



YBS: IO1/A1 Challenges Facing Start-ups and SMEs in Running a Business

Getting new customers and raising start-up funding are among the biggest challenges facing business owners at the early stages of starting a business, according to a new study from MadeSimple Group with data from Startups.co.uk, Virgin StartUp, and the London Small Business Centre.

Feedback from over 1,300 small business owners on the question of 'What's not simple for UK start-ups?', the report from the small business specialist highlighted 11 key areas that budding entrepreneurs find most challenging. These include:

- Getting new business (47%)
- Securing funding (40%)
- Getting through all the business red tape (23%)
- Creating a business plan (22%)
- Finding the right people (26%)
- Keeping records for the business (22%)
- Getting a lawyer/legal advice (19%)
- Finding time to plan (35%)
- Employing people (18%)
- Getting business premises (17%)
- Getting a website (16%)
- Deciding on business structure (15%)

Surprisingly, when asked who they turned to for advice when starting up, the majority (51%) of business owners claimed to have just **“muddled through it”** by themselves despite having access to a range of free business resources such as Startups.co.uk and government websites.

With start-ups and small enterprises needing to be very 'cash' conscious, there is a strong attitude and focus on 'do it yourself' - whilst commendable, it detracts focus away from growing and managing the business. Being a 'jack of all trades and master of none' is a mistake that often leads to poor decisions and inefficiencies.

Challenges for Start-ups and SMEs

Challenge #1: Money

Unless there is a positive cash flow immediately, either from sales or investors, money is going to be an issue sooner rather than later. Poor cash flow can delay important projects and progress like rolling out new products, hiring key staff, or fitting new offices.

Challenge #2: Marketing and Sales

Devoting enough resources (time and money) marketing and sales is a major challenge for businesses especially small and start-up enterprises.

Challenge #3: Your Comfort Zone

Growing an enterprise can often feel like 'taking one step backwards for every two steps forward' As a small business, people, especially the owner must wear many different hats and must be expert jugglers. Each new hat usually requires the wearer having to 'step outside of their comfort zone'.

Challenge #4: Finding the Right People

Certain skills are crucial not only for your business to survive, but also for it to grow. Knowing the exact skills that are required and how to get those essential people on board — might be the determining factor in how well an enterprise survives and performs.

Delays in finding the right personnel are costly. For a small team, the recruitment process eats up valuable time that could be spent on other areas of the business, but on the other hand, not having the right people can create severe bottlenecks and stall the rollout of new products and services. Finding and developing the right people is a priority for all enterprises especially start-ups and smaller businesses.

Challenge #5: Scaling Up

Assuming sales are growing, the next challenge is how to resource and scale up for growth. The answer is not as simple as 'just adding a few extra employees'. Growth creates pressures on time, resources, skills, processes, space and stress levels.

Challenge #6: Lack of Planning

It is surprising how many start-ups and small enterprises falter because they forget or neglect to plan. Key areas such as sales, marketing, business development, staffing, skills shortage, and funding MUST be part of the business plan right from the beginning.

Challenge 7: Time Management

Every entrepreneur and business owner know there is never enough time. There are a million and one decisions to be made and only 24 hours in a day. This means that eliminating or minimising distractions — anything that gets in the way of running your business is critical. It is imperative that the time and energy is focussed most impactful things requiring expertise prioritisation skills.

Challenge #8: Competitors

No matter how good an enterprise's products or services are, there will be competitors and the market place are likely to be very crowded. Keeping an eye on the competition and the constantly changing market is a MUST. Having the right strategy, being able to think on your feet, and being able to adapt to the new reality will define an organisation's success — or failure.

Challenge #9: Lack of Mentorship

An enterprise might have a great product or idea, but lack the necessary guidance, market experience, or knowledge to take it to the next level. This is where a great business mentor can add a huge value to the business therefore finding one is a priority. Having somebody to lean on when major decisions have to be made, or even just when a sounding board is needed especially from someone who has already been there and done that, is very helpful.

Challenge #10: Poor Management

One thing start-ups and small enterprises cannot afford is ineffective management. A management team that worked well in the initial stages may find itself struggling as the business expands, as the owner and management team is tested by anything from poor sales to market conditions. Therefore, it is essential that enterprises have the right people and effective planning processes in place – it is not a coincidence that Challenge #4 + Challenge #6 = Challenge #10!

Appendix 1: Views of Business Owners

1. Starting from scratch

[Rob Hill, the Eventa Group:](#)

“Launching our first ever website and understanding how things were done in the beginning was challenging at times because it was all very new. I had no experience setting up a company back then and it was extremely overwhelming at times; but my hunger and persistence was key in getting the business off the ground.”

[Tom Valentine, Secret Escapes:](#)

“The first months of the business were certainly very stressful – we had a view on what numbers we needed to see early on to validate our theories about the business. Keeping focused on the numbers definitely helped prioritise what to work on during those months when pretty much everything on the site needed significant attention.”

[Barinder Hothi, The Knowledge Academy:](#)

“It was a big risk for both Dilshad (co-founder) and I to leave our respective lucrative careers and begin this joint venture. We literally started with zero revenues and spent the first six to nine months in start-up mode just trying to establish and build customer relationships in order to generate some revenue and get the business off the ground.”

2. Redundancies and firing

[Tim Critchley, Semafone:](#)

“Making people redundant is always difficult for any business but it is particularly difficult in a start-up because they are invariably people you have got to know really well and some will even be friends.”

[Ciaran Dunne, Genie Ventures:](#)

“The only thing in business that can be genuinely hard is dealing with difficult HR situations. It’s no fun telling a good person that you don’t need them anymore. These are real lives you’re dealing with, and people have real mortgages and real dependents. Nothing else in business is hard (in that sense); it’s mainly just a big game.”

[Andrew Alderson, Vanarama:](#)

“When the credit crunch hit in 2008, I had to lay off 12 staff in the space of six weeks. The leasing side of the business had only been going for just over a year, and we had grown quite quickly to a staff of 18. I remember when the first bank went bust and there was a run on Northern Rock. Our phones stopped ringing almost overnight. Thankfully, because I had a great non-executive director at the time who had encouraged me to create a risk matrix, we had a plan in place in case things went wrong.

“Unfortunately, that meant losing 12 people to save six, and it was horrible. I had grown men crying in my office. I had to lose people who had left a job to come and work for me only three months earlier, and others who had just taken out a big mortgage.

“This wasn’t something that came easily, and it is still very fresh in the memory. It was a really tough time, but it was also the time that shaped our strategy for the business we are today.”

3. Raising finance

[Oliver Tezcan, The Idle Man:](#)

“Investment decisions are far more subjective than anyone will admit to, and often have more to do with what’s on-trend in investment circles than actual business fundamentals. However, we were lucky to get good people involved early and that has been huge help.”

[Jonathan Cridland, Lumie:](#)

“Raising funds through the Enterprise Investment Scheme (EIS) for a previous business and getting an AIM quote [were the hardest things I’ve done in business] – the amount was too small to interest most institutions whilst large for many private investors. Once we’d succeeded with that, further fundraising was much easier; investors did well.”

4. Achieving work/life balance

[Matt Barker, MPB:](#)

“Maintaining a balance in other areas of your life is probably the most difficult thing. There are times when you just about get the balance right, but whilst you continue to grow, this rarely lasts very long before the next challenge disrupts things all over again.”

5. Expanding your business

[Paul Statham, Condeco Software:](#)

“Opening our first office in the US was [our toughest challenge]. We took on the biggest players in our market on their hometurf and it was a very difficult time for me and the company as it took a lot of energy and cash. Fortunately, we succeeded and are now leading the way in the US and have secured some of the largest deals in the region over the past year.”

6. Remaining positive, even when things aren't going to plan

[Phil Blundell, The Edge Picture Company Ltd:](#)

“[The hardest challenge of all] was staying positive whilst the world was going completely mad all around us – austerity being the new growth! We have developed a policy of professional schizophrenia; protective reality when dealing with the now, and liberating dreaming and scheming when planning for what comes after the now. Some of that dreaming and scheming is now beginning to pay off so it's exciting times!”

7. Adapting your business model or pivoting if your strategy isn't working

[Barnaby Lashbrooke, Time Etc:](#)

“We realised the model we created for Time Etc in the early years wasn't going to work for us in the long term and was slowly killing us. Having the courage to significantly change our entire business model a few years ago was extremely challenging but has been very rewarding. We've never looked back.”

Appendix 2: Business Plans – the Route Map to Success!

An effective business plan is essentially a route map to success as it is an outline of the goals, research and projections strategies and plans for achieving clear, focused business goals and objectives.

Here are some of the key challenges facing business owners and managers when drafting their business plans.

Challenge #1: Actually, Starting It

"The hardest part about writing a business plan is getting it started. Lock yourself in a room, turn off your phone and focus." – *John Gavigan, executive director, [43North](#)*

Challenge #2: Filling out Your Financials

"The most difficult part of writing a business plan is the financial section. It is difficult to project figures on a brand-new business with, possibly, a brand-new concept. There is not roadmap, no one to follow. The best you can do is find a similar company and try to gauge what they are making." – *Rosemary O'Brien, owner, [Pocket Parks Publishing](#)*

Challenge #3: Knowing Your Demographics

"The hardest, but most important piece is getting your target demographics dialled in properly. You need to know who you'll be selling to and how big the market is to estimate with some accuracy how many people you can reach and sell your product or service to." – *David Batchelor, founder, [DialMyCalls.com](#) ([Writing a Business Plan? Do These 5 Things First](#))*

Challenge #4: Planning for Technology Changes

"Predicting the unforeseen technology variables that the future holds [is a challenge]. When I started my business nearly 10 years ago, there was no marketing on Facebook, and Twitter and Instagram did not yet exist. Today, these social media platforms play a huge role in my business' marketing strategy and directly affect sales." – *Monif Clarke, CEO and founder, [Monif C.](#)*

Challenge #5: Being Concise

"[One of the top challenges is] keeping it short and sweet. The more concise and focused a plan is, the more likely business owners are to achieve the goals they have set out for themselves and their business." – *Rick Faulk, chairman and CEO, Intronis*

Challenge #6: Making It Interesting

"The hardest thing about writing a business plan is being able to tell your story in such a way that people buy into your idea. If you tell a lousy story, people won't want to invest." – *MJ Pedone, president and founder, Indra Public Relations*

Challenge #7: Establishing Workable Goals

"Establishing clear, concise and understandable goals — these goals must also be realistic. When people can't see the vision of the plan, they won't take action to pursue the plan. In addition, by having set goals that align with your plan, you have measurable targets to track your progress." – *Mike Rodriguez, coach and business consultant*

Challenge #8: Staying Grounded

"[You need] to be honest with yourself. Entrepreneurs are by nature dreamers and optimists and business plans require them to challenge their assumptions about market opportunity, the competition, the value of their product and growth projections. That is where they get caught up in defining an aspirational, but somewhat realistic, business plan." – *Vikram Aggarwal, CEO and founder, EnergySage*

Challenge #9: Being Realistic About the Outcome

"The biggest issue I see with most business plans is lack of perspective. Excited by their idea, business plan writers start from the point of view that it can't fail and never fully identify all of the risks associated with their plan." – *Charlie Johnson, president, Magnolia Financial*

Challenge #10: Finding the Right Amount Of Flexibility

"The hardest thing about writing a business plan is making it flexible enough to allow for change without making it so flexible that it isn't really a plan. There is a happy medium between these worlds and this is where the most success can be found." – *Idan Shpizear, owner and founder, [911 Restoration](#)*

Challenge #11: Proving That the Idea Is Worth It

"Proving monetization is undoubtedly the biggest challenge when it comes to developing business plans. Often, start-ups will have innovative ideas and a lot of ambition, but not necessarily a budget or the funding to bring their ideas to life. When companies come to us, we always ask [if there is] a need, because need drives business. If there is no need, you won't be able to succeed with your business plan." – *Kim Connors, director of strategy, [Blue Fountain Media](#)*

Challenge #12: Being Unable to Predict Everything Accurately

"No matter how detailed you make [your business plan], you will always be wrong! Predicting revenues is like looking into a crystal ball. Costs are easier to predict as they are under the company's control and depend on overall strategy and focus, but even here, some costs may be contingent." – *Neha Mittal, head of strategy and business development, [Arrow Devices](#)*

Challenge #13: Making Your Plan Useful

"In my experience, the biggest challenges CEOs face is creating a business plan that can actually be successfully implemented. Many companies create plans, but too often, those plans sit on the shelf with actions not done, targets not met." – *Renee Fellman, management expert, [Renee Fellman & Associates](#)*