Requisites and challenges of managing B2B small business from start-up to scale-up

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Abstract

Managing B2B small business from startup stage to scale-up stage is very crucial for founder/s of the business. The study intends to establish such practical aspects in the small business startups especially in the B2B business to understand the requisites and challenges faced by these small B2B businesses while they make it happen in growing their business from a startup to scale-up stage. The journey of this critical period in business to reach a scale-up position from a startup venture entirely depends on the type and nature of such business. However, the requisites and challenges faced during this journey remains prevalent in most of the small business startups. The study focusses establishing on such requisites and challenges faced by these small B2B startups in order to scale-up the business and making their dream come true.

Keywords: startup, scale-up, B2B, requisites, challenges

Introduction

Whenever we come across a word startup in business it may refer to many types of startups emerging around us. There are various types of startups *viz.*, technology startups, lifestyle startups, small business startups, large business startups, social startups etc., this study is pertaining to small business startups in B2B segment of market. The scaling up journey of each startup entirely depends on the type and nature of startup business.

Scalability refers to sustainability in business through its continuous improvement in business in terms of profitability, sales volumes, business expansions, business growth rates etc., the terms growth and scalability are quite often used interchangeably. However, each of them has its own significance. In simple terms growth refers to adding resources to achieve revenue in business whereas scaling refers to adding or increasing revenue with the existing resources. Scalability differs from business to business. The scalability for a software business startup may differ from a logistics company and so on. Scalability for each business is independent or incomparable of other business startups. It entirely depends on the type or line of business. For a software startup the cost of building a software module is one time for its first sale and subsequent sales reoccur thereafter. Whereas, for a logistics company cost of providing service each time either repeats or differs. Similarly the approach towards scalability for each business differs. The strategies for blockbuster startups for scaling up the business will differ from a small company startup. There is a difference in approaches of scaling up a big business compare to a small business. This study focuses on a small business startup journey in B2B segment while it scales-up to a grown-up company after few years of its inception and the management requisites and challenges of small business startups during their journey from a startup to scale-up

Requisites for Startup to Scale-Up the Busienss

It is a dream for every small startup in B2B to scale-up its business. However, the time taken for scale-up depends on the nature of business idea or concept or product or service. The time taken by small business to reach a scaling up stage depends on various requisites successfully adopted in the process of growth of the business from the day of inception of a small business.

Certain requisites required for scaling up of business for better customer acquisitions, customer loyalty, brand recognition, brand building, market expansions, business expansions and diversifications, building additional revenue models etc., are discussed below to realize the successful scale-up opportunities for a small business into a large business.

- **Build a strong foundation:** Building a strong foundation for the new startup business is first and foremost thing to be done for any small business before even thinking about scale-up. Unless there is a strong foundation in terms of market-fit product or service, strong team, operations, finance, marketing, sales etc., the business may sink or fail in the process of acceleration.

- **Build a long-term vision and objectives**: No business can become big overnight. It is important to look at the business in long-term perspective and build the action-plan for growth accordingly. Of course, having short-term goals are also equally important to support the long-term vision and objectives of the business.

- **Understand the customer pain points and provide solutions**: Especially when a small business is into B2B business it becomes very important to understand the customer wants and needs to fill the gap. It is always an advantage for a small business to quickly scale-up its business when the business approaches the market to fulfill the pain points of customers and provide them solutions.

- **Understand the market dynamics:** Understanding of market dynamics of the market in which the business is serving is very important for a small business during its lean phase. Market dynamics are factors that may impact businesses by the way of changes in the demand, customer

behaviors, environmental changes, competition, prices etc., Hence being agile in the business becomes very important for a consistency in scaling up process of a small business.

- **Understand the core-competency**: Whether it is a product or service understanding a core-competency of business to create a competitive edge is very critical to strategize the business action plan to work and improve on the areas of core competency to build an appropriate competent team, technology, service etc., towards the core competency of a business and at last the stronger enterprise to meet the demands of scaling up of business effectively.

- **Build resources while you grow:** Any small startup in general will start its business with fewer resources whether it is men or material with multitasking roles for its human resources to manage the show. As and when the business grows there is a need to identify the time at which you need to expand your resources to decentralize the expertise among your human resources. At this stage the business has to move from generalization stage to specialization stage. Coping up with the growth by creating stronger core-team resources to sustain the quality product/service commitments of the business to customers and working on returns on investments is the key to small businesses while they scale-up their business. The founder/s or entrepreneur/s of the business should believe in hiring resources for tomorrow than for today. Right men for right jobs should always be the goal of hiring. Because it takes time for human resources to gear up to a level before they become competent and responsible to meet the scaling-up demands in the business.

- **Convert person dependent business to system dependent business**: The common problem with most of the small businesses is that the business depends on an owner for majority of the activities. Everything in centralized to an owner in terms of its day to day running requirements. This is very dangerous for a business to scale-up its business unless the business is tuned to become a system driven set-up. As and when the business expands the core functions are required to be delegated among the core team to run the enterprise with or without an owner's presence in the business. Establishing more and more standardized processes and well-designed hierarchy in the business is the key to success while scaling up in the business.

- **Adequate financial management**: The financial management in terms of funding the business whenever required, working-capital management, maintaining reserves, cash flow management etc., will play an important role while the business is in the acceleration phase. Fulfilling financial commitments at every stage during this phase is very crucial to maintain the rate of expansion.

- **Adaptability to changes**: Being agile to changes and quick adoption is key to success. The culture of business should not stick to conventional way of thinking. As a core the culture of a business requires adaptability to changes as and when the circumstances demand. The new normal life during the outbreak of COVID-19 pandemic is the best example to discuss about the changes occurring in the way the businesses are done especially with respect to MSME sector. Digitalization of business has become the need of the hour for small businesses to survive. The one not adopting to the changes according to times will be left-behind.

- **Induct advisors in the system**: Having an advisor in business during acceleration phase is always a moral support to management team similar to having a mentor in our personal life. The crucial decisions in business at times may call for expertise advice to avoid mistakes which may turn-out to be a costly mistake for the business.

Challenges of Startup to Scale-Up the Busienss

- **Lack of understanding about the business**: Many start-up businesses fail due to lack of understanding or study or research or experience about the business potentials of the idea or business they want to do. It is very important to understand the business as a whole in terms of its competition, product or service fit, potentiality or demand, profitability etc., during the lean phase of the business. It is essential for business founder/founders to study and understand the business potentials before scaling-up in the business.

- **Resistance to change**: The changeover from startup to scaling-up process requires the efficient team with different skill sets handling responsibilities in a systematic manner. Usually when the business is small the practice of doing everything by everyone gets imbedded in the system which later becomes a challenge to streamline the system into a professional organizational structure approach due to resistance from the employees for change. Adapting to changing advancements in the business during acceleration phase results into resistance for change at times among the team in the business.

- **Management re-structuring**: When the business changes its level startup stage to scale-up stage there may be a need for management restructuring. In order to cope-up with the business growth there may be a need for change in the management structure with well-defined portfolio to handle the growth requirements more efficiently. Structural change is purely need based in-line with the strategic goals of the company during its phase of scaling-up its business. In a nutshell it becomes important to create more of a specialist management level than a generalist type when the business is scaling up to another level.

- **Allocation of resources:** Allocation of resources *viz.*, men, machines, materials, facilities, infrastructure, finance etc., against the business scaling requirements is very crucial. The arrangement of timely resources against business goals supports the business like a fuel to the engine while gearing up its speed. A small deficiency in any one resource will lead to cascading effect in the process resulting into disruption in the business.

- **Building efficient organizational culture**: Incorporating efficiency in culture as part and parcel of a business is an essence in terms of employee involvement in decision making process, employee contributions, utilization of resources, employee rewards, safety etc., The good culture in the organization brings in many advantages to business like employee engagement, employee unity, team work, maturity, leadership, collective decision making etc.,

- **Retaining loyal customers**: In the process of scaling up paying attention to loyal customers or customers as a whole is forgotten as the main focus is consumed on the business side. This is another challenge as it leads to creating more

bad mouths about your business before the business really realizes its bad effects on its business.

Conclusion

The business startup gears itself to greater heights only when the business idea is nurtured thoroughly throughout its lean to acceleration stages with consistent efforts to build the requisites of business growth like objectives, leadership, planning, people, processes etc., Any startup business idea is converted into a dream come true only when the promoter/s love the business idea as well as experience it the fullest. Unless there is long term vision with clear objectives, action plan and consistent efforts no business can succeed. It is essential for any business startup to understand the requisites for growth in business from a startup to scale-up. Challenges are quite obvious in any business startups while in the process of scaling up its business. It all depends on the preparedness of a business to face such challenges and move forward with appropriate need-based fulfillments for growth. Right actions at right times makes it all to successfully scale-up the business in its journey from a startup to scale-up business.

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