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Managing Challenges Associated with the Small Business Failure in Emerging Markets: The Nigerian Illustration

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Abstract:
This study identifies the main causes of business failure based on an empirical study in Nigeria. This study examines the prevalence of causes of business failure and learning outcomes result from the failure experience of the entrepreneurs. The population includes twenty entrepreneurs in newly established small businesses who work in Nigeria industry sector. Data was gathered through questionnaires that were administered to senior manager and corporate policy makers. The data of the study were collected through interviews with sample of 15 entrepreneurs who closed their businesses after operating at least 4 years. Findings show a significant difference between successful and unsuccessful entrepreneurs' viewpoints and also prioritize the business failure factors. This empirical study on the sample of failed business-owners/managers pointed out that the main causes of business failure were due to lack of good management, no support from banks and financial institutions, inadequate economic sphere, and insufficient governmental policies. Informed by this findings, the concluded that the largest proportion of mature business failures was explained by the integrative approach which includes both individual/organizational (internal) and environmental (external) factors. The study recommended that business discontinuation is an important feature of dynamic economies; hence, entries and exits of businesses need to be closely connected.

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INTRODUCTION

Small and Medium Enterprises (SMEs) play a key role to innovation, employment, and competitive advantage. One of the requirements for growth, creativity as well as entrepreneurship in societies is to study their failure process. Since new firms create new jobs, open up opportunities for upward social mobility, foster economic flexibility, and reinforce competition and economic efficiency (Liao (2018), they are considered critical for economic growth. Entrepreneurship literature has paid much attention to factors which affect business performance. Performance is defined by Laitinen (2017), as "the ability of an object to produce results in a dimension determined a priori, in relation to a target". The performance factors based on the literature are as followed: personality of the entrepreneur innovation, planning, and entrepreneurial culture (Georgellis 2016).

Business discontinuation is an important element of dynamic economies; on the other hand, entries to and exits from businesses are closely correlated. It has been widely recognized that business growth as well as survival depend both on external and internal factors. While most business challenge may be foreseeable, some will be completely unpredictable. In order to succeed in their business, a management team must pay careful attention to all those aspects which may have a significant impact on business viability and also demonstrate skills both in exploiting the opportunities as well as reducing the threats. The challenges of managing a successful business today are more complex and difficult than any other time in the recent history. Technological, product, and manufacturing innovations, changes in business regulations and increased international competition have placed tremendous pressures on the management of companies. As a consequence, the failure rates of new start-ups, and even young companies beyond the starting phase, are at an all-time high (Bruno 2018).

According to business guru Tracy (2019), "Leadership is the most important single factor in determining business success or failure in our competitive, turbulent, fast-moving economy." Based on a study by Jessie Hagen (2019) of the US Bank, enumerated four reasons of businesses failure as Poor Business Planning Poor Financial Planning, Poor Marketing, and Poor Management. Proper application of these key factors is a function of good leadership. In the Business Planning category, 78% of businesses fail due to lack of a well-developed business plan.

In the Financial Planning category, a whopping 82% of businesses failed due to poor cash flow management skills followed closely by starting out with too little money. Business leadership is about taking financial responsibility, conducting sound financial planning and research, and understanding the unique financial dynamics of one's business. Over 64% of the businesses surveyed in the Marketing category failed because of owners minimizing the importance of properly promoting their business followed by ignoring their competition. Leadership is all about taking initiative, taking action, getting things done, and making decisions. In the Management category, 70% of businesses failed due to owners not recognizing what they do not do well and not seeking help, followed by insufficient relevant business experience. Not delegating properly and hiring the wrong people were major contributing factors to business failure in the Management category. Leadership is about knowing yourself understanding your strengths and weaknesses. Leaders are aware of their potential. Losers ignore their potential. Leadership is ultimately about influence and delegation. As a leader, you must have the humility to be able to surround yourself with people who are brighter than you and who can make up for your weaknesses and limitations so you can do what you do best: seize the day and lead.

The academic research on entrepreneurship has gained a significant momentum in the last two decades and contributed to the establishment of a robust theoretical basis in this field. Although such research provides ideas about different aspects of entrepreneurship, it usually focuses on the success of entrepreneurs (Sarasvathy 2004), cognitive entrepreneurship (Baron 1998, 2004), characteristics of entrepreneurs (Begley & Boyd, 1987), capital for entrepreneurship (Chandler & Hanks, 1998) (Perry, 2001). However, Everett and Watson (1998) suggest that if failure is defined as bankruptcy, it would be considered from a very narrow perspective and for example many businesses that still operate although they lose money will be excluded from the analysis. Cannon and Edmondson (2005) made a broader conceptualization and defined failure as 'deviation from expected and desired result'. When defined in this way, failure may occur when the entrepreneur underperforms in terms of critical processes or when desired targets are not achieved.

Cope (2011) states that "failure represents one of the most difficult, complex and yet valuable learning experiences that entrepreneurs will ever have the misfortune to engage in". Thus, venture failure is an important concept to understand in entrepreneurship, both in terms of its causes and consequences for the individual entrepreneur, organizations and society at large. Success and failure of a business can be explained both by individual/organizational (internal) and environmental (external) factors (Zacharakis, Meyer & DeCastro, 1999). Internal causes are those decisions/actions that are under management's control while external causes are events that are outside of management's control. Inmost cases, a complex mixture of causes contribute to business failure. Among the internal factors, managerial incompetence or poor management comes first (Gaskill et al., 1993; Zachakaris et al, 1999). Poor management is referred to the failure of the management to be able to ensure that problems are identified promptly and the correct solutions applied, so as to give the company the best possible change of survival and growth. Overconfidence and excessive risk taking tendency also seen among the failure causes (Hayward et. al. 2006). On the other hand, many businesses fail due to poor financial planning, namely getting into cash flow binds, being too easy with credits, spending money on the wrong things. Thus, business failure is connected to the manager's decisions and behaviors, and the way he conducts his enterprise. In contrast, some other scholars seem to suggest that businesses fail rather due to external factors such as inadequate economic circumstances (Gaskill et al., 1993), government.

Entrepreneurs can be difficult to define, and there are many definitions used to describe an entrepreneur. However, an entrepreneur can only be described in one simple definition. An entrepreneur is the one who recognizes any need and satisfies it (Nelson, 2012). Entrepreneurs could also be categorized into four stages: Potential entrepreneur, nascent entrepreneur, new business, and an established business. In addition, the established business stage is defined as an entrepreneur who establishes a business for more than three and a half years. In the recent years, there is an increase in entrepreneurial activity in some countries. In the United States, venture capitalists have invested their money in 3,995 deals, which totals to 29.4 million dollars in the year 2013 (Wade, 2014). By comparing to an earlier year, the growth is up by 7% in dollars and 4% in the number of deals (Wade, 2014). A successful entrepreneur can fuel the society with value and economic sustainability. However, the obstacles and challenges that entrepreneurs faced are proved to be harsh for them to survive. This causes most entrepreneurs to fail their business fairly quickly. The causes of failure are lack of a market need, inappropriate team, failed to compete, problems with pricing or cost, product unfriendly to the user, make a product without a business model, substandard marketing, customers ignorance, inappropriate timing for the product, cannot focus, no harmony within the team or investors, bad decisions, no passion, failed to expand geographically, lack of financing or investor, legal difficulties, lack of networking, and failed to make changes. (CB Insights, 2018). This data may provide a glimpse into the issues that entrepreneurs are facing every day, which might eventually make them fall into one of the categories. The significance of this research is to identify what might cause entrepreneurs to fail in becoming an established business, which covers a specific time span. It is important to identify the causes early, so entrepreneurs who currently have a business under three and a half years old can recognize the problem and take action on that particular problem. This research may also help people who are becoming an entrepreneur to avoid failing which can increase interest and entrepreneurial activity in the country or region as a whole.

LITERATURE REVIEW

Entrepreneurial Learning

It is a general opinion that entrepreneurs benefit from their previous failures. As the catalyst for further business development, failure provides critical learning opportunities (Cardon et al., 2010). Sitkin (1992) was one of the pioneers among the authors who have similar opinions. He details the way organizations of all kinds may learn through failure, going so far as to argue that failure is an essential part of the learning process for organizations. According to Huovinen and Tihula (2008), failures may lead to the development of entrepreneurial knowledge as well as founding experiences. Politis and Gabrielson (2009) suggest that entrepreneurs' life and work experiences shape their attitudes towards failure. The author reports that prior entrepreneurial experience as well as experience closing down a business is associated with more positive attitudes toward failure. In Cope's study (2011), learning is emphasized as a process and recovery and re-emergence from failure is seen as a function of distinctive higher-level learning processes that allow entrepreneurs to learn about themselves and entrepreneurship. His research findings suggest that failure can improve "entrepreneurial preparedness" for subsequent entrepreneurial activity.

The literature identifies two key outcomes related to the process of learning. The two learning outcomes are: learning how to recognize opportunities (Shane and Venkataraman, 2000; Shane, 2000), and learning how to overcome traditional obstacles when organizing and managing new ventures, i.e., the exploitation of opportunities (Shane and Khurana, 2003). Entrepreneurial opportunities are those situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production (Casson, 1982). Recognizing opportunities is considered to be among the most important abilities of a successful entrepreneur (Shane, 2000; Shane and Venkataraman, 2000). People generally recognize opportunities related to the information that they already possess (Venkataraman, 1997). People have different stocks of information because information is generated through people's idiosyncratic life experiences (Shane, 2000) Therefore, entrepreneurs that have failed can be considered to have improved their knowledge, capabilities and experience in seeing the opportunities. Minniti and Bygrave (2001) explain that entrepreneurial failure reduces uncertainty that lead to the discovery of new opportunities. Thus not only successful experiences can increase the effectiveness of opportunity recognition. Also failures increase the effectiveness of opportunity recognition. Moreover, failure acts as a stepping stone not only spotting new opportunities but also exploitation of those opportunities. Exploitation of an opportunity is a decision to act upon a perceived opportunity, and the behaviours that are undertaken to achieve its realization (Choi and Shepherd, 2004).

Cooper et al. (1989) found that people are more likely to exploit opportunities if they have developed useful information for entrepreneurship from their previous employment, because such information reduces the cost of opportunity exploitation. Previous experience could increase the ability to better cope with liabilities of newness and reduce the obstacles and uncertainties related to setting up a new business, such as finding financial start-up capital, legitimacy building, adaptation to changes, having access to social and business networks Previous studies found various factors were contributable to business failure. The factors are summarized as follows:

Entrepreneurial Failure

Oxford English Dictionary defines the term "failure" as "to become deficient, to be inadequate". In general, many different terminologies are related to business failure, such as firm closures, entrepreneurial exit, dissolution, discontinuance, insolvency, organizational mortality and bankruptcy. Normally, entrepreneurial failure is referred to as the cease of an operation for financial reasons. Since we examined nascent entrepreneurs during the firm's gestation process, one type of entrepreneurial failure is the discontinuance of venturing efforts by entrepreneurs (Liao et al., 2009), but business failure can be defined as wanting or needing to sell or liquidate, to avoid losses or to pay off creditors, or the general inability to make a profitable go of the business (Gaskill et al., 1993). Pretorius, at the end of his review of business failure definition, proposed a universal definition for the failure phenomenon - a venture fails when it involuntarily becomes unable to attract new debt or equity funding to reverse decline; consequently, it cannot continue to operate under the current ownership and management. Failure is the endpoint at discontinuance (bankruptcy) and when it is reached, operations cease and judicial proceedings take effect (Pretorius, 2009). There are problems relating to the use of various terms involved in research in business failure. In particular, definitions of business "disappearance", "closure", "exit", and "failure" are confused and often overlapping. "Dis-appearance" of a business may occur because the business failed, or because the business was acquired by or

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merged into another company, or because the owners voluntarily closed it (Cardozo and Borchert, 2004). “Closure” can be categorized as the inability of a business to survive and thus represents a discontinuation of a business. “Exit” refers to several different meanings; it can refer to the exit of a business from trading in a Failure has been defined differently by several studies. Some studies define failure as bankruptcy. The bankruptcy criterion for failure states that failure occurs when the firm is legally bankrupt and ceases operations with a resulting loss to creditors (Perry, 2001). However, Everett and Watson (1998) suggest that if failure is defined as bankruptcy, it would be considered from a very narrow perspective and for example many businesses that still operate although they lose money will be excluded from the analysis. Cannon and Edmondson (2005) made a broader conceptualization and defined failure as ‘deviation from expected and desired result’. When defined in this way, failure may occur when the entrepreneur underperforms in terms of critical processes or when desired targets are not achieved. Cope (2011: 620) states that “failure represents one of the most difficult, complex and yet valuable learning experiences that entrepreneurs will ever have the (mis)fortune to engage in”. Thus, venture failure is an important concept to understand in entrepreneurship, both in terms of its causes and consequences for the individual entrepreneur, organizations and society at large. Success and failure of a business can be explained. Success and failure of a business can be explained both by individual/organizational (internal) and environmental (external) factors (Zacharakis, Meyer & DeCastro, 1999). Internal causes are those decisions/actions that are under management’s control while external causes are events that are outside of management’s control. In most cases, complex mixtures of causes contribute to business failure. Among the internal factors, managerial incompetence or poor management comes first (Gaskill et al., 1993; Zachakaris et al, 1999). Poor management is referred to the failure of the management to be able to ensure that problems are identified promptly and the correct solutions applied, so as to give the company the best possible change of survival and growth. Overconfidence and excessive risk taking tendency are also seen among the failure causes (Hayward et. al. 2006). On the other hand, many businesses

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fail due to poor financial planning, namely getting into cash flow binds, being too easy with credits, spending money on the wrong things. Thus, business failure is connected to the manager's decisions and behaviors, and the way he conducts his enterprise.

In contrast, some other scholars seem to suggest that businesses fail rather due to external factors such as inadequate economic circumstances (Gaskill et al., 1993), government policies (Cardon et al., 2010).

There are also some studies in the literature that analyze the association between the age of the company and business failure (Honjo, 2000; Thornhill and Amit, 2003). Those studies have established that younger firms fail more often due to internal causes (e.g. operational management problems, inexperienced and incompetent management, different management failures) while mature firms fail largely due to external causes (environment, competition, demand) (Lukason and Hoffman, 2015). Immature firms fail due more to their lack of experience (Thornhill and Amit, 2003) or limited resources (Hall, 1992). More recently, Egeln et al. (2010) found that successful young firms often fail due to a lack of financial resources (cited in Lukason and Hoffman, 2015). They explained this situation by the mistakes made by the inexperienced managers rather than the managerial incompetence. On the other hand, mature firms are more likely to fail due to changes in their environment which their rigid routines are unable to adjust to (Thornhill and Amit, 2003). Lukason and Hoffman (2015) underlined in their study that the likelihood of failure due to internal and external reasons is very high in all age groups of 437 Nuray Atsan / Procedia - Social and Behavioral Sciences 235 (2016) 435 – 442

Various causes for business failure may originate either from the external environment or from factors internal to the business. While some external causes are not so predictable, internal causes of business failure could in many cases be forecasted in advance. In most cases, a complex mixture of causes contribute to business failure; it is very rare for one single factor to be involved (FEE, 2004). According to the literature, the variables that explain firm failure can be grouped into four broad categories: (1) firm specific, (2) industry specific, (3) macro-economic, and

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(4) spatial or geographic factors (Maoh & Kanaroglou, 2007). Ooghe and De Prijcker (2008), classified causes of bankruptcy into four groups of factors: general environment (economics, technology, foreign countries, politics, and social factors), immediate environment (customers, suppliers, competitors, banks and credit institutions, stockholders, and misadventure), manager/entrepreneur (motivation, qualities, skills, and characteristics) and corporate strategy (strategy and investments, operations, personnel, and administration).

The majority of entrepreneurs fail in becoming an established business, and many reasons may contribute to their failures. Many studies indicate that entrepreneurs might be impacted by different factors that eventually lead to failure. The purpose of this research is to explore the factors that might cause entrepreneurs to fail in becoming established businesses. According to the research, absence of motivation, poor cash flow, and incompetent organizational skills may be the factors that cause entrepreneurs to face failures. The results suggest that entrepreneurs who are affected by one of these factors or more may not be able to reach the stage of an established business which is a business of more than three and a half years.

Ninety percent of entrepreneurs who build startups will fail (Patel, 2015). This is the truth of what most entrepreneurs are expected to face in the present day. Entrepreneurs are challenged by countless obstacles with a tremendous amount of pressure to survive in the heavily competitive market. While entrepreneurs are very optimistic concerning the ideas or solutions they bring into the market, most of them are not successful with the direction that they have decided to move towards. K Vaitheeswaran, a co-founder of the first e-commerce business in India called Fabmart.com, states that the path that entrepreneurs are on is difficult and there are many causes that make startup failed (Chengappa, 2017). A number of people desire to become an entrepreneur, but only some are successful in becoming one (Chengappa, 2017). It is crucial to know the causes that contribute to the failure of entrepreneurs and how can entrepreneurs avoid making the same mistakes that other entrepreneurs make. Thus, this research may potentially help future entrepreneurs to have a higher chance of survival, become successful, and established a sustainable and viable business. Some researchers identify the factors that make entrepreneurs failed, but most of them contain various reasons that lead up to the failure, which is not condensed into one focused research in a specific timespan. There are 80% of entrepreneurs who failed their businesses in the first 18 months (Wagner, 2013). Research of a specific timespan is required to fill in the gap that is missing from other research. The factors that cause most entrepreneurs to fail in becoming an established business are lack of motivation, negative cash flow, and poor organizational skills.

Lack of Motivation: Motivation is a key to the success of entrepreneurs, but most entrepreneurs lack the motivation to move forward as they may face failures and obstacles on their way to success. Performance of a firm can be affected by the lack of motivation of entrepreneurs which could make the firm face with unintended failure in the future if the matter is left overlook for a certain period. A study by Waita and Namusonge (2013) indicates that performance of a company may improve by focusing on promoting entrepreneurial motivation of the employees in various factors. Motivation is crucial for keeping entrepreneurs to be focused on achieving the goals that are set by the initial factors of motivation when they originally started the business. Entrepreneurs are affected by many motives when starting the business and the types of motive may determine the will to continue or discontinue the business altogether (Staniewski and Awruk, 2015). When entrepreneurs are facing various problems constantly, maintaining the motivation is essential in keeping the business running. Zimmerman and Chu (2013) suggest that most entrepreneurs in Nigeria have a motivation to increase their income when running a business despite the less developed economy they are facing continuously. Each source presents different angles of motivation as a factor that can impact many areas of both the business and entrepreneur which signifies the importance of maintaining or having motivation when running a business. The author agrees with the findings presented as many entrepreneurs decide not to continue their business since they lose motivation in the process of building a business which causes the company to suffer in performance and face closure in the end.

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Cash flow, which includes funding, is crucial for every entrepreneur to start off their business and to keep the business afloat. Entrepreneurs or ones who are starting a business perceive many obstacles including funding as one of the main hardships. Out of many hurdles reported, the students who are looking to start a business mentioned that funding and professional experience are needed to run their business (Staniewski, 2009). In addition, lack of stable cash flow could cause businesses to fail by eventually run out of money. CB Insights (2018) indicates that one of the top causes that make startups fail is simply lack of cash to continue the business. Moreover, small business is what most entrepreneur initially starts off by using funds of their own, but lack of cash flow is an issue that often kills small businesses. Pofeldt (2015) implies that by always checking the status of the cash flow of a business, the firm might be able to grow with increased revenue. The sources give a clear understanding of the issue that entrepreneur could encounter when running a business regarding the matter of cash flow. The author finds that the findings have a precise approach to the problem, and they are valuable in understanding the cause which might lead to the failure of a business.

Poor Organizational Skills: Entrepreneurs may not be able to succeed in business without possessing outstanding organizational skills. To succeed in business, entrepreneurs require having an exceptional understanding of how to organize a business using their organizational skills which is one of the skills that entrepreneurs must have. An entrepreneurial skill, including organizational skills, is the foundation of the success of a venture or business which includes the starting point, growth, and funding (Adeyemo, 2009). By having poor organizational skills, entrepreneurs could potentially face failure in business while other entrepreneurs with the skills succeed. Bonnstetter (2013) mentioned that to attain the desire achievement or goals, having planning and organizing skills are crucial, but most entrepreneurs do not have these skills in them to succeed. As entrepreneurs often venture into new businesses, the right education can help to enhance the organizational skills of the entrepreneurs which lead to the success of the venture. Elmuti, Khoury, an Omran (2012) find that knowledge acquired from entrepreneurial training have a positive correlation to improved organizational efficiency which may lead to a successful venture. The sources provide clear and valuable insights into the effects of poor organizational skills and factors that could help entrepreneurs improve their business ventures. The author concurs with the findings found in the research which could provide the understanding that entrepreneurs could be looking for in the matter of avoiding business failure by having poor organizational skills.

Success could be a result for entrepreneurs who possess adequate organizational skills. Education can be defined as an investment for entrepreneurs to achieve success in the future, especially for their entrepreneurial ventures. Unger, Rauch, Frese, and Nina Rosenbusch (2011) indicates that there is a statistically significant correlation between human capital and the success in entrepreneurship. While entrepreneurship education may be overlooked by both people who want to be entrepreneurs and entrepreneurs, it is important to realize the fact that knowledge in oneself is beneficial to become successful in entrepreneurship. Moreover, communication as a part of organizational skill could improve the overall efficiency of the company which can lead to success. Root III (n.d.) states that communication is crucial for an organization to accomplish tasks efficiently which requires managers to relay information to other employees at various levels accurately. Organizational skills are more than just organizing people to the task; they are a combination of skills that work together to create a perfect harmony for the success of entrepreneurs. To sum up, organizational skills might help entrepreneurs to become successful if they invest themselves in entrepreneurial education and utilize the knowledge to its capacity.

The lack of organizational skills could cause a business built by entrepreneurs to fail. Most entrepreneurs do not have the necessary organizing skill to manage a business which could lead to inefficiency in an organization. Bonnstetter (2013) finds that most entrepreneurs do not have planning and organizing skills and this may cause entrepreneurs to be at a disadvantage to other entrepreneurs. If most entrepreneurs fail to become an established business, the lack of these skills may hinder entrepreneurs to be at that stage while few entrepreneurs with the necessary skills succeed in doing so. Furthermore, planning is one of the essential organizational skills that may cause businesses to fail due to ineffective planning strategy. More than 60 percent of organizations do not have effective strategies for their businesses, including a strategy to lead (Wellins and Canwell, 2018). A plan or a strategy should be one of the top priorities for entrepreneurs when running a business which may help to avoid having to face failure as most companies do from the lack of planning. In conclusion, by possessing the required skills and effective strategies that few entrepreneurs have, the business might be more efficient and may have a lower risk of closure than most companies.

METHODOLOGY

This study utilized survey designed to study the failure factors of small business in Nigeria. The research variables are classified in three categories: Characteristics of failed business-owner/ manager; junior business manager; and causes of business failures (lack of financial support from banks and financial institutions, inaccurate evaluation of project, unclear determination of business sector, inconsideration of market issues, problems in product or service supply, lack of related experience, expertise and good work relationships, management deficiency, cheating and fraud, substituted products or services, government policies, inconsideration of legal issues, inadequate financial circumstances, problems of partnership and teamwork, lack of interest and dissatisfaction in work or at the work place, and negative influences by the family). Content validity of the questionnaire on the causes of business failure was estimated by submitting the questionnaire to several experts in entrepreneurship, all of whom approved the content of the questionnaire. To test the reliability, the internal consistency of the questionnaire was assessed by Cronbach's alpha coefficient that was 0.81 for the questionnaire on the causes of business failure, and alpha equal to or greater than 0.70 was considered satisfactory.

RESULTS

Results of this research contain four sub-sections: first, a description of sample, then, the results of Friedman’s test on causes of business failure, and finally, the role of gender and business sectors on the causes of business failure were further presented.

Most of the failed business owners/managers were aged between 25 and

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45 years old (Mean = 32.9, SD = 6.43). 84.3% of them were men. They were well educated and most of them were married. 64.4% had experience in the related sector and 35.3% were experienced in business. The number of businesses in the manufacturing and services sector were equal (47%), while 6% were in the agriculture sector. 76.1% of businesses failed within three years and 55.1% failed in the phase of establishment

The results of the chi-square test on ***personal characteristics of failed business*** owners/managers show significant difference in the level of some personal characteristics. This difference is significant for "tolerance of ambiguity", "need for achievement", "creativity", and "internal locus of control". These results point out that failed business owners/managers have low level of tolerance of ambiguity, while they have high level of creativity and internal locus of control and moderate level of need for achievement.

On the ***main causes of business failure***, given the fact that our data regarding the causes of business failure is in the Likert scale, we used non-parametric Friedman analysis of variances to identify the main causes of business failure. The results show significant variable differences in mean rank (2, N = 51) = 105.180, $p<0.001$). On the main causes of business failure, these results point out that management deficiency is the first cause of business failure, although failed business owners/managers prioritize other factors like financial support, inadequate economic sphere and insufficient government policies as the main causes of business failure. They also mentioned other internal and external factors that cause business failure.

On the ***gender and causes of business failure***, in this study, we are interested in knowing how gender influences the causes of business failure. For this reason, we used t-test in which grouping variable is gender of failed business owner/manager. The result indicates that difference in the causes of business failure is significant for two of the business failures, which are “lack of financial support from banks and financial institutions” and “problem of partnership and team work". These results point out that the mean of "lack of financial support from banks and financial institutions" is higher for women and the mean of "problem of

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partnership and team work" is higher for men.

On the ***business sector and causes of business failure***, the other question of this study was to know how the business sector could influence causes of business failure. In this regard, we used the ANOVA analysis. These results point out that the difference in mean is significant for two of business failure causes which are "inaccurate evaluation of project" and "lack of interest and dissatisfaction in work or at the work place". This indicates that the mean of “inaccurate evaluation of project” is higher for agriculture business in comparison to the manufacturing sector. Although the mean of “lack of interest and dissatisfaction in work or at the work place” is lower for the manufacturing business in comparison to the service sector.

CONCLUSION AND STUDY IMPLICATIONS

Most entrepreneurship studies have been conducted in western countries and focused on successful ventures. As indicated in several studies, a deep understanding of new venture failures in a different context would provide critical information for individual entrepreneurs, venture financiers, and government policymakers. This first study on the causes of business failure in Iranian context focused on the influence of several internal as well as external factors by using a hard approach to obtain feedback from entrepreneurs who have experienced business failure.

Contrary to the belief that failed entrepreneurs will attribute their failure to external factors, the respondents in this research ranked their management deficiency as the main cause of business failure and it may be due to their high internal locus of control. While the external factors such as lack of financial support, inadequate economic sphere and insufficient government policies were also mentioned as the main causes of business failure. These results could help policymakers to identify the problematic areas of entrepreneurship and indicate need for a support system in financial management, competition and growth strategies, and most importantly entrepreneurial skills training programs. Failure in different context of a developing country and could be an introduction to future studies. In this study, we used an unlimited sample to study more cases of failed businesses. Future studies on a large and homogenous sample can lead to a better result.

We examined the entrepreneurial characteristics of failed business-owners/managers and found a low or moderate level in most of these characteristics. Other studies could investigate on the impact of failed business owner/ manager's characteristics in business failure. This study indicated the influence of gender on the causes of business failure. More investigation on a sample of unsuccessful women business owners/ managers is needed to better understand the phenomenon of business failure in this particular population. The difference in the causes of business failure by business sector asks for more investigation on each business sector. In addition, future researches could study the causes of business failure in different phases of establishment or growth. Future research can study the influence of push and pull factors that motivate people to start a business to know whether those different motivations at start-up influence business failure. The inter-country study on business failure and post-failure process is also an interesting area of research.

While there are many studies concerning the factors that cause entrepreneurs to fail, most studies do not provide a focus on a specific stage of entrepreneurs who are running a business for less than three and a half years. If the factors that cause entrepreneurs to fail in becoming an established business are not thoroughly explored, this may lead to a high rate of failure in their businesses. Thus, this topic requires further studies on the factors mentioned in this paper which can provide a better understanding of the success and failure factors affecting entrepreneurs when operating a business. The findings of this research could help entrepreneurs to be aware of the factors that might cause them to fail in reaching the stage of an established business, which in turn might contribute to a higher probability of success in the business. To conclude, there are various factors that may cause entrepreneurs to fail in becoming an established business. Hence, being aware of these factors is crucial to the success of a business. Current and future entrepreneurs may need to recognize these factors and avoid making the same mistakes that most entrepreneurs might have done before. Therefore, having the knowledge of factors that may cause most entrepreneurs to fail is vital for both current and future entrepreneurs.

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