WHY DO ENTREPRENEURS LEAVE ENTREPRENEURSHIP? EXPLORATORY STUDY FROM LAHORE, PAKISTAN

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ABSTRACT

The purpose of this study was to find out the factors that are responsible for entrepreneurs to quit entrepreneurship and join the job industry. This qualitative study was designed to fulfill the objectives via interviewing ex-entrepreneurs and getting first-hand information from business owners themselves who had faced the problem in their business tenure. Interviewing the respondents brought out a number of factors that had ultimately forced them to wind up their businesses. These factors were then carved out broadly categorized as internal or external factors which led to either managerial or financial reasons. Conducting this research was a tedious task as people are not willing to share their previous or unpleasant memories furthermore. They were hesitant to share a part of their personal life experience. Due to limited resources and time the research was conducted in the city of Lahore which and therefore limited in its scope. Nevertheless, this study has produced credible information which can be useful for future entrepreneurs.

Keywords: Business failure; Small business; Failure factors

https://doi.org/10.56249/IJBR.03.01.26

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Introduction

The word entrepreneur comes from a 13th century French verb “Entreprendre” which means to do something or to undertake, later in the 16th century it was referred to someone who undertakes a business venture. By the efforts of famous economists and researchers like Alfred Marshall and Joseph Schumpeter the evolution began, until in the 20th century when it was recognized, that the ability to find and profitably introduce, new and better products / services and processes, should also be added to the job description of an entrepreneur (Kushwaha, 2015). According to a famous researcher Arthur Cole, after a research of 10 years to define an entrepreneur, he says "We never succeeded, each of us had some notion of it, what he thought was, for his purposes, a useful definition. And I don't think you are going to get any farther than that" (Gartner, 1989)

There have been multiple attempts to define an entrepreneur from the behavioral sciences perspective that try to figure out the psychological mind set of an entrepreneur. After listing the characteristics of an entrepreneur, it was observed that some were competing and others were complimentary. In sum it was concluded that an entrepreneur is a difficult person to pin down (Robert & Albert, 2006). Intrinsically one may conclude that an entrepreneur is a person who starts a new business and an entrepreneurship is the process of its creation. We can define it as a process that involves designing to launching and then to running a new business, it typically begins as a small business startup. Or we might say that it is a process that an entrepreneur takes to establish his business.

Engaging in a new business has been previously discussed as an employment option by many researchers. New business development has a lot more to contribute than just being an option for employment. It is widely acknowledged that entrepreneurships/SMEs play an important role in the economy of any country, the subject of business is therefore of very high significance and that creates a need to study entrepreneurship. To encourage new entrants, the study of new businesses is very important to highlight the outcome of the actions taken by business owners, more precisely the study of the decisions, which led their businesses to failure.

Entrepreneurships are responsible in increasing the productivity and living standards of a nation by creation of jobs and adding to the economic growth (Titus, 2011). According to study by SMEDA, 90 % of all enterprises in Pakistan are SMEs employing 80 % of non-agricultural labor. In Pakistan there are 2.3 million SMEs and 99% of which are small businesses, employing less than 10 people (Hussain & Yaqub, 2010). Numbers seem to have improved since then. A lot of work has been done on what factors may contribute to make a business successful or what a businessman /entrepreneur should do to make his venture a success but very little has been done as to what a businessman should not do or avoid in order to make the tenure of the venture last longer. There are several factors that could create hindrance in growth of a business. Researchers have described some personal factors as well as environmental factors that may aid the success of a business. Personal factor may for example include the personal traits or psychological characteristics of the entrepreneur(Hornaday, 1971). Similarly environmental conditions having a positive influence include social, economic, legal and technological factors (Aldrich & Ruef, 2006). Per Davidson has acknowledged these explanations of entrepreneurial behavior saying that there is a long list of facilitators who have surely contributed in the development and growth of entrepreneurial activity and has supported research in the field of entrepreneurship.

There is always a level of uncertainty in the outcome of a business. According to research done in the past it has been seen that there is a negative relation between uncertainty and productive activity(Ludvigson et al., 2018). Uncertainty in a business gives birth to fear, the fear of failure of the business. According to several researches, the fear of failure is identified as singularly being responsible for preventing businessmen to take risks, by exploiting the untapped potential in the market to increase growth and at the same time it acts as a barrier to entry for new entrants (Cacciottia et al., 2016). It is researched previously that the fear of failure negatively effects a newly developed business / nascent entrepreneurship (Arenius & Minniti, 2005). We may deduce a direct and positive relation between uncertainty and the fear of failure, such that the element of fear may increase when the level of uncertainty is higher.

So to help increase the growth in the field of business we need to counter (if not eradicate) the fear of failure. We can deduce that it is relatively possible to reduce the fear if we curb the level of uncertainty. As for a business to grow courage is an important aspect, which is not the absence of fear but it is the ability to take appropriate actions to achieve a goal worth achieving, despite the presence of fear (Cacciotti & Hayton, 2018). Courage to take the appropriate actions can only come if the actions to be taken are known along with the consequences that may arise, unless it is known; the courage is always overruled by fear.

The uncertainty can be dealt with, if an individual is prepared for every possibility and it can be done only when the individual is familiar about what can cause problems to the business. It is only by knowing these troubling factors that an individual can prepare himself for the problems that may arise. When an individual knows about the potential problem factors and prepares himself, he can be able to reduce the level of uncertainty hence increasing the chances of productivity of the business (Bailey, 2014).

In spite of all the effort and work that has been done in the field of business with the intention to help make businesses successful, there is still a significant ratio of businesses that have to face closures due to any internal or external reason. There is a grave need to address this issue of business closures considering the importance of SMEs. It has become vital to bring out the factors that create an environment of business failures so that businesses may survive more and their performance be increased. It is observed in previous studies and especially those relevant to the Pakistani context that, while substantial work has been done on the topic of success factors of a business, very little has been done on the factors of failure in a business.

Despite the significance of understanding the failure factors of a business, limited but growing knowledge base, especially on the small business can be found in literature(Arasti et al., 2014). The available literature in this domain is too scattered under various fields. Most studies done in the past that have predicted failure are done by applying financial models on the secondary data available.

To cater the problems faced by business owners, the growing fear and uncertainty of outcomes in a business, there is an immense need to point out the factors that may lead a business to closure. While a lot of work has been found on how a business can be successful, a gap has also been seen in what factors a business should avoid in order to avoid failure. After reviewing the literature and highlighting the gaps especially in context to Pakistan, this research was designed, keeping in mind the objective to find reasons/factors that may lead a business to failure. For this research study, such individuals were selected who had been doing business but could not succeed in doing so and have somehow ended up doing job. Around 20 such individuals were highlighted and approached but due to certain limitations only 11 could be thoroughly interviewed to accomplish the objective of this research. With the intent in mind that, this research will be helpful for future entrepreneurs by knowing beforehand, about the factors that might lead them to unwanted consequences. Having the knowledge, they will hopefully be more capable to fight the fears and have more courage to take appropriate actions to avoid uncertainty.

Literature Review

Entrepreneurship is a highly dynamic and fast growing scholarly field of research with a long intellectual tradition. Its intellectual roots can be traced back to work of economist who laid the foundations by defining entrepreneurship and its relation with economic growth and uncertainty (Chandra, 2018). In a small business, the business owner grasps the decision making, when there is a culture of innovation and relevant skills then an entrepreneurship is developed. Entrepreneurship is constructed via business owners' personal level of ability to guide the development of business(Wu, 2015). The terms entrepreneurship and small business are therefore often used interchangeably, though there is a thin defining line between the two, that the entrepreneurs are constantly looking to change things, develop things, create more energy whereas business owners are mostly happy the way things are and are happy to carry on in the same way(Oxford). The terms (Entrepreneurship, Business/SME) are mostly used interchangeably because entrepreneurship is defined as a process by which an individual discovers, evaluates and exploits a business opportunity (Volery & Mazzarol, 2015). The simultaneous usage of the terms is understandable as the definition itself suggests that entrepreneurship is an approach to do business and not intrinsically different from business.

SMEs are expected to be an important vehicle to address the challenges of job creation, sustainable economic growth, equitable distribution of income, and overall stimulation of economic development (Fatoki, 2014). As per Safety needs mentioned in the Maslow's Hierarchy of needs, employment and its security are a major concern for any individual and beneficial for the economy as well because when there is employment there is more money creation in the economy and ultimately more taxes are collected. Small businesses therefore play an important role in the economic growth and development as well. There are multiple ways to define a business, however essentially a business can be broadly categorized in two aspects. There is a quantitative aspect of a business as well as a qualitative aspect(Volery & Mazzarol, 2015). Some common quantitative variables used to categorize or sort businesses may include: size of the firm through turnover, number of employees and assets of the business. Then there is the qualitative aspect to categorize a business that may include its operational and ownership characteristics i.e. if it is a sole proprietor / partnership concern and how is it being operated or managed, the contribution of the management (operating capital) and decisions making (mostly done by the owner) and its market share.

Creation of a new business as explained in a previous studies (based on South African market) is a two phased process; the initial phase namely the startup phase requires a 3 month time period during which the identification of the product/service in trade is done and the resources required are put in place along with the required infrastructure. The following stage is a minimum of 3 – 42 months when the business starts its trade and has to compete in the market. From this theory a different viewpoint can be established that a business would remain a small business when it has been existent for a period less than 42 months. If a business makes it from there onwards it will not be considered a small business but it can be said that a firm has been established. It is also noted that only around less than 30 % of the SMEs survive to this point and around 70% - 80% of businesses fail (Fatoki, 2014). Klimas, Czakon, Kraus, Kailer and Maalaoui (2021) argue that most of entrepreneurs start without the idea of failure but many fail enroute resulting into multilevel implications for them, economy and the society.

It is most common in saying that businesses fail or that a business was not a success, people generally tend to observe the failure of a business and such business closures are considered as negative outcomes but on a macro level business closures provide market opportunities for a new business while on a micro level it helps in designing strategies and find more viable opportunities. He, Bai and Xiao (2020) are of the view that entrepreneurial motivation and failure can be contextual and the past failure positively affects the future endeavors.

There is a relation drawn between fear of failure and entrepreneurial decision making which economists have considered previously as well, to reduce this fear of failure individuals become more risk averse but this negatively affects the growth of a business. Failure is an inevitable component of the risks attached to a new business, which creates an environment of uncertainty that has been linked to inclination to failure but very little has been stressed on the flip side that it will likely reap more profitability for a new business(Arenius & Minniti, 2005). Entrepreneurs fail because of both internal and external factors, making failure a fact, but failure should not be romanticized to protect future startups (Riar, Bican and Fischer, 2021).

There is always an amount of uncertainty involved in doing business and it is a very clear phenomenon that whenever there is uncertainty, failures might occur as well. Therefore it should not be a surprising fact that many ventures fail (Ucbasaran & Shepherd, 2013). The uncertainty may have roots to any exogenous or endogenous activity i.e. it might be a response to the real activity that contributes to the behavior. Financial uncertainty is driven through the economic fluctuations. We can say that there might be internal or external reasons for the consequences faced by a business (Ludvigson et al., 2018). Mayr, Mitter, Kucher and Duller (2021) have identified that personal characteristics of an entrepreneur such as age, gender, education and experience play a role in the failure of the venture.

While entrepreneurship is an uncertain, unstructured and a turbulent process, it is characterized by different phases with different level of uncertainty and that offers opportunity to success and failure. Entrepreneurship is also studied as an extreme emotional context (Cardon et al., 2012). Unfortunately fear of failure has been mainly studied as an emotional reaction to the entrepreneurial process. As uncertainty and fear of failure go hand in hand, it can be experienced at any stage (Shane & Venkataraman, 2000). From the literature available we can see that the uncertainty has resultantly provoked a fear in the minds of entrepreneurs, there is no doubt that the aspect of uncertainty has both sides of the coin (success and failure). The literature tells us that entrepreneurs are risk takers intrinsically, the capacity of taking risk may vary from individual to individual, and for example an individual belonging to a family background of business may have a higher capacity to take risk as compared to someone who does not have a similar background. In this research we consider businessmen who are new to business and not related to family businesses or serial entrepreneurs. So the need is to reduce the risk that causes fear of failure. Motivators for an entrepreneur can be individual and contextual (Kah, Brien, Kok and Gallagher, 2022)

To understand the failure of small businesses we can say that when a business has stopped to perform its activities legally, one might consider it as a failure. The focal reason for most business startups is profitability so we may also deduce that when a business becomes unprofitable to the extent that it does not even cover its cost we may refer it as a failure. R.W Peacock has defined failure of SMEs in a very precise manner (Fatoki, 2014) as

"The owner of a business may carries out business activities till the funds last, when the resources exhaust they disappear, and is replaced by another hopeful, certain about his abilities to succeed where the predecessor couldn't. At the same time he has no familiarity to the odds against him and is ignorant about the weapons of trade being used by others."

In other words Pretorius suggests that we may say that a business failure may arise when it becomes unable to attract funds either through debt or equity such that it may reciprocate to the circumstances. Ultimately it becomes unable to operate under existing ownership. When such occurrence happens the operations cease to perform (Fatoki, 2014). Both pull and push factors play role in entrepreneurial failures, and produce different responses from failed entrepreneurs (Amankwah-Amoah, Hinson, Honyenuga and Lu, 2019). The problems faced by small businesses, ultimately leading them to failure may involve factors from within, while at the same time some unforeseen externalities might also be playing their part, supplementing the reasons for failure. It is a blend of both external and internal causes that lead to the failure of a business and it is very rare that any one factor becomes solely responsible for the failure of a business (Arasti, 2011). Espinoza-Benavides and Diaz (2019) are of the view that failure results into two types of post failure behavior; those who go for another startup and those who take another career.

Some researchers have argued that a firm fails only when it becomes impossible to meet the responsibilities to its stakeholders that may include the workforce, business partners etc. Bearing in mind the view it can be said that a business failure is considered as the termination of an entrepreneurial initiative that has fallen short of its goals (Titus, 2011). Adobor (2020) argued that narrow idea base for business led to failure among the Ghana based agri businesses.

Earlier studies that have been done specifically on failed businesses have examined the role of owners and characteristics of the firm and have laid out their view that failure of firms can be seen in a direct relation to the decision based characteristics of the owner, the underlying managerial deficiencies and the financial short comings. Although in some studies there has been overlapping observed in factors, issues related to financial areas like inadequacy in accounting or inaccessibility to information are reported under poor management. While in other studies similar causes have been reported as managerial causes. It has been observed that certain researchers have combined multiple causes based on their preferences for example some have combined personal traits of the owner with managerial lapse or financial drawback as a part of managerial incompetency(Arasti, 2011).

SME failures, as researchers have pointed out, are associated to other issues and defined in their context like; bankruptcy, defined as lapse of operation and simultaneously their inability to repay creditors. Discontinuance, in order to prevent further losses. Inability to reach personal goals, resulting in loss of business temper or losing interest in business. Lastly retirement or due to any health concern an individual may go for a business closure (Fatoki, 2014). Looking at the available literature researchers has attributed the failure of a business to a rate of return perspective. They say when a business does not meet a set of criteria it will be said to have failed. The criteria are; 1) when the earnings made by a business are consistently and considerably lower than what could be earned on a similar investment elsewhere. 2) Secondly there is a criterion of solvency that states if the owner voluntarily withdraws without paying its obligation, to avoid bankruptcy or losses to its creditor. 3) When a business is declared legally bankrupt ending in liquidation. 4) Finally it is said that in order to avoid any further losses an owner may surrender his activities (Fatoki, 2014).

Previous studies have been seen to classify the failure in four major factors; 1) General factors, restricting to the general issues like technological, economical factors. 2) Immediate factor, involving those that have an immediate effect on the business and may include the immediate stakeholders of a business i.e. customers, suppliers, competitors etc. 3) Entrepreneur; Researcher have focused more on the entrepreneurship rather than on the entrepreneur himself. The skills, motivation, qualities and characteristics of the entrepreneur are of high significance when it comes to discussing the failure of a business. 4) Lastly it is the strategy and the administration of the business.

A study done by Baldwin for the ministry of Canada on the failure rate has suggested that managerial experience and the financial management teams are the ones that determine the failure or success of a business, according to a survey in Canada about the firms failing to perform as a business entity, half of the failures are due to their internal problem and most of them are a result of the inexperience or lack of knowledge and vision of the manager/owner(Arasti et al., 2014). A major portion of the researcher have suggested that lack of management skills has played the most pivotal role in determining the fate of a business. Inappropriate set of management skills or having management expertise in limited scope could cause failure in companies. In several cases it has been seen that there is unwillingness in a lot of manager/owners to accept a professional advice from others. These factors ultimately lead to reduction of chances for a firm to survive even in the medium term (Ooghe & Prijcker, 2008). Other studies have also referred to poor management skills as a main convict leading to failure of a business but mostly it has been found after studying several researches that it is a combination of the personality trait of the owner/manager and other influencing external factors(Arasti et al., 2014).

Failure factors are often neglected and there is a need for their exploration so they can be addressed. According to a study by Benzing C & Chu M presented in annual meeting of The Association of Global Business; the unstable political and economic environment along with the poor law and order situation and corruption are very common causes faced by developing countries. In such countries the high cost of credit, very limited (if any) financial assistance and lack of resources (skilled labor / infrastructure) and other legal concerns cause an environment that makes it very critical for a business to survive and such factors attract business failures (Naqvi, 2011).

Research Methodology

Data Collection and Study Design

To inquire why do entrepreneurs leave entrepreneurship? Study was conducted by interviewing eleven ex-entrepreneurs from the Lahore City of Pakistan. The respondents of the study were those individuals who started a business, ran it for at least six months and then had to shut down. Detailed interviews were conducted in order to scrutinize and analyze the reasons of closing down of businesses. Initially the respondents were selected through references and further through domino effect i.e. through help of the respondents. After a careful selection of respondents, who met the criteria, the list was prepared. The listed respondents were then contacted and requested for their time to contribute to the research. A total of 11 respondents were willing to participate and were carried forward for the research. When the respondents were finalized an interview guide was established so that all the interviews are conducted in the same pattern and there is no biasness. The interviews were mainly semi structured but to gather the relevant information certain aspects and direction of the interview had to be set. The interviews were conducted in phases.

Data collection Phase I

Initial phase was to conduct interview of only three respondents as a pilot study so that the true depth of the interview and quality of information could be assured. The initial respondents were selected from the list already shortlisted. The interviews were recorded so that no information is left out. The interviews were carefully listened to several times and very critically analyzed.

Word to word transcriptions were then made in Urdu language, Urdu being our national language is easier to analyze and chances of missing out any information are reduced to minimum. The transcriptions were then sent to the expert along with the recording of interviews so it can be checked thoroughly and neutrally. After verifying and vetting the transcriptions in accordance to the interviews, the expert asked to translate the transcriptions in English so these were translated in English and sent to the interviewees for their consensus, hence nullifying any chance of invalid information.

Data Collection Phase II

After successfully completing phase 1 of the interviews, the remaining interviews were conducted. The second phase of interviews was done in the light of findings of phase 1. The direction for further interviews was set because of the practices in phase 1.

A similar effort was made for the remaining interviews. The interviewees were contacted and meetings were arranged. The interviews were conducted more precisely this time; it was a three phase interview. It started off as a general discussion on their previous experience and why they opted for business in the first place.

The second phase of the interviews was more in depth about the experience of business, respondents discussed their tenure of business and how at various levels they had to make decisions, any hindrance they had to face was also discussed. In the last phase of the interview the respondents discussed their pitfalls and what were the key issues that they came across which decided the fate of their business.

After completion of the each interview it was transcribed in Urdu first so there is no chance of missing out on any information. The transcriptions were then sent to the expert and after his approval the transcriptions were translated in English and later sent to the interviewees for their consensus and omission of any information that they thought was not correct.

Data organization

After the successful completion of interview and transcription phase, the information was analyzed and carefully scrutinized to deduce the required information. For the purpose of analysis the transcriptions were read again and again to highlight and bring forward what may appear to be factors or leading factors to closure of business. Each transcription was scrutinized in detail and led to several findings discussed further in the study.

The key events and factors were put in a tabular form for a better and easy understanding of the factors. Tables were devised by showing the incident as the source of information and labeling it with an appropriate reason or title for the respective incident. The incidents mentioned in the table were taken as it is from the transcription with the back ground so that it becomes clear just by reading the information provided with the relevance of title given to the specific information. Extraction of all the relevant information of all the interviews and assigning them with the most suitable title was completed and after all the key incidents of the interviews were put in the table with more than 22 factors that had led the business to collapse. Every factor is backed by an event and there is a history to it, meaning that for every factor there is reasoning and the factor can be understood in true sense only when the history backing that respective factor is understood.

A separate list was made enlisting in which all the 22 factors were included and explained in reference to their derivation. The factors if read without a background might have a possibility to be misunderstood therefore to avoid misinterpretation of the factors, appropriate meaning was given to all the factors in the light of the actual happening according to the interviews.

Analysis, Results & Discussion:

Table 1 shows the type of business and reasons of leaving.

Table 1

Case #	**Brief**	**Reasons to Leave Entrepreneurship**
1	Type of Business: Ready to Wear Ladies Garments Opening year: 2012 Closing year:2015	Mismatch with career aspirations / Desire to improve qualification / Family pressure to complete qualification High Financial Leverage Scarcity of Funds Site Selection
2	Type of Business: School Opening year:2008 Closing year: 2011	Scarcity / shortage of funds Lack of interest of partner / Misappropriation of funds by

		partner Poor law and order situation of country
3	Type of Business: Mobile Restaurant Opening year: 2008 Closing year: 2009	Govt. regulations Lack of Market research Location /Site selection Financial needs exceeded planning
4	Type of Business: Cotton Ginning Opening year:2013 Closing year:2015	Financial mismanagement Financial needs exceeded planning Improper Documentation
5	Type of Business: Food business from home Opening year:2014 Closing year:2015	Abuse of authority by partners
6	Type of Business: Denim Garment Production Opening year:2005 Closing year:2008	Lack of market research External influence in decision making Financial Mismanagement of fund allocation Scarcity of funds Over Confidence Failure to Delegate authority Poor resource management
7	Type of Business: Fast food restaurant Opening year:2011 Closing year:2013	Site selection /Location Financial needs exceeded planned Mismanagement of funds Irrational decision making Lack of Analytical skills Failure to Delegate authority Lack of interest in business Lack of business temperament Inadequate controls Poor internal control
8	Type of Business: Cosmetic Wholesale shop Opening year:2010 Closing year:2014	Lack of analytical skills Lack of market research Misappropriation of funds Scarcity of resources/funds Market competition Lack of interest
9	Type of Business: Agriculture farming Opening year:2004	Time Management/commitment Inadequate controls / Poor

	Closing year:2007	internal control Lack of interest Partnership Insecurity & Disagreements Financial Insecurity
10	Type of Business: Educational Institution Opening year:2001 Closing year:2004	Finance exceeding the plan Lack of interest of partner Misappropriation of funds by partner Improper Documentation Partner relations
11	Type of Business: Event management Opening year:2009 Closing year:2016	Lack of commitment /Professional Incompetency Poor documentation Financial mismanagement Market Recovery Issues Government and other organizational Regulations / Low Market research Lack of interest

It is observed that the 90 percent of startups fail and the perception has been confirmed by many researches as well (Narula, 2017). Therefore despite more and more people being involved in entrepreneurial activity there is still a very low percentage of entrepreneurial activity in Pakistan. According to 2017 Global Entrepreneurship Index ranking Pakistan is currently ranked at 120 with a GEI of 15.6, the index is led by USA at the top with a GEI of 83.6 (*Global Entrepreneurship Index*, 2017).

Considering the importance of the field, this research was undertaken with the objective to find out the reasons as to why some entrepreneurs leave entrepreneurship. It is imperative to know the reasons for failure if someone wants to know success. Therefore the first step for someone who wants to start a successful venture, should be, to know what makes a venture fail. There is a much known saying *"Problem known is problem half solved".* It is always better to be prepared for a problem even if it's inevitable, so the chances of failure can be minimalized.

This qualitative research was an effort to help identify such factors, which have affected business so badly that they had to be shut down. These factors were classified into either internal or external factors. These are shown in table 2.

Table 2

Internal factor	**External Factor**
High financial leverage	Govt. regulations
Scarcity of funds	Poor Law and order situation
Site section	Financial mismanagement (credit cycle)
Finance exceeding plan	Market competition
Lack of interest / business temper	
Misappropriation of funds	
Lack of market research	
Improper documentation	
Abuse of authority by partners	
External influence in decision making	
Over confidence	
Failure to delegate authority	
Irrational decision making	
Poor resource management	
Lack of analytical skills	
Inadequate controls	
Operational incompetence	
Financial Insecurity from business	

Broadly categorized as internal and external factors of failure each has its own impact on the performance of a business venture. Internal factors can be classified in financial and managerial factors. Both are equally important in their own sense and significance of either cannot be denied. Any business regardless of its nature or domain requires finance to survive. To start a business or even while planning a new business the key aspect around which the whole plan revolves is the capital, what needs to be kept in mind should be the capital structure (as most businesses use a mix of debt and equity). Capital structure of a firm is very important because it influences the future outcome in terms of survival and growth(Cole & Sokolyk, 2017) A

Business needs financing to perform and what seems to be the most often used mode of financing is debt financing and at the times it may appear to be a very viable option. It is a known saying in the business community that the initial period of a business is very fragile and the most critical moment in the business. Income earned at this time should be reinvested and at times it is advised not to expect any returns during the initial period. In case of debt financing the payments have to be made from the very start, which is not healthy for a newly born business. External financing may increase the risk of bankruptcy due to the inability to settle the debt within the agreed period(Salikin et al., 2014). Most financial institutions even avoid lending to new businesses as they know their inability to repay.

Businesses in their lifecycle often need financing, it may be to attain a newly emerging opportunity or running finance may be required to entertain a certain project or any critical moment may arise in which failure to attain financing may lead to disaster for a venture. As the business grows it is advisable to inject more capital to accommodate the expansion and take advantage at its full potential (Salikin et al., 2014). Most ventures failing to do so fall short of financing and ultimately collapse due to scarcity of funds. Most banks are not willing to fund new venture especially a small business. It is estimated that around 25% of startup firms are financed exclusively through owner's equity (Cole & Sokolyk, 2017). Another major reason that has further been seen to damage the financial conditions is when the finances of a business exceed from that what was planned initially. This mistake, in most cases lead to squeezing of the reserved or the running capital. In times when business needs most funds, the lessening of capital can play havoc when the business starts to struggle, this factor was seen in more than 60% of the cases. This may be due to miscalculation or a lack of market survey prior to entering a business but this is not the only financial mishap that may occur in a firm, one of the problems found mostly commonly in partnership businesses arises when the funds allocated for a specific task are used elsewhere. Misappropriation of funds is considered as a fraudulent activity throughout the world but in a society (especially in small businesses) where partnerships are made out of acquaintances with no formally written partnership deed, such activities are common and after happening of such incident the only consequence is the closure of business.

Selection of site is neither a financial nor completely a managerial factor but is dependent on both at the same time. It is the most important decision to be made, considering a number of factors and at the same time the financial concerns have to be kept in mind especially in a small business. It has been seen in most cases that financial mismanagement at this stage is very catastrophic. Most owners overspend or exhaust more than their planned budget in attaining or renovating the site. Nevertheless, location of the business plays a very important role for its future success. It may also depend on the type of business but there are a number of factors that need to be considered in selection of location for the business for example if it's a retail outlet, approachability may be a key feature or customer footfall might be a concern. Location of the business should be where the target market is present or in case of a food related business the product should match the preference of the surrounding consumers. Lastly, businesses' location is that asset which in some cases becomes the identity of a business. Selection of business location is very critical and should be done very carefully because changing it is one of the most difficult decisions a business might have to take. Location if chosen wisely has the ability to become the success factor of a business as well.

Managing a business is not as easy as it may appear but the role of managerial factors in failure of a business is very clear from the previous researches, according to previous researches 90% businesses fail due to managerial inadequacy that is either inexperience or incompetence (Titus, 2011). The managerial aspect of a business starts when the business is in planning stage where market research is carried out. Market research is a very crucial and decisive aspect in planning, it tells whether the business is a viable venture and what norm and practices are prevailing in the market, it also curtails the study of consumers of the market. Market research and market performance of the business are directly proportional (if other factors are kept constant). Lack of market research has been seen adversely affecting the performance of the business(Narver & Slater, 1990). Market research is a very important tool before entering the market but there are other factors that play their part in deciding the future of the business as well. Decision making is a vital role of an entrepreneur / businessman, he has to make important decisions often. Lacking at a skill like decision making or getting influenced by someone else and making decision as per other's (not involved in business) recommendation is a very risky and unwise step which is certainly not recommended. No one has a greater stake in business than the owner himself therefore the decisions taken by him have the highest chances of being in the best interest of the business. Decision making is a trait that defines the owner and reflects in the growth of the business, while certain owners lack this ability, there are some who are over confident and become hasty in decision making. According to a research regarding possible explanation for entrant failures is that many entry decisions are mistakes, made by bounded rational decision maker. Firms could mistakenly enter too often due to two reasons; 1) they know their own skill but fail to appreciate how many competitors there will be or, 2) they forecast competition accurately but over confidently think their firm will succeed while others will fail (Camerer & Lovallo, 1999).

At times it is also seen that business owners fail to delegate authority and want the entire control in their own hands. It is good to be informed on all aspects of the business and be involved in them but when seeing the bigger picture, it halts the growth of a business ultimately frustrating the owner. Not everyone has what it takes to be an entrepreneur and if an individual does not have what it takes then he might show signs of lacking temper and might commit mistakes which can be harmful for the business. Researchers have most often defined an entrepreneur to have qualities like self-control, aggressiveness, ambition and a need for fulfillment, where need for fulfillment can be defined as a person’s readiness to face challenges to succeed and reach a certain level of excellence (Legoherel et al., 2004).

It is a generally observed phenomenon that the lack of competence leads to abuse of power. When the owner/partner lacks competence his decisions are mostly not rational as compared to the workers who are competent in their fields, but just to show his authority over others he tries to overrule the decisions made by them. This in turn results in unsatisfied workforce and ultimately high employee turnover. According to previous studies it was observed that powerholders that do not feel personally competent are most likely to lash out against other people (Fast & Chen, 2009).

It is not only the internal factors that lead a business to disaster but there are some externalities as well that add to the misery. Financial mismanagement (though seems internal) is specifically categorized as an external factor as it refers to the mismanagement brought from the market, it was seen in most cases that mostly in business to business models the market operates with a credit cycle, when a business starts new operation in a market, the payment of the first consignment is paid after delivery of the second consignment i.e. there is always an amount of money that is floating in the market in form of receivables, though not found in the literature it is a big concern for businesses. It becomes a barrier to entry for new businesses and even if they have entered in the market, they have not lasted for a longer period of time as their expansion becomes difficult. Reason being that every new contract results in an increase in the receivables or getting capital stuck in the market.

Market competition is a sign of a healthy market but when the competition forms a cartel against new businesses, it can be very difficult for a new entrant to last. It was observed that bigger businesses make it difficult for the newly emerging businesses to survive. Government on a macro level though encourages new businesses but at micro level there are certain regulations that make it difficult for new entrants for example one respondent indulged in entrepreneurship with the idea of a mobile restaurant but at that time certain regulations were a hindrance in the execution of his business model. It is not only the government regulation but also the poor law and order situation which makes it very difficult for a new businessman, mostly new entrants try to utilize their capital in the most efficient way as possible but due to security reasons either they have to face losses or make an extra investment to meet the rising law and order situation. According to a report by World Bank poor law and order situation in a country has adverse repercussions; it damages the business climate as cost of business become high and investments start to squeeze, which leads to erosion of human capital as people naturally prefer to work in safer economies("Crime and its impact on business in Jamica," 2003).

Conclusion and Recommendations

New startups are very important and should be encouraged, considering the rate of failure of new startups this study was an effort to find out the problems faced by businesses that take businesses to closures. This research was intended to also be beneficial for new entrants in the field of entrepreneurship in the way that when a problem is known its eradication can be made possible or one may prepare himself for the situation. Individuals tend to enter businesses but lack education, so there is a grave need to educate them in this regard. In the study at hand it was noted that most individuals indulge in entrepreneurship either during college or right after they graduate. The education on entrepreneurship at college level gives a colorful picture of entrepreneurship (independency, freedom, lifestyle etc.) what is more important is to educate how to make an entrepreneurship survive and turn into big businesses. As growth of a business environment portrays healthy economic growth of the country, it is very important that studies of the similar nature be carried out to help new businesses. New businesses should be facilitated so they can contribute to the wellbeing of the society. From the interviews conducted, of ex-entrepreneurs, certain factors have brought forward as a reason for their entrepreneurial exit. For their contribution to business closures they have been listed as an internal or external factor and each one of them should be addressed. Before concluding their effects on the business we can categorize them further as financial or managerial issues. In Pakistan there are not more than a couple of active incubation centers financing new startups, financial reasons being one of the biggest hindrance in starting new businesses needs to be addressed at the government level as well. And not just that, but while financing a new business the financers should also educate about the strategic allocation of funds so that they can be used efficiently for the wellbeing of the business. It can be seen from the gathered data that in most of the cases the planning and execution of finance had a misbalance, mostly the executed finances were way more than what had been intended in the planning phase. This can be a result of lack of market research or inability of individuals to manage the startup, in either case there is an immense need to educate the handling of finances and prioritize the expenses. When such mismanagement of finances happens there will be high chances that a misappropriation of funds is also sighted and is more frequent in partnerships as partners are not completely aware of each other’s intentions and personal limitations. Misappropriation may also occur due to lack of knowledge, as to where the investment is required for the business. Individuals who enter entrepreneurship are not familiar with the gravity of what their actions might lead to and are mostly short sighted as they look for short term benefits only. When it comes to managerial factors, educating potential business individuals is of utmost importance. If there is a managerial incompetency a business cannot survive even with a very good financial structure. Being unfamiliar to the business environment, new business individuals mostly lack the consistency and temperament required to run a business, their lack of patience gets them frustrated and they make irrational decisions. Education in this regard is very important that before an individual starts a business setup he should be very well aware of the decision making process and every decision should reflect the primary concern for betterment of the business. In a business every decision has to be planned, followed by a contingency plan that is in line with the vision of the business. The first decision that the owner of business has to make is about the location of the business place. The owner should be very precise about the target consumer and the places they prefer to go. Site selection is a very tricky part in a business and requires intensive market research as it can turn tables for a business. The second most important aspect which unfortunately is given the least of importance in majority of new startups is the documentation. Proper documentation makes a business risk averse as it curtails a number of problems. A good documentation keeps a business compliant and helps in better governance. Internal controls of a well compliant business become strong as well. In case of partnerships, if a business is well documented it effectively keeps the partners from exploiting their power and abuse the authority. Above all, a well-documented business instills more confidence in the stakeholders as they feel safer and secure, this resultantly creates a healthy business environment. Managerial / operational incompetence can only be abridged through education. Not just incompetence but the severity of all the factors mentioned can be reduced to great extent (if not eliminated). Starting up a business while having the required knowledge reduces the level of uncertainty which brings confidence to the owner ultimately reduces the fear of failure as well. There were certainly some limitations in the research process. Firstly, it is that unsuccessful entrepreneurs / businessmen were difficult to find as they are hesitant to discuss their failures and more importantly people are not comfortable going through unpleasant memories. This limitation reduced the number of respondents. The scope of the research was limited to city of Lahore and for any further research it should be done on a larger scale.

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