

Full Length Research Paper

An empirical study on the causes of business failure in Iranian context

Zahra Arasti

Faculty of Entrepreneurship, University of Tehran, Tehran, Iran. Email: arasti@ut.ac.ir. Tel: +98-2161119227.

Accepted 3 August, 2011

Business discontinuation is an important feature of dynamic economies, and entries and exits of businesses are closely connected. A majority of entrepreneurship literature have focused on successful ventures, therefore, little is known about why ventures fail. Previous studies showed significant inter-country differences in SME failure rates, while most researches on business failure have been conducted in developed countries, and there is limited knowledge on the causes of business failure in other countries with different economical, political, social, and cultural conditions. As entrepreneurship is a newly developed phenomenon in Iran, considering the economical, social, and cultural conditions of the country, analysis of the entrepreneurship process, and the causes of failure and success, would provide critical information for individual entrepreneurs, venture financiers, and government policy-makers. The purpose of the present study is to identify the main causes of business failure based on an empirical study in Iran. This empirical study on the sample of failed business-owners/managers pointed out that the main causes of business failure are due to lack of good management, no support from banks and financial institutions, inadequate economic sphere, and insufficient governmental policies. In addition, this study indicates differences in some causes of business failure influenced by gender and business sector.

Key words: Entrepreneurship, business, causes of business failure, Iran.

INTRODUCTION

New firms create new jobs, open up opportunities for upward social mobility, foster economic flexibility, and contribute to competition and economic efficiency (Liao et al., 2009). Although the failure of an individual SME will never attract the media's attention; the consequences of the failure of smaller companies are certainly a serious matter for directly involved stakeholders (FEE, 2004). Business discontinuation is an important feature of dynamic economies, and entries and exits of businesses are closely linked (Bosma et al., 2009). It is impossible to talk wisely about a theory of entrepreneurship without first acknowledging the pivotal role of entrepreneurial failure. Most entrepreneurship literature focuses on successful ventures. As a result, little is known about why ventures fail. Even less is known about how they fail. Our understanding of entrepreneurship will never be completed until we have a clear understanding of what causes discontinuation. Developing a deeper understanding of new venture failures should provide critical information for several key stakeholders in a new venture - individual

entrepreneurs, venture financiers, and government policymakers (Liao et al., 2009).

There is a limited but growing body of knowledge on the topic of failure, on which researchers can base their investigations, especially in the small business domain. The research articles are, however, scattered across business, management, financial, psychology, entrepreneurial and many other journals, and no proof could be found that these investigations have ever been comprehensively reviewed. There is no specific body of science to which failure exclusively belongs (Pretorius, 2009).

The health of a firm in a highly competitive business environment is dependent upon its capability of achieving profit and financial solvency.

When a firm loses competence to maintain profit and financial solvency, it becomes unhealthy, or deteriorates to the point where it is in danger of suffering business failure. Business failure is not only common with new start-ups, but also with listed companies, and can easily

happen to firms of any and all sizes (Wu, 2010).

The annual report of Global Entrepreneurship Monitor (Bosma et al., 2009) shows that there is significant inter-country differences in SME failure rates. Discontinuance rates are relatively high in factor-driven economies (in Uganda for example, the reported rate is as much as 24%) and relatively low in innovation-driven economies. Failure rates are somewhat higher in efficiency-driven countries as a proportion of discontinuation, reflecting the increasing importance of scale and efficiency in business in these countries. Failure rates, both in absolute terms and in proportion to all discontinuations, are lowest in innovation-driven economies, because entrepreneurs have better skills and environments are more favorable. In Iran, the business discontinuation rate (6%) is almost higher than average of efficiency-driven economies (4.9%). Denmark and Italy in innovation-driven economies have the lowest business discontinuation rate (1.1%) (Bosma et al., 2009).

On the other hand, most of the researches in business failure have been conducted in developed countries, and there is limited knowledge on the causes of business failure in other countries with economical, political, social, and cultural differences. In order to know more about the business environment of Iran, we address the annual report of World Bank in 2011. *Doing Business 2011* is an annual report investigating the regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies over time. Regulations affecting 11 areas of the life of a business are covered: starting a business, dealing with construction permits, registering property, obtaining credit, protecting investors, paying taxes, trading across borders, enforcing contracts, closing a business, getting electricity and employing workers. Iran with 72.9 million population and GNI per capita (US\$ 4.530), is 129 from 183 countries in the ranking on the ease of doing business.

The ranking of starting a business in Iran is 42 while in obtaining credit is 89. We must mention that the Islamic Republic of Iran eased business start-up in 2011 by installing a web portal allowing entrepreneurs to search for and reserve a unique company name, the establishment of a new private credit bureau improved access to credit information. The Islamic Republic of Iran made enforcing contracts easier and faster by introducing electronic filing of some documents, text message notification and an electronic case management system (World Bank, 2011).

These data show that the business environment in Iran is not encouraging for entrepreneurs and makes a lot of barriers to them. Therefore, a study on business failure and the factors that cause failure in Iranian context could help policy makers to identify the most important challenges of business that lead to business discontinuance. This paper aims to discuss the causes of business

failure in a different context of a developing country.

LITERATURE REVIEW

It has been widely recognized that business growth and survival depend both on external and internal factors. While most of the challenges which a business will face may be foreseeable, some will be completely unpredictable. However, if a business is to succeed, management must be mindful to all matters which are likely to have a material impact on its viability, and must then demonstrate skills both in exploiting opportunities and mitigating threats (FEE, 2004). There is a vast literature review on business failure, mostly on the prediction of failure by using financial models, but in this paper, we focus on the causes of business failure.

Definition

The 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. "Disappearance" of a business may occur because the business failed, or because the business was acquired by or 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

specific market or from producing a particular product. It also refers to the end of the owner's participation in the business, as in the search for "exit routes" by entrepreneurs wishing to sell or exit from a business (Stokes and Blackburn, 2002). "Failure" is generally regarded as the discontinuance of the business due to the lack of adequate financial resources (Everet and Watson, 1998), cessation of operations with loss to creditors (Cardozo and Borchert, 2004), cessation of operations, and exit from business population because it is no longer a viable concern (Bickerdyke et al., 2000).

Causes of business failure

The causes of business failure are many and varied, and may stem both from the external environment as well as from factors internal to the business. Internal causes of business failure may in many cases be capable of being foreseen in advance, while on the other hand some external causes are not so predictable. 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).

Earliest empirical studies on business failure examined the role of various owners and firm characteristics to explain business failures. The numerous characteristics shared by failed firms, are directly related to personal decision-based characteristics of the owner (lack of insight, inflexibility, emphasis on technical skills, etc.), managerial deficiencies (lack of management skills and appropriate managerial training, etc.) and financial shortcomings (no accounting background, cash flow analysis, financial records, etc.). Many aspects of poor management are reported to be connected to several related issues, such as poor financial circumstances, inadequate accounting records, limited access to necessary information, and lack of good managerial advice (Gaskill et al., 1993). Some studies focused more on the managerial causes of failure and listed some 25 causes and categorized them simply as poor management, and concluded that poor management combined with the personality traits of the owner-manager, and external factors cause business failure (Berryman, 1983). A business failure may happen as a result of poor management skills, insufficient marketing, and lack of ability to compete with other similar businesses. It can also be the result of a domino effect caused by business failures of suppliers or customers (Wu, 2010).

In the annual report of GEM, financial problems were cited as the reason for quitting the business by no more than 55% of all respondents; it was cited more often by respondents in the factor- and efficiency-driven economies (just over 50%) than innovation-driven countries (just over 40%) (Bosman et al., 2009).

The effect of the environment depends upon the time period, geographic area, and market sector in which the firm operates (Burns, 2001). Government and

government-related policies is also an important factor affecting business failures, and is discussed in some studies. The scholars found that failure rates increased due to the heavy burden of taxation and regulation, while the growth in money supply (higher growth decreased the failure rate) and the volume of bank lending (higher volume of bank lending reduced the rate of business failures) are significant factors (Gaskill et al., 1993; Burns, 2001; Oparanma et al., 2010). They discussed the negative internal and external environmental factors including pressure from competitors or new entrants, poor improvement in modern technology and poor sales, the outbreak of pests, and farm diseases etc (Oparanma et al. 2010).

A conceptual failure model was presented by Ooghe and Waeyaert in 2004 expounding the causes of failure and mutual relations between the general and immediate environment of the company as external causes, and the company's management and policy as internal causes of failure (Ooghe and De Prijcker, 2008). In this model, the causes of failure can be grouped into five interactive aspects. These include general environment (economics, technology, foreign countries, politics, and social factors), immediate environment (customers, suppliers, competitors, banks and credit institutions, stockholders, and misadventure), management/entrepreneur characteristics (motivation, qualities, skills, and personal characteristics), corporate policy (strategy and investments, commercial, operational, personnel, finance and administration, corporate governance), and company characteristics (size, maturity, industry, and flexibility) (Ooghe and Waeyaert, 2004). Liao (2004) also mentioned the effects of four groups of factors-individual characteristics of the founder, resources, structural characteristics and strategies of the firm, and environmental conditions in which a firm operates on business failure.

The European Federation of Accountants has identified the following internal and external causes of business failure. Accordingly, internal causes include poor management, deficit in accounting, poor cash flow management, inappropriate sources of finance, dependency on customers or suppliers, impending bad debt, fraud/collusion and external causes of business failure are economy, catastrophic unpredictable events, governmental measures and international developments, environmental protection and other regulatory requirements, and the bankruptcy of main customer or supplier (FEE, 2004).

Inter-country difference

Some inter-country studies show that there are significant inter-country differences in SME failure rates and causes of business failure. In their inter-country study of business failure in Malaysia and Australia, Ahmad and Seet (2009) found that some reasons for business failure were given more emphasis in one country than the other. Australian

participants attributed their failure to reasons such as the inability to manage a large number of employees, the inability to manage the fast growing firm, and the inability to administer a large firm. This may perhaps provide an insight into why the participants preferred to stay small in business. Malaysian participants, by contrast, highlighted softer issues such as the lack of personal contacts and the failure to maintain close personal relationships with customers, providing evidence of the importance of maintaining good personal relationships with others.

According to the annual report of GEM, evidence show that business discontinuance rates are relatively high in factor-driven economies (in Angola, for example, the reported rate is as much as 23%) and relatively low in innovation-driven economies. Among high-income countries, Norway, United States of America, Republic of Korea, Iceland and Ireland have the highest rates of business discontinuation. The business not being profitable on its own was the most reported financial problem. Problems with raising finances were considerably lower in innovation-driven countries where the “Entrepreneurial Framework Condition” and “Entrepreneurial Finance” are generally more developed. “The opportunity to sell” and in particular “retirement” were mentioned more often in innovation-driven countries as the most important reason to discontinue the business. Personal reasons caused around 20 to 25% of all discontinuations. Such reasons could include sickness, family, death of a business partner, divorce, the need to finance an event such as a wedding, through sale of business assets rather than the business itself, or simply boredom.

They were more prevalent in factor- and efficiency-driven countries (Bosma et al., 2009).

Research questions

As indicated in the literature, several factors cause business failure; some of them are internal and could be controlled by the entrepreneur, while others are external and rather unpredictable. There are factors on which more emphasis has been given in prior studies. Prior studies focused only on some internal or external factors without a general view. This is an investigation on different internal and external causes of business failure in a developing country with different socio-cultural, economical, and political context. The following are the research questions:

1. What are the characteristics of failed business owners/managers and their businesses?
2. What are the personality characteristics of failed business owners/managers?
3. What are the main causes of business failure in Iranian context?
4. How does gender of a business owner/manager influence the causes of business failure?

5. How does the business sector influence the causes of business failure?

METHODOLOGY

Some researchers have expressed difficulty in studying failed ventures (Liao, 2004; Bruno et al., 1987). They argue that it is difficult to locate ventures that failed because of poor performance, and homogenous samples are hard to find. Entrepreneurs are reticent about failure and they are more likely to attribute failure to external causes than to internal ones. As it is extremely difficult to obtain feedback from entrepreneurs who have experienced business failure, this approach is hardly utilized by researchers. In this research, we used this approach to obtain the point of view of failed business-owners/managers concerning causes of business failure.

This survey is implemented based on a face-to-face questionnaire. In the first part, the failed business-owners/managers were questioned about their background, experience, education, and family. Then a personal characteristic test examined six entrepreneurial characteristics including tolerance of ambiguity, need for achievement, risk taking, creativity, locus of control, and independence. The questionnaire on the personal characteristics was obtained from the Entrepreneurship Development Institute of India and had been used many times in Iranian context (Ahmadpour and Moghimi, 2006). The participants finally reported on their causes of business failure. The questionnaire on causes of business failure was obtained from a previous study on the causes of business failure in Iranian context (Gholami, 2008) in which both authors were involved. This questionnaire was developed based on a literature review and interview with 13 Iranian entrepreneurs whose businesses had failed. The validity of the questionnaire was significantly revised by 7 experts in entrepreneurship. Reliability or internal consistency of the items within the structure of this study was assessed by indication of Cronbach's alpha. Each item in the questionnaire was accompanied by a Likert-type scale, allowing perceived indication of the extent to which the item contributed to the business failure. The Likert-type scale ranged from 1 (to very little extent) to 5 (to great extent). Responses to this measure were based on perceptions of ex-business owners/managers.

Sample

Sample group is the business owner/manager who has experienced business failure and stops his/her business activities voluntary or involuntary. One of the greatest barriers to study about business failure is to identify ex-owners/managers who failed in their business. In this study, we developed our own sampling frame that sought to be as representative as possible of the range of business failure and exit types, rather than relying on one source, such as official receivers' data that reflects only a limited number of types of closure. This was derived with the help of entrepreneurship masters students in our faculty who are dispersed all over the country. We did not put the limitation in the business sector, failure phase and geographical location of business, to study more cases of failed businesses. In total, a database of 150 ex-owners/managers was created. The questionnaire was sent to a random sample of 80 ex-owners/managers. 51 complete and valid questionnaires were obtained and analyzed using SPSS software.

Variables

The research variables are classified in three categories:

- i. Characteristics of failed business-owner/ manager (age in start

up, age in failure's time, gender, level of education, marital status, previous experience in the sector, previous entrepreneurial experience, and personal characteristics, tolerance of ambiguity, need for achievement, risk taking, creativity, internal locus of control and independence);

ii. Characteristics of failed businesses (business sector, business age, business life cycle);

iii. 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).

Validity and reliability

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.

Sample description

Most of the failed business owners/managers were aged between 25 and 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 (Table 1).

Personal characteristics of failed business owners/managers

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 (Table 2).

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, $p < 0.001$).

Table 3 illustrates 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.

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 in Table 4 indicates that gender 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 partnership and team work" is higher for men.

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. The results are presented in Table 5.

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".

Table 6 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.

DISCUSSION

This study is the first study on the causes of business

Table 1. Descriptive statistics of Iranian failed business owners/managers (n = 51).

Variable		Percentage
Characteristics of failed business-owner manager		
Age in failure time	Under 25 years old	9.8
	Between 25 and 45 years old	84.3
	More than 45 years old	5.9
Gender	male	84.3
	female	15.7
Level of education	Diploma and under diploma	27.5
	B.Sc.	51
	M.Sc.	17.6
	Ph.D.	3.9
Marital status	Married	81.6
Previous experience in related sector		64.4
Previous entrepreneurial experience		35.3
Characteristics of failed business		
Business sector	Manufacturing	47
	Service	47
	Agriculture	6
Business age	Under 3 years	76.1
	Between 3 and 5 years	10.9
	More than 5 years	13
Business life cycle	Establishment	55.1
	Growth	44.9

Table 2. Personal characteristics of failed business owners/managers.

Personal characteristics	High	Moderate	Low	Chi-square	Sig
Tolerance of ambiguity	15	8	27	11.08	0.004
Need for achievement	15	26	9	8.92	0.012
Risk taking	16	18	16	0.16	0.923
Creativity	28	7	15	13.48	0.001
Internal locus of control	40	5	5	49	0
Independence	15	13	22	2.68	0.262

failure in Iranian context. Findings show that most failed business owners/managers are in the middle age and failed in the phase of establishment. Most of their businesses do not survive more than three years. The results on their personal characteristics show the significant difference in the level of some personal characteristics.

The results of this research indicate that four main causes of business failure in Iranian context are

management deficiency, lack of financial support from banks and financial institutions, inadequate economic sphere and insufficient government policies. These results show the effect of external factors on the success and failure of businesses in Iranian context. In other words, the entrepreneurship environment in Iran is not encouraging. The World Bank report on doing business confirms this result. Despite of efforts that the Islamic Republic of Iran makes to ease business start-up, Iran is

Table 3. Main causes of business failure.

Causes of business failure	Mean	Mean rank
management deficiency	3.33	10.59
lack of financial support from banks and financial institutions	3.29	10.09
inadequate economic sphere	3.24	10.09
insufficient government policies	3.00	9.48
inconsideration of market issues	2.92	9.18
problems in product or service supply	2.65	8.45
lack of interest and dissatisfaction in work or at the work place	2.63	8.21
inaccurate evaluation of project	2.47	7.72
lack of related experience, expertise and good work relationships	2.43	7.43
problems of partnership and team work	2.39	7.19
unclear determination of business sector	2.27	7.16
substituted product/service	2.18	6.53
negative influences by the family	2.00	6.42
inconsideration of legal issues	1.92	5.91
cheating and fraud	1.84	5.57

Table 4. Difference in the causes of business failure by gender.

Causes of business failure	Gender	Mean	Mean difference	t	Sig
Lack of financial support from banks and financial institutions	M	3.09	1.41108	-2.464	0.017
	F	4.37	0.91613		
Inaccurate evaluation of project	M	2.44	1.25930	-0.371	0.712
	F	2.62	1.40789		
Unclear determination of business sector	M	2.25	1.31100	-0.239	0.812
	F	2.37	1.18773		
Inconsideration of market issues	M	2.93	1.40400	0.101	0.920
	F	2.87	1.55265		
Problems in product or service supply	M	2.74	1.43250	1.155	0.254
	F	2.12	1.12599		
Lack of related experience, expertise and good work relationships	M	2.56	1.41929	1.483	0.144
	F	1.75	1.38873		
Management deficiency	M	3.39	1.29357	0.783	0.437
	F	3.00	1.41421		
Cheating and fraud	M	1.93	1.36966	1.084	0.284
	F	1.37	1.06066		
Substituted product or service	M	2.30	1.48861	1.465	0.149
	F	1.50	0.92582		
Insufficient government policies	M	3.05	1.46309	0.535	0.595
	F	1.37	1.28174		

Table 4 Contd.

Inconsideration of legal issues	M	2.00	1.19523	1.102	0.276
	F	1.50	1.06904		
Inadequate economic sphere	M	3.25	1.51332	0.222	0.825
	F	3.12	1.64208		
Problems of partnership and team work	M	2.60	1.59074	4.629	0.000
	F	1.25	.46291		
Lack of interest and dissatisfaction in work or work place	M	2.60	1.31184	-0.282	0.779
	F	2.75	1.48805		
Negative influences by the family	M	2.07	1.20308	0.936	0.354
	F	1.62	1.40789		

129 from 183 countries in the ranking on the ease of doing business. The ranking of starting a business in Iran is 42 while in getting credit is 89 (World Bank, 2011).

Other studies on the causes of business failure mention some internal and external factors that cause business failure. The results of this study confirm some prior researchers, concerning management deficiency (Berryman, 1983; Gaskill et al., 1993; FEE, 2004; Ooghe and De Prijcker, 2008; Pretorius, 2009; Wu, 2010), lack of financial resources (Gaskill et al., 1993; Everet and Watson, 1998; Ooghe and De Prijcker, 2008; Bosma et al., 2009; Liao et al., 2009; Wu, 2010), inadequate economic sphere (Berryman, 1983; Burns, 2001; Liao, 2004; Ooghe and De Prijcker, 2008), and government policies (FEE, 2004; Oparanma et al., 2010), while the current study indicates other causes of business failure that marginally developed in prior studies like inconsideration of market issues, problems in product or service supply, lack of interest and dissatisfaction in work or at the work place, inaccurate evaluation of a project, lack of related experience, expertise and good work relationships, problems of partnership and team work, unclear determination of the business sector, substituted products or services, negative influences by the family, inconsideration of legal issues, and cheating or fraud.

Concerning the gender of business owners/managers, findings of this study point out the difference on the causes of business failure by gender, though "lack of financial support from banks and financial institutions" influence women more than men, while men are more susceptible to "problems in partnerships and team work". The studies on women's entrepreneurship show that access to financial resources is the most important challenge of women entrepreneurs, so it is no surprise when this factor influences more women than men. About the problem of partnership, results could be discussed in relation to gender difference in business management, though insufficient study requires more research in this

arena.

This research also points out that the causes of business failure differ by business sector so much that "inaccurate evaluation of the project" is more severe for businesses in agriculture in comparison to manufacturing. On the other hand, "lack of interest and dissatisfaction in work or at the work place" is more important for manufacturing businesses in comparison to businesses in the service sector.

CONCLUSION

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.

This study is one of the limited studies of business

Table 5. Difference in the causes of business failure by business sector.

Causes of business failure	Business sector	Mean	Mean difference	F	Sig
Lack of financial support from banks and financial institutions	Manufacturing	3.75	1.19	2.786	0.072
	Service	2.96	1.57		
	Agriculture	2.33	0.58		
Inaccurate evaluation of project	Manufacturing	2.29	1.23	3.886	0.027
	Services	2.42	1.21		
	Agriculture	4.33	0.58		
Unclear determination of business sector	Manufacturing	2.38	1.31	0.156	0.856
	Services	2.17	1.27		
	Agriculture	2.33	1.53		
Inconsideration of market issues	Manufacturing	3.13	1.62	0.601	0.552
	Services	2.79	1.18		
	Agriculture	2.33	1.53		
Problems in product or service supply	Manufacturing	2.63	1.50	0.380	0.686
	Services	2.75	1.36		
	Agriculture	2.00	1.00		
Lack of related experience, expertise and good work relationships	Manufacturing	2.83	1.61	1.852	0.168
	Services	2.08	1.14		
	Agriculture	2.00	1.73		
Management deficiency	Manufacturing	3.46	1.25	0.213	0.809
	Services	3.21	1.38		
	Agriculture	3.33	1.53		
Cheating and fraud	Manufacturing	2.00	1.47	0.435	0.650
	Services	1.75	1.26		
	Agriculture	1.33	0.58		
Substituted product or service	Manufacturing	2.46	1.61	1.165	0.321
	Services	2.00	1.29		
	Agriculture	1.33	0.58		
Insufficient government policies	Manufacturing	2.79	1.64	0.490	0.616
	Services	3.17	1.13		
	Agriculture	3.33	2.08		
Inconsideration of legal issues	Manufacturing	1.79	1.06	0.430	0.653
	Services	2.08	1.32		
	Agriculture	1.67	1.15		
Inadequate economic sphere	Manufacturing	2.88	1.62	1.302	0.281
	Services	3.54	1.28		
	Agriculture	3.67	2.31		
Problems of partnership and team work	Manufacturing	2.25	1.51	0.648	0.528
	Services	2.42	1.56		
	Agriculture	3.33	2.08		

Table 5 Contd.

Lack of interest and dissatisfaction in work or at the work place	Manufacturing	2.17	1.24	3.538	0.037
	Services	3.13	1.26		
	Agriculture	2.33	1.53		
Negative influences by the family	Manufacturing	3.75	1.19	1.872	0.165
	Services	2.96	1.57		
	Agriculture	2.33	0.58		

Table 6. Influence of business sector on the causes of business failure.

Causes of business failure	Business sector	Business sector	Mean difference
Inaccurate evaluation of project	Manufacturing	Service	-0.13
		Agriculture	-2.04*
	Services	Manufacturing	0.13
		Agriculture	-1.92
	Agriculture	Manufacturing	2.04*
		Service	1.92
Lack of interest and dissatisfaction in work or at the work place	Manufacturing	Service	-.958*
		Agriculture	-0.17
	Services	Manufacturing	0.958*
		Agriculture	0.79
	Agriculture	Manufacturing	0.17
		Service	-0.79

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.

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