When you went into business, it was probably because of your passion for something you could offer the world, be it manufacturing, distributing, or providing services. It’s a fairly safe bet that you didn’t start your business because you wanted to manage staffing issues, provide health insurance to employees, or deal with ever-changing legislation and bureaucracy. Yet, these realities are faced by every business, large and small. Successful companies learn how to manage the challenges without getting overwhelmed or letting them interfere with core business operations.

According to the 2016 State of Small Business Report survey, the top five challenges facing American small businesses fall into three categories: managing the bottom line (revenue, profitability, and cash flow), talent acquisition, and employee benefits.¹

Your business is unique, but the challenges you’re facing likely aren’t. If you’re juggling revenue growth, talent management, and the cost of employee benefits, you’re in good company. The good news: it’s possible to balance these challenges and stay focused on your primary business.

Top five challenges facing small businesses (by size)

<table>
<thead>
<tr>
<th></th>
<th>5–10 employees</th>
<th>11–50 employees</th>
<th>51–100 employees</th>
<th>101–499 employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing profit</td>
<td>54%</td>
<td>49%</td>
<td>54%</td>
<td>50%</td>
</tr>
<tr>
<td>Hiring new employees</td>
<td>47%</td>
<td>46%</td>
<td>46%</td>
<td>50%</td>
</tr>
<tr>
<td>Employee health care</td>
<td>38%</td>
<td>46%</td>
<td>42%</td>
<td>43%</td>
</tr>
<tr>
<td>Growing revenue</td>
<td>38%</td>
<td>45%</td>
<td>42%</td>
<td>42%</td>
</tr>
<tr>
<td>Cash flow</td>
<td>36%</td>
<td>39%</td>
<td>34%</td>
<td>30%</td>
</tr>
</tbody>
</table>

¹ According to the 2016 State of Small Business Report survey, the top five challenges facing American small businesses fall into three categories: managing the bottom line (revenue, profitability, and cash flow), talent acquisition, and employee benefits.
Tackling growth challenges
Business owners are generally optimistic about their growth potential. At the same time, they’re realistic about their challenges. According to the Small Business Pulse Survey, 60% say that attracting and retaining customers is the most critical issue.² The 80/20 rule says that 80% of your sales comes from 20% of your customers. So it stands to reason that focusing on that 20% should yield higher profitability. Instead of going after the broader market, focus your efforts on your best clients. These are the ones with a higher level of satisfaction, and they’re more likely to refer their friends and neighbors to you.

The Small Business Administration³ offers these tips for boosting sales

Identify your best customers
Exactly who is that 20%? Determine their similarities. Is it demographics? Location? Use the information to your advantage when working to expand your base.

Narrow your target market
Going after a specific slice of the market can help you stand out in the crowd.

Highlight your point of differentiation
Determine what you offer that your competition doesn’t and promote it.

Create specialty programs that increase sales
Offer things like incentives or loyalty discounts to your existing customers to give them another reason to keep coming back.

Hiring new employees
The right hire can increase production, make positive contributions to the company culture, and directly affect your bottom line. The wrong hire can cost your business money and time, and increase your existing employees’ stress levels.

Finding the right employee can become a full-time job for the hiring manager. Beyond the time factor, there’s a significant cost associated with it. The total cost of onboarding — taxes, benefits, equipment, training, and bonuses — can range from 1.5 times to 3 times the salary⁴ of the position, making it critical to select the right employee. Start by developing a recruiting strategy so you aren’t reinventing the wheel every time you need to source new employees.

Does your current recruiting plan include these steps?
• Create a job description
   A strong job description can make it easier to find the best match for the job.
• Post your opening
   There are hundreds of job boards you can use to post your openings. Be sure to post the opening on your own company’s website as well.
• Explore social media
   In addition to promoting your business, use social channels to broadcast your job openings.
• Contact a recruitment/staffing professional
   Retaining an employment agency won’t save you money, but it should save you time.

The total cost of onboarding can range from 1.5 times to 3 times the salary of the position.
Employees are 57% more engaged when they feel their company offers a competitive rewards package.

- **Consider past candidates.** Someone who may once have been your second choice has likely gained more experience since you last spoke.

- **Create a contract position.** For short-term projects, consider a contractor. While you’ll need to be careful to comply with strict employment laws governing independent contractors, these individuals could provide a pool of talent when you need to fill a permanent position.

- **Promote from within.** The perfect person for the job may be right under your nose. But promoting an existing employee still leaves you with a vacancy to fill. Use the strategies outlined above to fill the gap.

**Providing employee health care**

Even if you’re not required by law to offer coverage, employees expect it as part of their total compensation, making employers who don’t offer health benefits less attractive to prospective employees. Passing the cost increases on to employees often causes friction between employers and workers and can lead to employee dissatisfaction with their benefits. If you choose not to pass on the costs, you could wind up eroding your profits.

Here are some things to consider when you’re making decisions about your benefits offerings.

- **Be compliant.** If you hire five new employees this year, will that change your benefits requirements? What if they’re just part-time? Knowing which laws you’re subject to can help you budget, avoid hefty penalties, and predict administrative burdens.

**Need help?**

ADP® has your back with hiring and employee benefits. From full hiring support to getting the job description right, ADP can help you find and hire qualified employees. When it comes to benefits, you can partner with us to access Fortune 500-caliber plans, or rely on us to administer your existing benefits programs.

2. Yelp Small Business Pulse Survey.
5. Sample job descriptions from Monster.com.
7. The Business of Benefits, ADP.