

The 3.141 Biggest Problems Faced By Small Businesses

Now that I have your attention, I apologise. Using numbered lists is a well-known and abused manipulative method to get your attention - everyone wants their most intractable problems solved in a *few steps* or less - an impossible dream on this complex planet, but a collective obsession regardless.

For background, I started this latest research project to find out what are the biggest and most common problems faced by start-ups and existing small businesses. My purpose was to make sure I understood what those problems were so that I could better assist my clients.

I expected that there would be consensus on the *top ten* say, as structurally businesses are very similar.

My method was to use Google and Google Scholar to search the internet. Despite the risk that The Googles will helpfully deliver *content that it suspects will appeal to me in a cognitive-bias-information-bubble kind of way*, my searches were relatively innocuous - they weren't political or religious, for instance. As such, and since I don't readily have access to other sources of information, my tentative hypothesis is that my search results would be representative of what other researchers, such as aspiring or actual business people would obtain as well. I had better success with plain-old Google; it turns out that academics use a different vocabulary if they study this subject at all.

The search queries were variations of "business problems" and "business problems nz" and substituted "problems" with "issue" and I was quickly frustrated. I gave up after a couple of hours.

As mentioned above, in my naivete, I was expecting lists of similar *top ten problems*, but instead, I found a wide range of *top [random number] problems*, see Appendix - Summary of Search Results.

I put the spread of the *top problems* down to the following non-exhaustive list of possibilities:

1. The answers you get are naturally dependent on the questions you ask - there is a lack of standardisation, which is a problem in itself, but it also hints at the possible underlying and fickle biases of the researchers.
2. The answers you get are dependent on (1) and on the respondents and their specific industry.
3. The implicit assumption is that both researchers and respondents are honest.
4. Respondents may not have an accurate root-cause-analysis understanding of their problems.
5. The authors are making up differentiated stories as supposed quick-fixes to desperate business people.
6. The authors are making up differentiated stories to sell something, themselves and advertising.

Particularly frustrating is non-attributed quotes in the results such as "51% of the people interviewed, identified that achieving work/life balance was the main issue in their business and 41% identified their issue as time management" used by both [Business Success Partners](#) and [Success Engineering](#). It's poor form not to attribute people's work; see, I just did. And no, I could not find the original source on the internet - it should not be a *treasure hunt*!

Another concern is the rarity of referencing other studies for cross-referencing and more in-depth research. How is the reader to gain confidence that the reports are based on sound research methods, are not based on anomalous and never to be repeated circumstances, and are not a figment of the vivid imagination of the author?

The 3.141 Biggest Problems Faced By Small Businesses

Are we expected to take such reports seriously and make important decisions based on this material?

A sample of abbreviated search results is presented below, with the full results of my searches provided in the Appendix - Summary of Search Results.

Strategyzer - Top 20 Reasons Startups Fail - [Why Companies Work On Products Nobody Wants](#):

1. 42% - No market need
2. 29% - Ran out of cash
3. 23% - Not the right team
4. 19% - Get outcompeted
5. 18% - Pricing/Cost issues ...

National Federation of Independent Businesses (NFIB, USA) [The Top 10 Small Business Issues 2017](#) and [Small Business Problems & Priorities 2016](#):

TABLE 1 - MEASURES OF SMALL BUSINESS PROBLEM IMPORTANCE

Problem	2016 Rank 1-75	Mean	Standard Deviation	Percent "Critical"	Percent "Not a Problem"	2012 Rank 1-75
Locating Qualified Employees	10	3.42	2.09	24.3	13.8	32
Workers' Compensation	13	3.57	2.05	19.6	15.1	18
Finding and Keeping Skilled Employees	14	3.61	2.12	21.2	15.7	38
Cost of Supplies/Inventories	15	3.68	1.79	12.7	9.5	11
Poor Earnings (profits)	16	3.68	1.92	16.9	9.5	14
Projecting Future Sales Changes	18	3.72	1.78	10.9	9.7	17
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Cash Flow	25	3.89	1.95	13.9	13.0	16
Handling Business Growth	55	4.70	1.75	3.9	21.2	55

The results of my search are alarming. Not only is there a lack of consistency, which begs the question, "who is right?" there's the concern about what the confused and desperate business person is supposed to do? Which *straw* does she or he grasp at? What should they do first?

Referring to Appendix - Summary of Search Results, my hypothesis is that, to a large extent, apart from perhaps (in alphabetic order) Dumb Little Man, Mario Peshev, NFIB, and Strategyzer, the results reveal more about the biases and intent of the authors than what really concerns business people. I'm not excluding myself when it comes to biases, as still being alive I have plenty. My approach, however, is to root my analysis, synthesis, recommendations, and yes, inevitably opinions, on evidence-based research, also known as *facts*, often inconvenient ones at that.

The 3.141 Biggest Problems Faced By Small Businesses

I'm familiar with the work of Strategyzer; it's evidence-based and I cite their work frequently. In this case, Strategyzer is reinforcing their views by presenting a report from [CBInsights](#). Dumb Little Man states the need for "The Concept," but they don't elaborate. With NFIB, they're merely reporting information, are not out to provide solutions, and appear to be rigorous and consistent. Mario Peshev hints at the need for a [Business Model](#), but it's only a hint. With the remainder of the authors, their *results* are seemingly more random than I would reasonably expect.

In my sample, Strategyzer is the only organisation that comes close to stating the need for a viable and sustainable Business Model with "No market need." Strategyzer justifiably labour the Business Model point in most of their other works, so presenting their position via independent work that doesn't explicitly state the requirement is fine with me.

For people familiar with business research, it may be *understood as commonly accepted knowledge* that a viable and sustainable Business Model is a fundamental requirement, much like we all need air to breathe - it's so self-evident that it doesn't need mentioning. But are experienced and or successful business people likely to be interested in or need to read such reports? There are likely other possibilities for the omission too:

- Authors don't understand the pivotal role of a Business Model in the success of a business.
- Authors' core motives are self-promotion, not promoting inconvenient facts.
- The belief that something so simple could not possibly be the root cause of business problems.

I'm not in favour of implicit assumptions or understandings. We should be explicit at all times, even if, to avoid possible tedium, you list all of your assumptions in an appendix, or preface your report with, for example, "apart from the obvious and absolute need for a viable and sustainable Business Model, the next ten important problems are ..."

What's an inexperienced business person to do with typical reports, most of which are palliative drivel - overlook their need for a Business Model and go straight to propping up their passion or SEO ratings?

To borrow from Leo Tolstoy's book *Anna Karenina*, "All happy families are alike; each unhappy family is unhappy in its own way." The same can be observed with businesses as well as families. Struggling businesses will be deficient in any of a number of factors, with each factor varying on a continuum from trivial to the extreme.

Whether businesses are *in fact* unique is a moot point; business owners are likely to believe that their situation is unique, as feeling isolated, a commonly reported problem, and comparing themselves with carefully curated social media messages and images, they may not be able to obtain a firm grasp of their reality and therefore their real priorities. And this means that generic platitudes that are not evidence-based, let alone specific to their context are unlikely to be useful.

In my experience, few people are able to extrapolate from theory or even populist platitudes to the specifics of their situation. Many times I have heard variations of the question "... but what do I do now?"

The 3.141 Biggest Problems Faced By Small Businesses

Using the analogy of building a house to represent building a business, assuming all the 'paperwork' is in order and the groundworks are complete, then the first thing to get right is the foundations, on which everything else rests.

So it is with a business, where the foundation is the Business Model, where a Business Model is "how a company creates value for itself while delivering [solutions] for customers." Steve Blank. The following list, derived from [The 1-Page Business Model](#), is a summary of the Seven Factors needed for a successful Business Model:

F1 - Job To Be Done - you need to be fulfilling a need, a [Job To Be Done](#), with your solution.

F2 - A Complete Solution - you need to provide a complete solution, with a Unique Value Proposition (UVP), to customers' Jobs To Be Done.

F3 - Prospective Customers Agree - prospective customers need to recognise that they have a Job To Be Done and agree that your solution is the best alternative that they are aware of.

F4 - Prospective Customers Are Prepared To Pay - prospective customers must be prepared to pay the price that you need, if not, you have a Business Model viability issue.

F5 - Prospective Customers Exist - prospective customers must exist in enough numbers, if not, you have a Business Model sustainability issue.

F6 - Customers Advocate - customers must be so pleased with your solution, that they are prepared to advocate on your behalf, to in effect, sell your solution for you.

F7 - Enduring Transient Competitive Advantage - instead of trying to sustain your competitive advantage, you need to achieve [Enduring Transient Competitive Advantage](#).

If you do not have secure foundations, either for a house or for a business, then the structure built on those foundations, no matter how much you fettle and finesse it, is at risk of collapse.

At the risk of being heretical, the definitive list of problems that every business person needs to solve is:

1. Develop a viable and sustainable Business Model.

... with the *obvious implication* that if you 'double click' on that *one problem*, which as we've seen has seven factors, you find a zillion more sub-problems that ultimately need solving as well.

To drive the point home even further, a topic of concern reported by almost all sources cited in Appendix - Summary of Search Results, is or relates to cash flow. Regarding cash, business people need to be able to answer two questions:

1. Where will my money come from, where will it go, and how much, if any, will I have left? These questions can be answered with the help of a Cash Flow Forecast (CFF).
2. Where did my money come from, where did it go, and how much, if any, have I got left? These questions can be answered with the aid of a Cash Flow Statement (CFS).

However, if a business person does not satisfy each of the seven factors for success needed for a Business Model, then no amount of advertising, social media, sleepless nights, hand-wringing and CFF and CFS perfection is going to solve your cash flow problem.

The 3.141 Biggest Problems Faced By Small Businesses

And that is why I emphasise the Business Model.

To summarise, and yes to labour the point, because it needs to be understood:

1. You cannot, in all honesty, provide a *[random number]-item* solution list to something as complex as running a business.
2. There are many similarities between businesses, but they will differ in the details sufficiently that business people may not be able to apply even well-researched and well-written reports to their specific case.
3. If there were to be a definitive list, then the first item would be - **if you do not have a viable and sustainable Business Model, you don't have a business, or if you do, you won't have one for long.**

The 3.141 Biggest Problems Faced By Small Businesses

Appendix - Summary of Search Results

Some representative and abbreviated, though hardly exhaustive search results are presented below in alphabetic order. I say representative, as the results, depending on your search-tool algorithm, maybe the same as mine, and busy business people may abandon their search as quickly as I did. Or would they, who knows? What search terms do I use to find this out?

The results below are colour-coded for convenience, based on the following key. Please note however, that because of the apparent inconsistencies displayed, some journalistic licence was exercised:

- **Business Model**
- **Cash Related**
- **Growth**
- **People**

Business Mentors NZ - [The State of SME:](#)

Mentors Say:

- 88% say SMEs should seek assistance
- 91% say more should be done to help SMEs with social media
- 82% say regardless of age, SME owners should be thinking about an exit plan
- 56% noticed a lack of business planning experience

SMES:

- 80% felt a sense of isolation
- **est. 180,000 SMEs suffered from late payments**
- 73% want more skilled workers to move into the regions
- >33% - 168,000 SMEs concerned won't be able to retire
- 30% baby boomers (51-69) don't know how to implement a social media strategy

Dumb Little Man - [Tips For Life - The 3 Secrets To Successful Small Businesses:](#)

1. **The Concept**
2. The Work
3. The Logistics

Hubspot - [6 Business Challenges Every Small Business Struggles With - and how to fix them:](#)

1. Finding customers
2. **Hiring talented people**
3. Spreading brand awareness
4. Building an email list
5. Lead generation
6. **Balancing quality and growth**

The 3.141 Biggest Problems Faced By Small Businesses

Investopedia - [5 Biggest Challenges Facing Your Small Business](#):

1. Client Dependence
2. Money Management
3. Fatigue
4. Founder dependence
5. Balancing quality and growth
6. The bottom line

Mario Peshev - [The 31 Biggest Business Challenges Growing Companies Face](#) and [5 Key Components to Tick Off Your Checklist When Starting A Business](#):

1. Overcoming fears and struggles
2. Discussing with your potential business partners
3. Validating your business strategy
4. Finding your niche
5. Being process driven

National Federation of Independent Businesses (NFIB, USA) [The Top 10 Small Business Issues 2017](#) and [Small Business Problems & Priorities 2016](#):

The value of NFIB's research is:

- Started in 1982, with reports in 1986, 1991, 1996, 2000, 2004, 2008, 2012, and 2016 and therefore has historical data for comparison.
- Uses a "research procedure that has remained fundamentally unchanged," with minor changes to "account for shifts in business conditions, technologies, and expressed concerns."
- Lists 75 problems for evaluation.
- 2,831 respondents in 2016.
- Systematic collection of concerns to establish a benchmark.
- Not limited to single business segments.

A concern with the NFIB reports is the specificity to the conditions within the USA, as highlighted by NFIB, "[a]ll of the top problems for small businesses relate directly to excessive federal regulation and taxation." However, government regulation and taxation affects businesses in all jurisdictions.

Referring to the complete table of *Measures of Small Business Problem Importance* in the Appendix - NFIB Full Report, an interesting observation can be made if one seeks out the first 10 or so problems that do not "relate directly to excessive federal regulation and taxation" or other USA-specific problems - see the table directly below, noting the column '2016 Rank 1-75' to deduce where those problems lie in the rankings, and which were omitted:

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The 3.141 Biggest Problems Faced By Small Businesses

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Cost of Supplies/Inventories	15	3.68	1.79	12.7	9.5	11
Poor Earnings (profits)	16	3.68	1.92	16.9	9.5	14
Projecting Future Sales Changes	18	3.72	1.78	10.9	9.7	17
Electricity Costs (rates)	19	3.76	1.82	11.3	10.5	12
Fixed Costs Too High	22	3.79	1.82	12.5	10.8	19
Finding Out about Regulatory Requirements	23	3.85	1.92	12.3	14.2	25
Highly Variable Earnings (profits)	24	3.89	1.84	11.2	11.8	22
Cash Flow	25	3.89	1.95	13.9	13.0	16
...	...					
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NZBusiness - [How to overcome the 4 biggest problems for entrepreneurs:](#)

1. Concerning cash flow
2. Problems with people
3. Making (and learning from) mistakes
4. Tackling tough decisions

Small Business Trends - [Top 10 Challenges Small Business Owners Are Facing Today:](#)

1. Health Care - (USA Specific)
2. Government Regulations - (USA Specific)
3. Federal Income Taxes - (USA Specific)
4. The Economy
5. Tax Compliance
6. Cash Flow
7. Staying Passionate
8. Not Diversifying Client Bases
9. Growth vs. Quality
10. Hiring New Employees

Strategyzer - Top 20 Reasons Startup Fail - [Why Companies Work On Products Nobody Wants](#)

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The 3.141 Biggest Problems Faced By Small Businesses

Appendix - NFIB Full Report

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Problem	2016 Rank 1-75	Mean	Standard Deviation	Percent "Critical"	Percent "Not a Problem"	2012 Rank 1-75
Cost of Health Insurance	1	2.27	1.84	52.3	7.7	1
Unreasonable Government Regulations	2	2.76	1.82	33.4	6.0	5
Federal Taxes on Business Income	3	2.91	1.86	29.3	7.6	6
Uncertainty over Economic Conditions	4	2.92	1.72	25.6	4.8	2
Tax Complexity	5	2.92	1.80	27.2	6.4	7
Uncertainty over Government Actions	6	3.04	1.86	26.3	7.4	4
Frequent Changes in Federal Tax Laws and Rules	7	3.28	1.84	20.7	8.0	8
Property Taxes (real, inventory or personal property)	8	3.29	1.96	22.7	10.5	9
State Taxes on Business Income	9	3.33	2.00	22.7	11.9	10
Locating Qualified Employees	10	3.42	2.09	24.3	13.8	32
State/Local Paperwork	11	3.45	1.85	16.5	9.0	13
Federal Paperwork	12	3.50	1.93	17.5	10.6	15
Workers' Compensation	13	3.57	2.05	19.6	15.1	18
Finding and Keeping Skilled Employees	14	3.61	2.12	21.2	15.7	38
Cost of Supplies/Inventories	15	3.68	1.79	12.7	9.5	11
Poor Earnings (profits)	16	3.68	1.92	16.9	9.5	14
Dealing with IRS/State Tax Agencies	17	3.70	1.93	16.0	10.8	20
Projecting Future Sales Changes	18	3.72	1.78	10.9	9.7	17
Electricity Costs (rates)	19	3.76	1.82	11.3	10.5	12
Cost and Availability of Liability Insurance	20	3.79	1.97	14.9	13.5	23
FICA (Social Security Taxes)	21	3.79	1.91	12.9	13.7	24
Fixed Costs Too High	22	3.79	1.82	12.5	10.8	19
Finding Out about Regulatory Requirements	23	3.85	1.92	12.3	14.2	25
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Cash Flow	25	3.89	1.95	13.9	13.0	16
Unemployment Compensation	26	3.89	2.03	13.7	17.3	21
Environmental Regulations	27	3.94	2.15	17.5	19.8	27
Health/Safety Regulations	28	3.95	2.01	13.8	16.8	30
Time Spent Shopping for Health Insurance	29	4.00	2.05	14.3	18.4	36
Cost of Government Required Equipment/Procedures	30	4.01	2.02	14.0	17.2	28
Competition from Large Businesses	31	4.06	2.04	13.5	17.6	31
Cost of Outside Business Services, e.g., Accountants, Lawyers, Consultants	32	4.07	1.78	7.9	12.5	34

The 3.141 Biggest Problems Faced By Small Businesses

Problem	2016 Rank 1-75	Mean	Standard Deviation	Percent "Critical"	Percent "Not a Problem"	2012 Rank 1-75
Telephone Costs and Service	33	4.08	1.75	7.6	11.3	33
Cost of Natural Gas, Propane, Gasoline, Diesel, Fuel Oil	34	4.10	1.94	11.0	15.9	3
Controlling My Own Time	35	4.11	1.95	11.2	17.2	35
Minimum Wage/"Living" Wage	36	4.16	2.10	14.0	22.0	52
Locating Business Help When Needed	37	4.17	1.93	10.5	16.1	48
Credit Card Payment Processing Costs	38	4.20	2.19	14.4	25.9	new
Obtaining Licenses, Permits, etc.	39	4.22	1.99	10.6	18.0	44
Hiring/Firing/Employment Regulations	40	4.26	1.97	8.5	20.3	45
Keeping Up on Business and Market Developments	41	4.26	1.71	5.6	12.2	41
Training Employees	42	4.27	1.89	7.7	18.2	49
Physical Facilities Costs, such as Rent/Mortgage/Maintenance	43	4.28	1.86	7.9	16.9	39
Pricing My Goods/Services	44	4.28	1.88	8.1	17.0	40
Poor Sales	45	4.29	1.95	11.0	17.2	26
Ability to Cost-Effectively Advertise	46	4.30	1.91	8.2	18.7	37
Real Estate Values	47	4.34	1.94	9.8	19.2	29
Using Computer(s), the Internet or New Technology Effectively	48	4.39	1.92	7.8	19.0	50
Estate Tax	49	4.40	2.32	17.7	32.1	42
Rules on Retirement Plans	50	4.53	1.96	8.1	23.4	51
Cyber Crime (viruses, hacking, etc.)	51	4.58	1.94	8.4	21.4	63
Traffic, Highways, Roads, Bridges	52	4.62	2.03	9.1	27.3	59
Reducing Energy Use in a Cost-Effective Manner	53	4.63	1.72	4.1	18.6	43
Delinquent Accounts/Late Payments	54	4.65	1.93	7.6	22.7	46
Handling Business Growth	55	4.70	1.75	3.9	21.2	55
Interest Rates	56	4.76	1.89	6.5	25.1	62
Zoning/Land Use Regulations	57	4.76	1.99	8.2	28.0	54
Mandatory Family or Sick Leave	58	4.78	2.04	9.0	31.0	64
Employee Turnover	59	4.79	2.01	8.3	28.6	72
Crime, including Identity Theft, Shoplifting, etc.	60	4.83	1.90	7.1	24.5	60
Anti-Competitive Practices, e.g., Price Fixing	61	4.84	1.92	6.8	26.5	53
Protecting Intellectual Property	62	4.89	1.91	5.9	30.6	67
Competition from Internet Businesses	63	4.95	2.06	8.8	34.9	65
Using Social Media to Promote Business (Facebook, Twitter, etc.)	64	4.95	1.85	4.7	31.0	70
Competition from Imported Products	65	5.14	2.05	8.1	40.8	68
Access to High-Speed Internet	66	5.15	2.07	8.8	41.8	73

The 3.141 Biggest Problems Faced By Small Businesses

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Bad Debts (not delinquencies) and/or Bankruptcies	67	5.18	1.80	4.0	32.8	57
Costs and Frequency of Lawsuits/Threatened Lawsuits	68	5.25	1.92	6.2	38.6	71
Obtaining Long-Term (5 years or more) Business Loans	69	5.28	1.89	6.1	38.8	56
Obtaining Short-Term (less than 12 months or revolving) Business Loans	70	5.28	1.92	6.3	39.4	58
Credit Rating/Record Errors	71	5.32	1.80	4.6	37.3	66
Winning Contracts from Federal/State/Local Governments	72	5.43	1.93	5.6	48.4	69
Undocumented Workers	73	5.57	1.94	7.1	52.1	74
Out-of-State Sales Tax	74	5.67	1.78	4.2	51.0	new
Exporting My Products/Services	75	5.89	1.71	3.4	59.2	75