How to fuel healthy growth

There are three main reasons for the shortage of resources faced by many SMEs: financial expectations not adjusted to actual results; the tensions of growth; and poor financial management.

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By Albert Fernández

In 2009 a U.S. Airways flight made an emergency landing on New York's Hudson River. The first photo of the scene was taken by a man traveling on one of the ferries that came to rescue passengers. He uploaded it to Twitpic, an app designed to enable users to share photos via their Twitter accounts. Within four hours, the picture had been viewed 40,000 times, and the Internet was abuzz with talk that Twitpic, the small business idea launched the year before by entrepreneur Noah Everett, was "truly a breakthrough means of distribution," destined to upend traditional media and take the world by storm with this disruptive tool for citizen journalism.

Alas, it was not to be. In 2014, Noah Everett announced "with a heavy heart" that his fledgling enterprise was shutting down due to a legal quagmire involving third-party hosting services for Twitter. "Unfortunately we do not have the resources to fend off a large company like Twitter to maintain our (trade)mark which we believe wholeheartedly is rightfully ours. Therefore, we have decided to shut down Twitpic," he wrote in his blog.

Twitpic is not the only small enterprise to find itself struggling, despite having a compelling business model, due to its lack of financial resources. Indeed, one recent European Commission report identified access to financing as the second biggest concern for European small and medium-sized enterprises (SMEs), after finding customers.

Fortunately, there are strategies for survival. For more than two decades, I have given

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classes on SME management and I help run Finaves, an investment fund that supports entrepreneurial initiatives by awarding seed capital to promising startups. Through these experiences, I have identified three main causes of resource scarcity among SMEs: financial expectations not adjusted to actual results; the tensions of growth; and poor financial management. To address these problems, this article presents a range of possible solutions.

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