implementation stage, that no one person can have the skills to manage all the functions well. The real talent is for entrepreneurs to recognize what they do well and then find employees or subcontractors who can fill the gaps.

One way to look at this implementation stage is to look at how many different skills are involved in operating a business. Operating a business involves employees, marketing, advertising, sales, communications, public relations, legal needs, government regulations, equipping the office, risk management, disaster planning, crisis management, insurance, technology, hardware, software, the internet, and the financial aspects of the company – bookkeeping, managing debt, taxes, and barter.

Without a strong technical basis, there is no business. Above and beyond this, however, is the conceptual aspect of management: ethics, leadership, growth philosophy, and even the exit strategy of the company. These are much less tangible, yet set the overall theme and direction that the business will take.

## CRITICAL CHALLENGES

1. Money

While there are some types of businesses that can be started on a small budget, one will need access to capital to fund the business, whether that money comes from another source of household income or from some type of loan, there is a need to be realistic about startup costs. New entrepreneurs often underestimate the length of time it takes for a business to become profitable and the amount of money they will need to invest in the business before it’s profitable. Developing a thorough and honest financial plan will help to avoid this mistake.

2. Skill and Knowledge

Employee’s responsibilities are limited to a narrow job description. However, at the launch of a business, one become’s responsible for everything from research and development to product delivery to bookkeeping. That means there will definitely be some tasks that will be beyond the owner’s area of expertise. Depending upon the scope of the business, the owner may or may not have staff on board to handle different responsibilities. It is important to be honest about your own limitations and seek out expert advice and the support of good mentors when needed

3. Feedback

Being an entrepreneur, particularly if it is a very small or home based business, it will likely feel at times that one is working in isolation and that can cause one to question decisions. Because it takes time for a new business to become profitable, it’s very helpful to find other sources of feedback beyond the latest sales figures to assess the growth of their business. Seeking out and meeting with other entrepreneurs can help give feedback needed to understand and assess the growth of their business.

4. Time

When you are becoming an entrepreneur, you’ll work harder for yourself than you would ever work for any employer. While self employment can bring flexibility to your work schedule, building a successful business requires a large investment of your time. It will be important to schedule specific work hours, and arrange childcare if necessary. Setting goals can also help you to stay on track.

With all of those challenges, why would anyone become self employed? Here are some of the rewards of being an entrepreneur:

## BENEFITS

1. Money

When you are someone’s employee, the amount of money you earn is limited by the labour market. You’ll earn the going rate for your field and typically not much more. When you are self employed, your earning potential is only limited by your own brains and motivation to build a successful business. The more effort and smart planning you put into your business, the more you will directly benefit from your own work.

2. Opportunities

Many entrepreneurs say they launched their business in order to create opportunities for themselves that they could not find in traditional jobs within their local labour market. A parent with a young family may want flexibility that is not available in traditional jobs; a new immigrant may want responsibility and opportunities for professional growth that they may not have found in their new country.

When you build your own business, you can build opportunities and working conditions that are a good fit for your needs in ways that you may not find in traditional employment.

3. Accomplishment

Building a successful business can provide you with a sense of pride that you have created something yourself based on something you value. You get to make the decisions; if you think a project is a great idea, you get to make it happen. You get to build something from the ground up that is your own and a reflection of your values, and any business success is always your success.

4. Time

While you will invest a lot of time in building your business, depending upon the type of business you launch, being an entrepreneur can provide you with a lot of flexibility and freedom with your schedule that you would not often have with a traditional job. A flexible schedule allows you to create personal and family time and opportunities that you may otherwise miss out on.

To overcome these problems, a new company must develop a unique selling point and find a way to inform consumers about that advantage. Everything from the brand name to the logo to company advertisement must capture the interest and attention of the consumer. It is important to remember that customers are interested in benefits as opposed to product or service features, or as one writer put it, – what is in it for me? – The new company must be able to clearly answer this question in order to survive and grow.

How is an entrepreneur to deal with all this overload of challenges? The good news is that there are plentiful resources: discussion groups, educational resources, professional associations, and publications to turn to for support and counsel