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"What are the Factors Contributing to the Failure of Iranian SMEs?"

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Furthermore, I would like to dedicate this thesis to the failed SME managers in Iran. Your experiences and struggles have inspired me to research and find solutions for the challenges faced by SMEs. I hope that this thesis will bring about positive change for the SME community in Iran and beyond.
Finally, I would like to dedicate this thesis to Iranian women, girls, and youth. I firmly believe that their impact and braveness should be recognized, supported, and valued all around the world.
Thank you to all who have made this journey possible. I am humbled and honored to have had your support and assistance along the way.

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Abstract:

While it is possible to obtain the information and expertise required to start and run asuccessful business, the existence of uncertainties in the form of risks and challenges in the market might force a reconsideration of standard procedures. This thesis aims to investigate the internal and external causes of business failure in Iranian small-medium enterprises (SMEs). High failure rate of SMEs may be reduced if the causes of this phenomenon are properly understood and strategies to address them are implemented. This research helps business owners in Iran create a more profitable and long-lasting strategy for their businesses. This research employs positivism and a quantitative approach. Snowball sampling isemployed to choose participants from a questionnaire and 103 failed owners and managers of Iranian SMEs submitted questionnaires. In addition, the Relative Importance Index (RII) is used to identify the most important internal and external factors that contribute to SMEs' failure. All quantitative information was analyzed using Statistical Package for the Social Sciences (SPSS) software.

The research results indicate that the most powerful internal factors that led to failure are :

a) Lack of consultation with experienced and professional business people
b) Lack of a formal college education
c) Personal problems (health, marital, etc.)

The research results indicate that the most powerful external factors that led to failure are:

a) Sanctions and poor political stability
b) High inflation rate and poor economic conditions
c) High operating expenses (wages, rent, etc.)

The study recommends that by promoting greater transparency and accountability, investing in education and training programs, promoting work-life balance, encouraging strategic planning, investing in business training and mentorship programs, and providing tax incentives and subsidies, the government can play a crucial role in addressing these challenges. By doing so, the government can encourage the growth and success of Iran's smalland medium-sized enterprises, which are vital to the country's economic development.

Keywords: SMEs failure, Business, Internal and external causes, Iran.

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Chapter 1

"What are the Factors Contributing to the Failure of Iranian SMEs?"

1.1 Introduction

In the last two decades, there has been a significant increase in the community's attention to the failure of businesses. If we search Google Scholar for the term "business failure" weare likely to uncover more than 18,000 publications that have been published after the year 2021. Failure is inevitable in entrepreneurship and may occur in any field at any stage of a firm or start-up and it is a difficult and unpleasant experience for business owners, employees,and governments. Policy makers, economists, and management experts from all over the world are seriously concerned about the detrimental consequences that are associated with thefailure of businesses which results in the loss of jobs for some individuals, the deprivation of the society of goods and services that it desires, and a decline in both social and economic welfare. This places enormous pressure on governments to find solutions to the problem of unemployment, which is a direct consequence of the loss of jobs (Fuad Al-shaikh,1998).

All entrepreneurial activities include risk and uncertainty, and more than 50% ofentrepreneurs who launch a new business face the possibility of failure (BLS 2012). As such, it is not unexpected to see that the fear of failure is a crucial determinant of starting a business(Stuetzer et al. 2014).

The Iranian economy with total real GDP of US$ 410.2bn has the 48th highest GDP per capita in the world (Statista,2022). It could provide many opportunities to small and medium-sized entities, due to its enormous population of 85 million people (United Nations 2021),40 percent of whom are under the age of 30,which could translate into a steady foundation for economic growth. However, the Iranian market faces several difficulties, and those difficulties are magnified for small and medium-sized enterprises because of their limited resources.trade and financial limitations have impacted business agreements between Iran and other countries (Iranmanesh et al. 2021). Several authors believe that the main causes of business failure in Iran are due to lack of good management skills, no support from banks and financial institutions, inadequate economic sphere and inflation, and insufficient governmental policies (Z. Arasti, 2011; Arasti.et al, 2014).

The purpose of this study is to critically analyze the high rate of small business failure in Iran and to look into the external business factors that contribute to these failures.
By doing this, it may assist current and future young entrepreneurs and policy-makers in identifying specific failure threats before acting and introducing extra legislation in place, which may act as a scaffolding to enhance the degree of business success in Iran.

According to Storey (1994), the failure of SMEs is a crucial study topic, and a strategy can only be developed for SMEs with an explicit knowledge of the factors that contribute to the failure of businesses. Small and Medium Enterprises include fewer employees and less capital-intensive technologies, leading in faster development, job creation, poverty reduction, and foreign currency profits (Soomro et al.,2015). Due to the significance of SMEs, it is necessary to evaluate their definition. Most countries recognize that the number of employees is a standard measurement for SMEs (Keskġn et al,.2010). In European Union, the new definition of SME includes those with fewer than 250 employees and a turnover of less than 50m Euro (EC, 2003).This group is further disaggregated into micro enterprises (with fewer than 10 employees), small enterprises (with 10-49 employees) and medium sized enterprises (with 50-249 employees).
Despite the support and help they get from the government, SMEs sometimes face business failure in the early stages of establishing their organization (Mohamad et al.,2015).
Small enterprises, according to Harris and Gibson (2006), are seen as the engine that drives economic development and job creation and reduces poverty in developing countries, and they are considered a tool for achieving quick economic growth and rapid industrialization.
In Ghobadian and Gallear's (1996) words, SMEs are counted as "the vital blood of modern economies." However, small and medium-sized businesses (SMEs) and start-ups suffer various challenges that, regardless of the region in which they are located, decrease theirlevels of productivity and survival rate. (Z.Arasti,2011).
In the past, studies of entrepreneurship tended to focus only on the bright side of running a business: such as business creation, firm growth, and market expansion, and the dark side was mostly ignored (Levratto,2013). The vast majority of books and articles on entrepreneurship highlight successful businesses. Therefore, there needs to be more understanding of the factors that contribute to the failure of SMEs and start-ups in Iran; even little is known about their failure, and we can only have a deep knowledge of entrepreneurship if we have a clear understanding of what causes failure (Z. Arasti, 2011). The failure of SMEs is unlikely to attract public attention and media; however, the implications of SMEs and start-ups failing are undoubtedly substantial for directly engaged stakeholders (FEE,2004).

The study of failed businesses may be traced back to the late 1800s, when commercial banks were established, significantly facilitating the flow and spread of financial information (Horrigan, 1968).

According to Hoetker and Agarwal (2007), when companies fail, there are numerous chances for significant learning that may be taken advantage of by the company's founders, the next generation of entrepreneurs, government officials, and other groups in society. They also believe “at the macro-economic level, the knowledge, skills, and new approaches to problems that entrepreneurs have developed due to their failures can push the economy forward”.
Additionally, resources are well reallocated that can be used in other parts of the economy more productively. According to the competitive impact, business failure is a source of beneficial learning and information diffusion to other businesses (Shepherd, 2003).
Additionally, it is a source of innovation to boost business competitiveness (Amankwah-Amoah & Wang, 2019). Indeed, failure fosters the development of creative knowledge and nourishes surviving businesses through employee mobility from the failed ones (Hoetker & Agarwal, 2007). Prior entrepreneurial failure might also encourage the growth of new networks and problem-solving skills. Parker (2013) discovered Serial entrepreneurs receive temporary rewards from spells of venturing which inevitably die away.
Failure theorists argue that individuals who have been unsuccessful in the past are more resilient and knowledgeable, making them ideal candidates for participation in future ventures (D. Politis, 2008).
Based on (Cope, 2011) research, business owners who have failed before are better equipped to deal with the challenges of starting a business than those who have only experienced success or would-be business owners who have not yet encountered the often harsh realities and intense "pressure points" of starting a business.
This study reviews the literature on business failure, emphasizes the reasons for business failures, and proposes potential prevention actions. Identifying these reasons helps to develop strategies that can be applied to reduce the high failure rate among SMEs.This study also supports business owners in Iran in developing a more efficient and effective strategy for their ventures to become more sustainable.
There is a considerable gap in the literature since insufficient studies have investigated on the reasons why small businesses fail in Iran. As a result, this research contributes to the body of knowledge by identifying why SMEs fail in the Iranian context, where major studies of this kind have not been conducted before. The assumption that business conditions in Iran are identical to those in Europe and other western countries is not accepted. Due to sanctions and lack of international relationships and collaborations, variables that contribute to business

failure in the Iranian context could differ significantly from those that contribute to business failure in other regions of the world. This demonstrates why it is crucial to research the reasons behind SME failure in developing countries like Iran.

Understanding the variables that lead to the failure of SME is essential to the development of aspiring entrepreneurs. Based on the findings of the current research, training institutions may establish programs for entrepreneurs that equip them with the skills required to avoid the causes of business failure and maximize the elements of success and also it is useful for policymakers and government agencies since it provides insights on what should be done to encourage and promote SMEs and start-ups in Iranian society.

The rest of this study is divided into four parts. In chapter 2, we provide a theoretical overview of business failure prediction models, business failure costs, and the dimension of entrepreneurial learning from those failures. Chapter 3 describes the causes of business failures (both internal and external) and the methodological procedures adopted. The study identifies internal and external factors responsible for the failure of SMEs and start-ups in Iran. This study is a survey research in which data was collected using a questionnaire. The targeted participants were businessowners and CEO of failed businesses and start-ups within Iran, including Tehran, Isfahan, Tabriz, Mashhad, and Shiraz. The total number of participants was 103 out of a target of 108, and the data was analyzed using the SPSS Package. Chapter 4 presents the research design and methodology obtained in this thesis. In chapter 5, analysis of data, results and possible recommendations on the topic are discussed to reduce the failure rate of Iranian SMEs.

Chapter 2

"What are the Factors Contributing to the Failure of Iranian SMEs?"

In this chapter, we will explore various business failure prediction models and their application in predicting the probability of business failures. After that, we will consider costs of failure from different aspects and how to mitigate those costs. For more definitions about business failure, you can refer to appendix 1.

2.1 business failure prediction

Predicting business failure has grown increasingly fascinating over the last several decades due to the fact that business failure is vital to businesses, interested stakeholders, and even a whole state's economy. If this prediction turns out to be accurate, managers of businesses will be able to put remedial action into motion to avoid a situation in which the company will fail, and investors will be able to make the company profitable and adjust their investment strategies to reduce the losses they anticipate incurring as a result of their investments (Duricaet al. 2019). Various statistical methods have traditionally been used to predict businesses' failure.

2.1.1 Bankruptcy prediction models

“The development of bankruptcy prediction models dates back to the 1930s when the Great Depression sparked a severe interest in studying business failure. Access to financial data enables the creation of tentative links and relationships between different items in financial statements” (G. S. Walsh and J. A. Cunningham,2016). This method aims to find a formula based on a single ratio or a combination of ratios that best discriminates between businesses that ultimately failed and those that remained viable (Scott, 1981). For example, “ the Logit Model (LA) provides a percentage probability of bankruptcy. It combines various factors to provide a probability score for each company, and based on their logit ratings, firms are then classified as failing or non-failing” (Andersen, H. 2008).

According to Camacho-Miñano et al. (2015), “another Bankruptcy prediction model isArtificial Intelligence Expert Systems (AIES), which is developed using the human expert approach (entering human knowledge into a computer) or the machine-learning approach (generating knowledge through data analysis). Decision trees, fuzzy set theory, case-based reasoning, genetic algorithms, support vector machines, and neural networks are examples of AIES." Although Bankruptcy prediction modeling remains a significant research field within corporate finance (Sun et al., 2014), several forces have affected the appropriateness ofpredictive models in recent years, and they are not without criticism. Walsh and J. A.Cunningham(2016) believe that the increase in the relative importance of intangible assets and financial derivatives in recent years are factors not adequately reflected by existing financial ratios.

Moreover, unreliable accounting information (manipulating annual accounts) due to a lack of internal control system (Keasey and Watson, 1987) results in distorted financial ratios in failure prediction models. It subsequently reduces their applicability and accuracy (Balcaen and Ooghe, 2006). Unsurprisingly, there is " no academic consensus as to the most useful method for predicting corporate bankruptcy " (Aziz and Dar, 2006). While prediction models provide valuable information, they do not negate the necessity to investigate businesses' human and managerial aspects (Yazdipour and Constand, 2010).

2.1.2. Organizational decline model

"Instead of relying on predictive techniques using financial data, organizational decline models attempt to comprehend the business failure process. The theory identifies five different stages that an organization proceeds through "birth," "growth," "maturity," "decline/revival," and "death."Organizational decline models concentrate on the latter two lifecycle phases to better comprehend the failure phenomenon'' (G. S. Walsh and J. A.Cunningham,2016).

Ooghe and DePrijcker(2008) believe that company failure does not happen overnight. The failure process starts inside a company long before it is visible in the financial statements. Organizational decline models show that failure is unlikely to occur suddenly and is more often the outcome of a destructive chain of unmanaged events (G. S. Walsh and J. A. Cunningham,2016).

2.1.3. Customer ratings prediction model

Prior studies on modeling business failures have concentrated chiefly on financial and organizational data, but in the service sector, other indicators, such as customer satisfaction, are more often applied to businesses and it analyzes the rating sequence of a service firm to anticipate the probability of failure and offers a data-driven tool that delivers early warnings of potential business failures. (Naumzik et al., 2022).

2.1.4 Statistical techniques

Studies on predicting business failure have progressed thanks to the use of machine learning techniques based on AI, and there are a variety of sophisticated approaches that researchers have developed to address this issue, but artificial neural networks have proven to be the most successful so far (Jones et al., 2016). Other data mining techniques included decision trees (Abellan and Castellano, 2017), case-based reasoning (Li and Sun, 2009), genetic algorithms (Lin et al., 2018; Chou et al., 2017), Kohonen map (Du Jardin, 2018), rough sets (Xu et al., 2014), simulation analysis (Cohen et al., 2012), and support vector machines approach (Gogas et al., 2018; Alaminos et al., 2016).

Convolutional neural networks trained model achieves much higher prediction ability than models created by other methods such as decision trees, support vector machines, etc. (Durica et al.,2019).

2.2 The cost of business failure

Entrepreneurs incur personal, family, and professional costs due to business failure (Ucbasaran et al., 2013). They also carry a financial, social, and emotional burden associated with failure (Shepherd & Patzelt, 2017). According to Singh et al. (2007), when a business fails, the entrepreneur incurs tangible and intangible financial, social, and psychologicallosses. The current study contributes to the body of knowledge by identifying the physiological consequences of failure. Failure has physiological impacts such as panicattacks, weight loss, anxiety, and fatigue (Singh et al.2007).

2.2.1. Financial costs

Failure is almost certain to impose a financial penalty on the entrepreneur, most often in the form of a loss or a drop in personal income. This is the least that may be expected. According to Arora and Nandkumar (2011), who contribute to behavioral economics theories, entrepreneurs with high opportunity costs (i.e., those with many outside alternatives to the focal venture) are probably more impatient for success and will invest more aggressively in their ventures, increasing the probability of either significant financial gains or significant financial losses. Several factors, such as the entrepreneur's present investment portfolio or the ease of acquiring new revenue streams, may raise or decrease these costs (Ucbasaran et al., 2013).

Based on institutional theory, the entrepreneur's financial costs of business failure may be mitigated by the institutional framework in which the failure occurred, especially in terms of the "entrepreneur-friendliness" of the bankruptcy legislation to which they are subject (Lee et al., 2011). More entrepreneur-friendly bankruptcy laws (e.g., reducing or eliminating personal liability and allowing a fresh start more quickly) reduce personal financial costs associated with business failure (Van Auken et al., 2009).

Sarasvathy (2009) revealed, based on a study of experienced entrepreneurs, how entrepreneurs aim to reduce the financial costs of failure by employing the "affordable loss principle." Affordable loss entails decision-makers evaluating what they can risk and calculating what they are willing to lose to pursue a course of action (Dew et al., 2009).

“By putting more attention on the potential adverse outcomes of a venture, which may be caused by setting an affordable loss threshold, an entrepreneur may underinvest in comparisonto the real ex-post investment curve. However, if the venture fails, individuals who base their decisions on the affordable loss principle are likely to maintain lower financial losses than those who concentrate on the predicted returns” (Dew et al., 2009).

2.2.2 Social costs

The social costs of failure are the institutional punishments imposed on failing entrepreneurs by other members of society, which include both the stigma associated with failure and the visibility of that failure in the larger community (Simmons et al. 2014). According to Cope (2011), the failure of a business may lead to the separation of marriages and other intimate relationships, and the failure of a business can ultimately lead to the firm's death, which can lead to the loss of an essential social network consisting of mutual obligations.The quality of relationships after a failure can be diminished due to the stigma associated with failure (Sutton & Callahan, 1987). According to Cardon et al., (2011) , who analyzed prominent U.S. newspaper accounts of business failures, the most frequently reported effect of failure was the formation of a stigma around the entrepreneurs who had experienced it (for example, "failure leads to exile and an abrupt end to one's career path"). Some business owners may isolate themselves and avoid social interaction because of the emotional and social costs they've either suffered or anticipate incurring due to the failure stigma (Cope, 2011).

An individualistic culture, such as the United States, where failure is “professionally forgiven”, will have fewer negative repercussions than in collectivist Japan(G. S. Walsh and J. A. Cunningham,2016). Efrat (2006) explains how legislative reform in Japan has lowered the deeply established stigma associated with bankruptcy. Efrat (2006) provides statistics showing a direct relationship between softening insolvency regulations and declining suicides (which has historically followed the shame associated with insolvency and bankruptcy).

Kirkwood (2007) provides an example of a factor that increases the social cost of failure by concluding that a culture with Tall Poppy Syndrome can be more unforgiving of high achievers who fail: "Thus, there may be two types of reactions to a fall - depending on whether it was considered to be an organizational failure or the entrepreneur's failure."

The failure of a business may be regarded more severely if the entrepreneur is considered the "cause" of the failure.

Venture capitalists or angel investors are one of the most important social groups that entrepreneurs in various nations can join and have networking. There are numerous failures and a more forgiving attitude toward failure in locations with a substantial venture capital presence, such as Silicon Valley (Cardon et al., 2011). Venture capitalists make a distinction between acceptable failures versus those that aren't. As long as the entrepreneur is truthful, aware of his or her strengths and weaknesses, and willing to supplement his or her skills once necessary, venture capitalists will accept failures caused by luck or unanticipated external factors, even if the entrepreneur played a significant role in them. Cope et al. (2004) evidence suggests that the venture capitalist community (in the United States and the United Kingdom) treats business failure with a high degree of tolerance, acceptance, and open-mindedness.

According to findings from studies on approach-avoidance behavior, high social costs of failing could act as "fuel" for success (Morgan and Sisak 2016).

A higher social cost of failure may encourage individuals to work harder to avoid failing, which boosts the probability of success and development (Cacciotti et al. 2016); hence there may be advantages to the higher social cost of failure. although fewer may enter entrepreneurship, those that do could be more growth-oriented (Cacciotti et al. 2016).

(Lee et al.,2021) find that countries with a more significant social cost of failure are negatively associated with overall entrepreneurial activity but, on the other hand, positively associated with the possibility that entrepreneurs who have high-growth aspirations will launch new businesses. They also found a significant relationship between higher social costs of failure and the number of early-stage businesses with export orientations(Lee et al.,2021).

2.2.3 Psychological costs

Pain, shame, humiliation, anger, guilt, and blame have all been linked to business failure, and among the entrepreneurs Cope(2011) studied, grief was accompanied by anxiety, panic attacks, phobias, anger, and—in some cases—physiological symptoms like exhaustion, high blood pressure, insomnia, and weight loss(Singh et al., 2007). These psychological andphysiological impacts of business failure might emerge in varying degrees of depression (Singh et al., 2007), which can harm an individual's motivation.

According to (Shepherd, 2003), failure may have negative motivational consequences by inducing a feeling of "helplessness," which lowers an individual's confidence in his or her capacity to complete future activities effectively. Ucbasaran et al. (2010) propose that the emotional costs of failure may be "diluted" for portfolio entrepreneurs (i.e., entrepreneurs who simultaneously own many businesses) who have at least one other company on which to focus and fall back.

In contrast, serial/sequential entrepreneurs (i.e., those who own one firm at a time) may experience the psychological consequences of failure considerably more significantly than portfolio entrepreneurs.

Hayward et al. (2010) claim that confidence (i.e., a highly emotional trust in one's talents) and even overconfidence may generate positive feelings that promote entrepreneurial resilience and reduce the emotional costs of failure. Ucbasaran et al.(2010) conclude that serial and portfolio entrepreneurs were less emotionally attached to their businesses, less likely to have an adjusted optimism bias, and more resistant to psychological costs. Shepherd (2009) claims that mainly when the failure involves a family business, an individual's emotional intelligenceas well as their family members' emotional capabilities (i.e., the family's norms and/or routines for handling the negative emotions associated with failure) may help entrepreneurs effectively manage grief (i.e., use the grief-recovery strategies).

Financial costs may have a psychological effect. Business failure often results in a financial cost, and (G. S. Walsh and J. A. Cunningham, 2016) imply that there may be a significant interaction in which higher financial costs lead to greater emotional costs. Even if the direct financial costs of failure are not very significant, the social costs of failure may result in indirect financial costs (Cope, 2011; Singh et al., 2007). If failure is viewed negatively, entrepreneurs may find it difficult to raise funding for potential opportunities and struggle to find new employment. Psychological costs of failure may have a social impact. Cope (2011) argues that the emotional impact of the failure is inextricably linked to its complex social costs.

2.3 Business failure and the dimension of entrepreneurial learning

The failure rate among start-ups currently stands at an alarming rate of approximately 90% (Patel, 2015), indicating an urgent need to better understand the performance consequences of business failure among entrepreneurs. Small business start-ups account for nearly 70% of employment globally and 90% in the developing world(Page & Söderbom, 2015).

Learning from failure is the cognitive capacity of entrepreneurs to obtain additional information by drawing on prior failure experiences to discover and exploit new opportunities(Corbett, 2007).This definition aligns with Man's (2006) theoretical framework, which views learning as a dynamic and evolving capability.As the catalyst for further business development, failure provides critical learning opportunities(Cardon et al., 2010).The researchconducted by Cope (2011) emphasizes learning as a process.Cope (2011) considers recovery and re-emergence from failure as a result of various higher-level learning processes that enable entrepreneurs to learn about themselves and entrepreneurship. Based on Cope (2011) research findings, failure has been found to improve "entrepreneurial readiness," which is necessary for future entrepreneurial activities. Failure presents an opportunity for entrepreneurs to gain valuable knowledge since they can evaluate their existing business management abilities in light of the information that is accessible on the factors that causedthe failure of the firm (Shepherd, 2003).According to Minello and Scherer (2014), business failure may be used to a person's benefit if they can deal with adversity and learn to cope with it. Failure gives a “clear signal” that something went wrong and pushes individuals to dedicate effort to determine the problem (Sitkin, 1992). Because the person is more likely to undertake a postmortem to understand what caused the failure, this signal might foster learning by informing and inspiring modifications to his or her mental models (Ucbasaran et al., 2010). Entrepreneurs might cooperate with other business colleagues after experiencing business failure. According to (J. Amankwah-Amoah et al.,2022), business failure causes learning from failure, which fosters the exchange of resources, knowledge, and ideas in futureentrepreneurial initiatives.As a result, entrepreneurs would be wise to consider business failure as a source of learning and a chance to establish more profitable venture collaborations. Successful entrepreneurs always improve their skills and look for new chances. Amankwah-Amoah et al. (2022) recommend a need to exploit information on how business owners proactively monitor the business environment and use their business failure experience as a source of learning and a chance to create collaborative, competitive strategies.

Entrepreneurs who have experienced failures could be seen as having obtained valuable insight, skills, and experience. According to Minniti and Bygrave (2001), business failure decreases uncertainty, which leads to the identification of new possibilities. Thus, successful experiences and even failures may enhance the efficiency of opportunity detection. Failures also improve the efficacy of opportunity recognition.Cooper et al. (1989) discovered that individuals are more likely to take advantage of opportunities if they have acquired beneficial knowledge for entrepreneurship from previous employment since such information reduces the risk of opportunity exploitation.According to Atsan, N. (2016), entrepreneurs with more experience are more prepared to cope with the risks and uncertainties inherent in launching a new venture. These include applying for grants, forming legitimacy, leading and adapting to changes, and accessing existing professionals. According to Cope (2011), a critical reflection that challenges one's beliefs and actions are necessary for high-level learning. Although the failed experience may encourage this thinking, it is unlikely to happen immediately. Entrepreneurs, according to Cope (2011) , must take time to heal from the pain and trauma caused by failure before critically analyzing themselves inwardly. As previously mentioned, the unpleasant feelings caused by the failure may also have a detrimental impact on learning. Shepherd (2003) claims that grief may disrupt an individual's ability to appropriately allocate attention while processing information. This may result in the entrepreneur needing more opportunities to learn from the failure. Furthermore, Shepherd(2003) believes that the negative impacts of grief may be magnified when there are large amounts of feedback.

according to Boso et al. l.(2019), “ a consequence for entrepreneurs is that failure should not be considered the end of the entrepreneurial journey; instead, it should be viewed as alearning opportunity and a chance to engage in new entrepreneurial activities and also as an opportunity to try something new. For policymakers, financial, educational, and psychological therapy services for entrepreneurs who have recently failed may be a sustainable way to maintain resilience among entrepreneurs in society.”

2.4 Business failure and collaboration

While the entrepreneurship literature provides a complete comprehension of the costs and opportunities associated with business failure experience, research about how failure experience relates to entrepreneurial collaboration arrangements is insufficient (J. Amankwah-Amoah et al.,2022). When starting a new business after a failure, one of the most critical questions for many entrepreneurs is whether they should "go it alone" or work with others (Kang & Park, 2012).

Business failure may help entrepreneurs reposition themselves for new entrepreneurial ventures (Shepherd et al,. 2011). In addition to fostering the development of problem-solving skills and new networks, past entrepreneurial failure experience may also enhance problem-solving capabilities. According to Parker (2013), "serial entrepreneurs obtain temporary advantages from spurts of business that ultimately die away."

Failure in one business often prompts the entrepreneur to look into ways to collaborate with others to ensure success in the next endeavor. Accordingly, company owners who have already experienced failure are more inclined to form such collaborations. Although business failure scholars have documented progress on the consequences of business failure, studies have generally ignored the implications on partnerships and cooperation. Combining resources and experience through collaboration enables partners to become more competitive and guarantee the long-term viability of their venture (Hitt et al,. 2015).

According to Quince (2001), “entrepreneurial collaboration goes beyond creating new businesses to include interpersonal interaction. It is more likely to result in faster progress, shared risk, and better venture survival probabilities. Co-owning and co-managing new businesses enable idea sharing, risk sharing, and access to various expertise and founding experiences.”

Chapter 3

"What are the Factors Contributing to the Failure of Iranian SMEs?"

3.1 Overview of the Iranian economy

According to (World Bank, 2022)[2], "Iran's economy is comprised of the petroleum, agricultural, and service sectors, as well as a substantial governmental involvement in manufacturing and financial services. Iran ranks second for natural gas reserves and fourth forproven crude oil reserves worldwide. The decade-long stagnation induced by external shocks such as sanctions and commodity price volatility ended in 2019/2020. Four successive years, the huge decline in oil exports exerted enormous strain on government budgets and caused inflation to almost 40%. Sustained high inflation significantly diminished the buying power offamilies. Simultaneously, employment growth was inadequate to accommodate the increasingnumber of young and educated labor market entrants. In 2021, the population of Iran was 87.923,432 with annual growth of 0.7% which indicates a large and attractive market in middle-east for starting new businesses and start-ups. GDP in 2021 was 359.71 billion US$ with an annual growth rate of 4.7 %.Anual inflation was 41% whichseems extremely high andmay cause many troubles for large and small-medium enterprises."

3.2 Iranian entrepreneurial behaviour and attitudes

Based on Global Entrepreneurship Monitor (GEM)[3] in 2019, " the Index of High Status to Successful Entrepreneurs in Iran has been increased from 2008(%82) to 2019(%87), especially after 2014. It means Iranian people believe that entrepreneurs have a high status in the county. Unlike the above index, the rate of Entrepreneurship as a Good Career Choice has been decreased in Iran after the 2015 year. Alothough after 2018, both thoses index has been taken off in Iran. This situation certainly effects on other entrepreneurial attitudes like rates of Perceived entrepreneurial Opportunities and Perceived entrepreneurial Capabilities. Perceived

[2] https://www.worldbank.org/en/country/iran/overview#1
[3] https://www.gemconsortium.org/economy-profiles/iran-2

opportunities rate in Iran has an increasing trend from the 2014 year (%25) to 2019(%47), especially after 2018.perceived capabilities have been increased from 2011(%47) to 2018(%58) and (%69) 2019 years. In fact it seems that as in recent years, USA sanctions on Iran increases, indexes of high status to successful entrepreneurs, and entrepreneurship as a good career choice, and perceived opportunities and perceived capabilities are increasing in Iran. due to sanctions, many US companies and platforms are not allowed in Iran andentrepreners started to build identical domestic platforms such as Snapp which is the first and leading mobile and web-based ride-hailing platform in Iran and it is similar to Uber. Entrepreneurial intention is another crucial indicator of entrepreneurial attitude.Entrepreneurial intention is the subjective thinking and mental state of a person before he or she engages in entrepreneurial activities and becomes an entrepreneur. The rate of Entrepreneurial Intention in Iran is more than the USA (%15) and equal to United Arab Emirates (%30) in 2019. Anyway, compared to 2018, with 2019, people in the three countries would like to start a new business within three years.

The index of Total early-stage Entrepreneurial Activity (TEA) is the percentage of the 18- 64 population who are either a nascent entrepreneur or owner-manager of a new business.TEA is the prevalence rate of individuals in the working-age population who are actively involved in business startups, either in the phase of starting a new firm (nascent entrepreneurs), or in the phase spanning 42 months after the birth of the firm (ownermanager of new firms).the rate of TEA has been oscillatory in Iran during from 2008(%9) to 2019(%10.5). However, considering the index of Iran's entrepreneurial intention in 2017 had increased, it is normal in next year, TEA rate is increased in the county.

The next important index of entrepreneurial behavior is the Established Business Ownership Rate. This index states percentage of 18-64 population who are currently an owner-managerof an established business, i.e., owning and managing a running business that has paidsalaries, wages, or any other payments to the owners for more than 42 months. unlike of TEA,the rate of Iran's Established Business Ownership (EBO) has been decreased from 2018(%12) to 2019(%10.5). This means the survival rate of Iranian businesses is decreasing in recent years. although Iran's Innovative entrepreneurship rate from 2011(%9) to 2019(%17) has been increased but its growth speed was lower than United States, Turkey, and the United Arab Emirates.Moreover, gender equity is investigated in GEM research. Iran's Female/Male TEA ratio is 0.5 and 0.63 respectively for 2018 and 2019 which are lower than Global (0.71), Regional (0.75) and Income Level (0.76) Averages. Also, the ratio of Iran's Female/Male Opportunity-Driven TEA is 1.10. This ratio is the percentage of those females involved in TEA who (i) claim to be driven by opportunity as opposed to finding no other option for work; and (ii) who indicate the main driver for being involved in this opportunity is being independent or increasing their income, rather than just maintaining their income, divided by the equivalent percentage for their male counterparts. Thus, in Iran, female opportunity-driven TEA are more than male Opportunity-Driven TEA. In other words, Iranian women have good conditions to recognize and exploit entrepreneurial opportunities. However, Iran's entrepreneurial ecosystem is not so robust. In this ecosystem, physical infrastructure, internal market burdens, and entry regulations, entrepreneurial financing is very weak. Notwithstanding entrepreneurship education at the basic school and the postschool stage are increasing in recent years as it is known, infrastructure development is one of the important requirements of economic growth. Thus, direct investment by the government with the cooperation and participation of the private sector to develop and strengthen physical infrastructure can facilitate production and export activities, encouraged entrepreneurship, andpromoted competitiveness at the national level. Iran's entrepreneurial ecosystem is not in good condition in 2018 and 2019. In one hand, the brutal imposition of US sanctions on Iran, especially over the transfer of currency to the country has led to price instability and rising inflation and in another hand the inappropriate organizations bureaucracy, has caused many entrepreneurs and entrepreneurial leaders encounter with short of liquidity and severe crisis". Findings from the report of the Global Entrepreneurship Monitor show that "the rate of early-stage entrepreneurship in Iran is 10.7%, which reached 26th rank in this index. The established entrepreneurship rate in Iran is equal to 10.2% and is ranked 16th in this index. The employee entrepreneurial activity rate is 2%, which ranks 25th in this index. As shown inthe following Fig 18, the total percentage of entrepreneurial activities in Iran is 23%, while there is a 7% voluntary exit from the business. Therefore, the total entrepreneurial activities inIran will be equal to 16%. In other words, about 16% of the country's adult population is involved in various entrepreneurial activities."

3.3 Factors affecting SMEs in Iran

According to (Yeo,2002), failure causes are impediments that might develop from the internal and external environment of a business and adversely affect its performance. These factors may vary from economy to economy, mostly due to differences in the social and political atmosphere of the hosting country (Arasti, 2011). Internal environment refers to factors inside a business, whereas external environment refers to those outside to the company. External effects relate to those environmental factors that a company has no control, while internal factors refer to the characteristics of the business. While some external causes of business failure are not so predictable, internal factors may often be predicted in advance (Arasti,2014).

3.3.1 Internal factors

Internal factors are business environment variables that are mostly under the control ofbusiness owners and employees (Kolstad & Wiig, 2015). Different authors (Arasti ,2011; Ooghe et.al, 2008;FEE,2004; M.Franco et.al 2010) proposed internal factors as follow: lackof specific target market,poor business site location,failure to generate a long-term business plan, personal problems (health, marital, etc.),ineffective advertising or promotional strategy,inadequate knowledge of pricing strategy, inadequate financial accounting record keeping,lack of managerial experience, skills, and training, lack of a formal college education,lack of knowledge of current business situation,lack of consultation withexperienced and professional business people, not selling what is demanded by the customers,poor relationship with customers, poorly trained sales people,lack of employee's satisfaction, inconsideration of legal issues,ignoring competition, lack of adequate cash flow.

3.3.1.1 Lack of specific target market

A business's target market is the segment of people who are most likely to consume its services or products. Generally, these customers have comparable demographiccharacteristics, such as gender, age, income, and level of education. Understanding the target market and adopting the appropriate marketing tactics are essential for a starting business (Deena et.al,2021). Also, the target market must be identifiable.Therefore, the owners of businesses have to focus their attention on a certain sector of the market based on the geographic, demographic, psychographic, or behavioral characteristics of the potential customers. (Mohammed, A. K. 2022)

3.3.1.2 Poor business site location

The location of businesses has a significant impact in determining their success or failure (Sherman & Seidel, 2019). If the location of the company is not favorable to consumer accessibility, if there are competing businesses in the neighborhood, or if the population density is too low in comparison to the size of the business, the firm will have a very low probability of sustaining (Sherman & Seidel, 2019).

According to (Mohammed, A. K.2022), at the beginning, enterprises must be located in a location that is convenient for potential customers. Costs of rents, accessibility to suppliers, and the locations of competitors must also be considered when choosing the locations of business sites. According to Nieman and Nieuwenhuizen (2009), an inadequate business site and natural forces such as flooding,earthquake and etc. may also have a detrimental impact ona company's success. Consequently, it may be argued that poor infrastructure at a business's location contributes to its failure.

Additionally, other considerations, such as GDP per capita and tax regulations influence the choice of running a business. As discovered by (Gottschalk et al., 2022), failed entrepreneurs tend to establish companies in places with a greater GDP per capita.

However, the current research partially coincides with Truong's (2019) conclusion that an inappropriate business location is one of the causes of small business failure and, SME’s success is dependent on the location of the business (Schaefer, 2019).

3.3.1.3 Failure to generate a long-term business plan

Poor business plan is one of the leading causes of business failure today, and it is essential for small businesses to have a formal or informal business plan. According to (Mbonyane, 2006), "the majority of small businesses fail because their strategies are sale-oriented and they need a perspective change to meet consumer needs". (Mbonyane, 2006) believes that that SME owners rely on sales to run their businesses and do not predict or prepare for upcoming scenarios, such as the launch of new products that would divert consumers' attention. According to a research done by (Bushe, 2019), 90% of small business failures are due to inadequate business planning. A well-planned business should consider its mission, coststructure, target market, risks of external influences and how to manage them, as well as its strengths and weaknesses (Schaefer, 2019). In addition, it should provide a road map for the execution of the business and identify the milestones that indicate whether or not the companyis proceeding as expected (Gartenstein & Seidel, 2019). Consequently, a lack of long-term business planning prevents small enterprises from achieving strong performance due to the many uncertainties they will encounter and the absence of guidance in achieving their goals (Gumel, 2017). It is crucial to remember that poor business planning was recognized as the main cause of SMEs failure in Liberia (Denton,2020).

3.3.1.4 Inadequate knowledge of pricing strategy

A product's price is the amount of money consumers must pay for it (Barringer & Ireland, 2010). Pricing issues are prevalent among the reasons for the failure of new small businesses. According to Nieman and Nieuwenhuizen (2009)," incorrect pricing maycontribute to failure; if price is not properly positioned the demand for the product may decrease, for example, a product targeted at middle class people may be perceived as overpriced (for the upper classes) or underpriced (for the lower classes)". Holt (2013) believesthat decreasing prices to gain a competitive advantage was a significant element in business failure.Consumers are extremely sensitive to appropriate pricing strategies, thus managers of small businesses should not underestimate its importance.

3.3.1.5 Lack of managerial experience, skills, and training

Most businesses fail as a result of "management inadequacy," which may relate to either inexperience or incompetence (Schaefer, 2019). Management skills are measured using managerial experience, education, knowledge, and start-up experience (Hisrich & Drnovsek, 2002). In an investigation of the significance of management competence to the success of small and medium-sized enterprises (SMEs), a lack of managerial competence was discoveredto be the leading cause of SME failure (Martin & Staines, 2008). Motivation, characteristics, and abilities of management have an influence on the (mis)management of a business (Arasti et.al,2014). The vast majority of prior researches on business failure has identified "lack of managerial abilities" as the most critical issue (Ooghe & De Prijcker, 2008). Generally, the management team of small enterprises lacks the necessary experience and skills, and they rely on a few individuals who lack a formal management or career structure (Adisa et al., 2014). A skilled manager is able to predict the future and implement preventative actions against any potential threat to the business (Mbonyane, 2006). As the business keeps growing, it will face an increasing number of obstacles, which will need the use of competent management skills to prevent failure. Failure to have a management team with the necessary problem-solving, communication, decision-making, conflict resolution, and negotiating abilities will result in company failure (Fatoki, 2014).

3.3.1.6 Lack of adequate cash flow

Cash flow is the measure of a business's capacity to keep adequate financing to cover its day-to-day operating expenditures. Most entrepreneurs are unaware of the expenses associated with obtaining capital (Carter, 2019).

Cash flow problems might imply a failed firm. Extensive creditor's days may lead to a lack of operational capital; bad debts, in which the goods offered on credit is not paid for by the customer and stock turnover, which refers to holding too much inventory as a result of poor sales, are examples of this kind (Nieman & Nieuwenhuizen, 2009). Although a negative cash flow is commonly acceptable during the start-up phase of a business due to the overall costs of building the business, purchasing equipment, training employees, and building a brand, if the situation persists, it can cause problems for the business due to a lack of profits, leading to the failure of the business (Barringer & Ireland, 2010). Meng (2013) reports that about 71% of enterprises encounter cash flow issues. This is because it is assumed that small business managers are more focused with profits than cash flows (Mong, 2011).

3.3.1.7 Ignoring competition

Businesses must make choices that include not just business survival opportunities, but also business development in a changing market under dynamic competitive environments in which each competitor attempts to do impossible things to survive (Scarborough et al., 2009). shifts in market trends, technology, and the emergence of new management and organizational techniques all have an influence in SME competition and long-term viability (Sitharam et.al, 2016).

According to Arasti (2011), a business that is poorly managed and does not keep up with fast technological advancement to maintain a competitive advantage, risks being eliminated from the market.

Competition is fundamental to market operation and promotes innovation, productivity, and growth. Businesses are incentivized by competition to enhance production and distribution, keep up to date of technology, and be innovative.

Barringer and Ireland (2010) argue that high market competition might improve the degree of product difference across enterprises, which may foster innovation and creativity. Large enterprises in Iran dominate their respective businesses and have the lowest amount of competition; this paradigm prevents them from providing excellent product or service quality or enhancing their capacity for innovation and enables them to charge excessively high prices for their products.

3.3.1.8 . Lack of customer relations

It is the responsibility of any enterprise to ensure that the needs of its customers are met, and consumers are considered as the most essential stakeholders (Benn et al., 2016).Mbonyane (2006) believes that "The failure of small enterprises is due to a lack of daily interaction with the customers, lack of special promotions, pricing policies, and lack of new product features". Lack of an appropriate medium for customers to report problems to the owner is another potential problem with customer relations.

Lack of customer relationship may have a negative impact on the profitability of a small business and can limit the delivery of value to the customers who are being targeted (Babu, 2012). Customer relationship management is a strategy that has to be implemented by small firms if they want to keep their current customers and find new ones. The majority of small companies have difficulty acquiring new customers and keeping current ones (Sibanda & Ndhlela, 2018)

3.3.1.9 Lack of employee’s satisfaction

A reduction in productivity, an increase in employee turnover, and negative impacts on customer satisfaction are just some of the potential outcomes that might result from dissatisfaction among an organization's employees. It is critical for businesses to conduct regular satisfaction surveys with their employees and to immediately address any issues that may be the basis of any disaffection that may be found.

Employee satisfaction has a significant impact on the success of a business since satisfied staff are more loyal and productive (Hunter & Tietyen, 1997). The satisfaction of employeesis a necessary requirement for improved levels of output, quality, dedication, and responsiveness, as well as customer service (Sageer et al., 2012).

Policies that any business owner can implement in their companies include providing employees with competitive compensation and benefits packages, opportunities for professional development and career advancement, improved communication and transparency within the organization, giving employees a voice in decision-making processes,promoting work-life balance and supportive work environments. It is essential to keep inmind that every worker is unique, and that what may be a positive experience for oneindividual may not be the same for another person. As a result, it is essential to regularly seek the feedback of employees and to maintain a mindset that is open to adapting to changes depending on the requirements and concerns of the personnel.

3.3.2 External factors

The term "external factors" refers to the variables that managers and business owners have little or no control over, and whose consequences have the possibility of having a significant impact on the policies of the company, as well as its revenue and ability to continue operating" (Venter et al,. 2008). Because of the limited viable alternatives to managers in terms of decision-making and the fact that external variables are necessary to explain change, the function of management is considered to be passive.

In doing so, (Franco et al. 2010) consider external factors as pushing upon the business from outside, and companies are barely able to evade them. In order to determine the external causes, we will examine the challenges that entrepreneurs encounter in the areas of politics, economics, society, technology, the environment, and legislation. In order to determine the external factors that may cause business failure, the research used items like:

high taxes, sanctions and poor political stability, lack of financial support from banks, highly inflation-rate and poor economic conditions, government regulations, high operating expenses (wages, rent, etc.), high interest rates.

3.3.2.1 High taxes

High taxes can potentially lead to the failure of businesses in a number of ways. One way is that high taxes can increase the cost of doing business, which can make it more difficult for businesses to earn profit. This is particularly true for businesses that operate on thin margins and have little room to absorb additional costs. High taxes can also discourage businesses from investing in new equipment, hiring additional employees, or expanding operations,which can limit their growth and ability to compete in their market. Additionally, high taxes can make a business less attractive to potential investors, as it can reduce the potential return on investment. This can make it more difficult for businesses to access the capital they need to grow and succeed. The standard corporate income tax rate in Iran is 25%. Companies that are quoted on the Stock Exchange and Commodity Exchange are eligible to a reduced corporate income tax rate of 22,5%.[4.]

[4] https://www.worldwide-tax.com/iran/iran_tax.asp

3.3.2.2 Sanctions and poor political stability

Political instability can have a negative impact on businesses and can contribute to their failure. When a country or region is politically unstable, it can create uncertainty and unpredictability that makes it difficult for businesses to plan and operate effectively. This can lead to decreased demand for goods and services, supply chain disruptions, and increased costs.
Political instability can also make a country or region less attractive to investors, which can make it more difficult for businesses to access the capital they need to grow and succeed.
political instability can lead to social unrest and violence, which can directly impact businesses through property damage, employee safety, and other security concerns. All of these factors can contribute to the failure of businesses operating in politically unstable environments.
The political factors are the factors mostly affected by politics and government policies on the startup ecosystem (Deena, et al., 2021).
Some political climates may cause risks for the entrepreneur in continuing operations or dismissing certain opportunities. This could occur in a country which is at war or experiencing political adversity.

Sanctions are economic, political, or military measures taken by one country or group of countries against another in order to achieve a specific goal. In the context of Iran, sanctions have been imposed by the United States and other countries in order to pressure the Iranian government. In general, sanctions can make it more difficult and costly for businesses to operate in Iran by limiting their access to financial resources, technology, and foreign investment. They can also disrupt supply chains and create other operational challenges.

3.3.2.3 Lack of financial support from banks

According to Mazanai and Fatoki (2012), lack of access to financial supports from banks and other financial supporters is one of the primary difficulties that hinders the development and survival of start-up small and medium-sized enterprises (SMEs) throughout the world.
The failure of many enterprises may be linked back to a lack of adequate financial assistance that would have enabled the companies to begin their operations on solid and secure ground (Mehralizadeh et.al, 2006).
Because of the financial crises, the credit processing at financial institutions has become more complex, and the institutions themselves have become more cautious as a result. This makes it

difficult for small and medium-sized enterprises (SMEs) to understand the procedures and decisions that relate to the loan processing (Haron et al., 2013). In many countries,including Iran, small and medium-sized enterprises (SMEs) do not get sufficient funding from banks (Dalberg, 2011). According to Pretorius and Shaw (2004), the great majority of small and medium-sized enterprises (SMEs) depend on internal financing, such as contributions from the owners, family members, and friends. However, this kind of funding is often insufficient for SMEs to survive and develop. Therefore, having access to external financing is essential for small and medium-sized businesses to lessen the effect of cash flow challenges.

Numerous Iranian banks are the primary providers of resources for helpingsmall businesses. The methods that banks use to interact with small companies have come under constant attack from both successful and unsuccessful company owners (Mehralizadeh et.al, 2006).The requirement that owners of small businesses provide high-value collateralto banks as security for loans is a significant obstacle for the majority of owners since they do not have the collateral necessary to satisfy this requirement and hence cannot acquire loans from banks (Adisa et al., 2014).

Another reason for inadequate financing is the high interest rates that are requested by banks or microfinance institutions for the acquisition of loans. The majority of small businesses are unable to generate enough revenue to pay back the loan with the high interest rate, while also maintaining the business because it is difficult to make a profit. This is another reason why there is a lack of sufficient financing (Kanayo et al., 2013).

3.3.2.4 Highly inflation-rate and poor economic conditions

High inflation can have negative effects on businesses. When the cost of goods and services increases rapidly, it can lead to decreased consumer spending, as people have less disposable income to spend on non-essential items. This can lead to decreased sales and profitability for businesses. In addition, high inflation can also make it more difficult for businesses to plan for the future, as they may not be able to accurately predict what their costs will be. This can lead to financial instability and potentially even business failure. Inflation not only have a negative effect on SMEs, but it also has a harmful effect on their customers since it pushes up the price of products and reduces their disposable income (Cant & Wiid, 2013).

The current state of Iran's economy is not favorable to business owners and may even be working to damp their enthusiasm. According to the World Bank Data[5], Iran's annual inflation was 43.5% in 2021.

[5] https://data.worldbank.org/country/IR

3.3.2.5 Government regulations

The viability of the small business sector is continuously placed at risk by inadequate resource allocation and excessive government regulation (Chamberlain & Smith, 2006).

Numerous rules and regulations that are associated with the process of licensing businesses waste all of the owners' money and energy, which contributed to the failure of their businesses. Arasti (2011) revealed that non-supportive government policies were a significant factor in the collapse of small enterprises. According to Herrington (2014), it is very difficult for small businesses to get the essential licenses and permissions that are necessary to launch and expand their businesses. According to Nieman and Nieuwenhuizen (2008), in order to facilitate the formation of new businesses and the growth of current ones, it is necessary that there are less bureaucratic red tape and for an atmosphere that is peaceful and stable to be developed.

According to Nieman and Nieuwenhuizen (2009), the elimination of important bureaucratic rules and regulations that entrepreneurs need follow,should aid in boosting the the economy's competitiveness since it would result in more businesses entering the market.

The administrative structure of taxes regulations, business permits, and authorisation of activity is another factor that may impact entrepreneurs and lead to disappointment; it can alsodecrease the motivation of entrepreneurs to continue with their endeavors.

According to (Arasti,2011) “the regulations in Iran are affecting 11 different aspects of the life of a business and these aspects include 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.” atmosphere that is extremely bureaucratic and has regulations that are often subject to change, which may be detrimental to the success of businesses. Therefore, the Iranian business climate does not yet encourage people to become entrepreneurs. Inappropriate policies, such as shifting rules and regulations make it difficult for investors and business owners to plan investments and continue operations. This is especially true for start-ups and newly established businesses, which must overcome many obstacles in their early stages of existence (Arasti,2014).

Chapter 4

"What are the Factors Contributing to the Failure of Iranian SMEs?"

4.1 Research design and methodology

This research was conducted using the positivist theoretical perspective to assess the above objectives by employing quantitative method. In this study, both primary and secondary data were acquired. The secondary data came from journal articles, thesis and dissertations, books, reputable web sources, and government publications. Primary data was collected using structured questionnaires with closed-ended questions helped respondents reflect on the factors that caused the failure of their businesses and improved the accuracy of the information provided.The study's target population included SMEs operating in Iran's largest cities, including Tehara, Isfahan, Shiraz, and Mashhad, because of the large diversity of SMEsin these cities, as well as their impression as the most industrialized and fastest growing municipality with the highest population.

The snowball sampling approach was used to increase the sample size by following a line of referrals from one respondent to the next. This technique was continued until the total number of samples was reached.

To provide an adequate sample size,only SME owners (or managers) who have experienced a business failure were chosen.The sample size for this research was based on the average of the sample size of recent similar researches which focussed on SME failure.

For example, Arasti (2011) recruited 80 participants; Mofokeng (2012) utilised 120 participants; Mateus (2015) focused on 135 participants. The average sample size for the above-mentioned studies is 111 participants and 103 participants filled the questionnaire. This method of sample size calculation was employed in a similar research by Tengeh (2011). The Statistical Package for the Social Sciences (SPSS) tool was used to analyse the data provided. The purpose of using SPSS in this research was to summarise the data into descriptive statistics.

Statistical data analysis such as frequency distribution tables, percentages and Relative Importance Index (RII) were used to analyze and interpret data. The RII is an average value of an item which is scaled to have a value between 0 and 1. A five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) was used, and then they were changed into relative importance indices (RII) by using the following formula:

$$\mathrm{RII} = \sum_{i=1}^{\infty} \mathrm{Wi} \times \frac{1}{\mathrm{N+A}}$$

where **W** is a weight given to each factor by the research participants (ranging from 1 to 5), **A** is the highest weight (5 in this case), and **N** is the total number of respondents. The RII value has a range of values from 0 to 1. The higher the value of RII, more important was the role of the factor in the small business failure. This method was employed by Mohamed, A. K. (2022) to rank the factors between failed businesses.

Furthermore, reliability of the data was assessed by using Cronbach's Alpha. This test is also in harmony with Mohamed, A. K. (2022) who employed Cronbach's Alpha to evaluate the reliability of his research. In general, reliability measures whether a given data collection instrument such as questionnaire yields constant results in different times when the phenomenon under the investigation is not changing. Cronbach's alpha is the most frequent used test to measure reliability of data collection instrument. In other words, Cronbach's Alpha is a measure of how consistently different items in a questionnaire or survey measure the same construct and it is calculated by analyzing the correlation between all possible pairs of items in a survey or test. It ranges from 0 to 1, with higher values indicating greater internal consistency reliability. A Cronbach's Alpha of 0.7 or above is generally considered to be acceptable (Bolarinwa, 2015). The following Table shows the reliability test result of the questionnaire items.

Case Processing Summary

		N	%
Cases	Valid	102	99.0
	Excluded [a]	1	1.0
	Total	103	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability of the questionnaire

Reliability Statistics

Cronbach's Alpha	N of Items
.74	25

Principle component analysis (PCA) was employed to examine the validity of the questionnaire items, and 25 items evaluating both internal and external factors of SME failure were examined. The items' correlation matrix was evaluated to see whether there is a correlation between them or not. This indicates that there is an acceptable degree of correlation between the items since each of the 25 items had a minimum correlation of 0.19 with at least one other item. Kaiser-MeyerOlkin (KMO) test was also applied to investigate whether linear relationship exists between the questionnaire items and assess the suitability of data for factor analysis. This method is in harmony with Mohamed, A. K. (2022) method. The (KMO) test results a value between 0 and 1. A (KMO) value of 0.6 or above is generally regarded as acceptable, however values below 0.5 indicate that the correlation matrix is unsuitable for factor analysis. The overall (KMO) was 0.675 which is greater than 0.5 (the minimum acceptable level). Bartlett's test of sphericity was significant ($p < .0005$).

The research includes two types of research variables in addition to the characteristics of the failed businesses and their owners. These two dimensions of small business failure are in harmony with Mohamed, A. K. (2022), so the study is guided by this model.

Category one comprises of a collection of internal factors that might cause a small business to fail. To ascertain the internal factors, the following items were used:

Lack of specific target market,poor business site location,failure to generate a long-term business plan,personal problems (health, marital, etc.), ineffective advertising or promotional strategy,inadequate knowledge of pricing strategy, inadequate financial accounting record keeping,lack of managerial experience, skills, and training, lack of a formal college education, lack of knowledge of current business situation, lack of consultation with experienced and professional business people, not selling what is demanded by the customers, poor relationship with customers, poorly trained sales people, lack of employee’s satisfaction, inconsideration of legal issues, ignoring competition, lack of adequate cash flow.

In order to determine the external factors that may cause business failure, the research used items like:

high taxes, sanctions and poor political stability, lack of financial support from banks, highly inflation-rate and poor economic conditions, government regulations, high operating expenses (wages, rent, etc.), high interest rates.

Participants were asked to indicate how much these issues contributed to the failure of their business by choosing one of the following five responses: Strongly disagree, Disagree, Neutral, Agree and strongly agree. In their studies on small business failure, Mohamed, A. K. (2022), Sitharam et al. (2016), Arasti (2011), and Gaskill et al. (1993) employed thesevariables. To identify characteristics of the failed businesses and their owners, normal close-ended questions which were related to their gender, age in failure time, marital status, education level, previous business experience in related sector, business type, business age and form of business organization were written in the questionnaire. The researcher developedthe initial draft of the questionnaire with the help of a statistician from Unipd and relevant andrelated literature to SMEs failure in order to guarantee the reliability and validity of the instrument. After supervisor approved the initial draft, questionnaire sent to participants to be filled out. 10 people initially responded to the study survey. As part of the earlier-discussedsnowball sampling approach, these 10 respondents were then asked to recommend further possible respondents to the researcher. This procedure was repeated until the sample size of 108 was obtained. Respondents were recruited in four major Iranian cities and contacted by e-mail. Questionnaires were sent to their email addresses, and 103 of them were returned. This study was conducted in an ethical manner, ensuring honesty with regard to data, responsibility of overall research and participants were informed that all data would be treated with full confidentiality and the questionnaire was provided in both English and Persian for participants. In the next chapter, the findings and analysis of the study are presented and discussed.

Chapter 5

"What are the Factors Contributing to the Failure of Iranian SMEs?"

5.1 Presentation and discussions of findings

The findings of the empirical investigation are presented and analyzed in this chapter. The statistical processing of the collected data is addressed, as well as the presentation andanalysis of the processed data. Results are provided, analyzed, and interpreted in the context of the study questions and the study's ultimate goal of identifying the factors that contribute tothe failure of small and medium-sized enterprises in Iran.

5.2 Demographic information of businesses owners/managers

5.2.1 Gender

In research of this kind, it is common to determine the gender of respondents. The gender distribution of respondents to this survey is presented in Table 5.1 below.

Table 5.1: Gender of respondents

Gender	**Frequency**	**Percent %**
Female	38	36.9 %
Male	65	63.1 %
Total	103	100 %

Table 5.1 above reveals that approximately two thirds (63.1%) of the respondents were males, while females represented 36.9% of the total. This finding demonstrates a large genderdisparity and implies that more men than women actively owned or managed failed SME. This result is corroborated by the 2014 GEM Global report which found that there are more men entering into entrepreneurial activities than women in the majority of countries (Singer etal., 2015).

5.2.2 Marital status

Table 5.2 illustrates the frequency divided into five distinct marital status of the failedbusiness owners/managers who participated in the study.

Table 5.2: Marital status of respondents

Marital status	**Frequency**	**Percent %**
Single	29	28.2
Married	40	38.8
Divorce	19	18.4
Widowed	15	14.6
Total	103	100

Table 5.2 provides information on the marital status of failed business owners who were surveyed. The table shows the frequency and percentage of respondents who identified as single, married, divorced, or widowed. The data suggests that the largest proportion of failed business owners in the survey are married (38.8%), followed by those who are single (28.2%), widowed (14.6%), and divorced (18.4%).

5.2.3 Age

Table 5.3 presents the age group of respondents in the survey. There are a total of 103 respondents. The data is organized into three categories: "Less than 30 years old", "Between 30 and 50 years old", and "Over 50 years old".

Table 5.3: Age group of respondents

Age	**Frequency**	**Percent %**
<30	34	33
30-50	46	44.7
>50	23	22.3
Total	103	100

According to the data in the table 5.3, 33% of the business owners were less than 30 years old, with a total of 34 respondents in this group. The next largest group was between 30 and 50 years old, with 46 respondents, or 44.7% of the total number of respondents. Lastly, 22.3%of the business owners were more than 50 years old, with 23 respondents in this group.

5.2.4 Educational level

The educational level of business owners and managers prior to their business failure is represented in Figure 5.4 below.

Table 5.4: Educational level

Educational level	Frequency	Percent
B.Sc	33	32.4%
Diploma and under diploma	42	41.2%
M.Sc	18	17.6%
Ph.D	9	8.8%
Total	102	100%

According to the table, 32.4% of the respondents have a B.Sc degree, 41.2% have a diploma or less, 17.6% have a M.Sc degree, and 8.8% have a Ph.D degree. It is certainly considered that all of the respondents had some level of education, thus, higher education would boostthe ability of entrepreneurs/managers to obtain the necessary knowledge, skills, and managerial comprehension of the resources needed to maintain and grow their firms. According to Nieman and Nieuwenhuizen (2009), higher education boosts entrepreneurial skills and success.

5.2.5 Previous experience in related sector

Table 5.5 presents information on the previous experience of respondents in a survey.

Table 5.5: Previous experience

Previous experience	Frequency	Percent
Yes	61	59.2 %
No	42	40.8 %
Total	103	100%

According to the table, 59.2% of the respondents have previous experience in related sector, while 40.8% do not have any.

5.2.6 Type of the business

Figure 5.6 below illustrates the sectors in which the failed businesses operated.
According to the data presented in Table 5.6, the type of business that experienced the highest rate of failure among Small and Medium Enterprises (SMEs) in Iran is "Software". This category accounted for 18.4% of all failed SMEs in the survey, making it the most common type of failed business in Iran. It is followed closely by "Construction" and "Farming", which both accounted for 15.5% of the total number of failed SMEs.
The least common types of failed SMEs in Iran are "Food and Catering Service" and "Retailer", which accounted for 6.8% and 7.8% of the total, respectively. While these types ofbusinesses may not have experienced the same level of failure as the more common types,they still represent a significant proportion of the total number of failed SMEs in Iran.
The other types of failed SMEs in Iran, "Logistic", "Manufacturing", and "Service Provider", each accounted for between 9.7% and 13.6% of the total number of failed SMEs. These types of businesses are relatively common, but not as frequent as the leading types of failed SMEs in Iran.

Table 5.6: Type of the business

Type of the business	**Frequency**	**%Percent**
Construction	16	15.5
Farming	16	15.5
Food and catering service	7	6.8
Logistic	10	9.7
Manufacturing	13	12.6
Retailer	8	7.8
Service provider	14	13.6
Software	19	18.4
Total	103	100%

5.2.7 Business age:

The Table 5.7 shows the distribution of the business age of failed Small and Medium Enterprises (SMEs) in Iran.

Table 5.7: Business age

Business age	**Frequency**	**Percent**
Between 3 and 5 years	41	40%
More than 5 years	17	16.5%
Under 3 years	45	43.5%
Total	103	100%

According to the data, the majority of failed SMEs were relatively young businesses, with 43.5% of the total being under 3 years old. This suggests that younger businesses may face more challenges and obstacles in their early stages, making them more vulnerable to failure. The next largest group of failed SMEs, with 40% of the total, were between 3 and 5 years old. This group may represent businesses that have successfully navigated the early stages of development but have struggled to maintain stability and growth over a longer period of time. Finally, the smallest group of failed SMEs, with 16.5% of the total, were more than 5 years old. This suggests that while these businesses have survived for a relatively long time, they may have faced new challenges that they were unable to overcome, leading to their eventual failure.

5.2.8 Ownership of the business

Table 5.8 provides valuable information on the ownership of failed SMEs in Iran.

Table 5.8: Ownership of the business

Ownership of the business	Frequency	% Percent
Partnership	43	41.7 %
Sole proprietorship	60	58.3 %
Total	103	100 %

According to the data, the majority of failed SMEs were owned as sole proprietorships, with 58.3% of the total falling under this category. This suggests that businesses that are owned and operated by a single individual may be more vulnerable to failure in the SME sector in Iran. The next largest group of failed SMEs, with 41.7% of the total, were owned as partnerships. This suggests that businesses that are owned by multiple individuals may face different risks and challenges than those that are owned by a single individual. Partnerships may provide businesses with access to a wider pool of resources and expertise, which can help to mitigate some of the risks associated with operating in the SME sector.

5.3 Internal factors

5.3.1 Lack of specific target market

The table 5.9 represents the responses of 103 failed business owners in Iran to the question of the extent to which they believe that "Lack of specific target market" contributes to their failure.

Table 5.9:Lack of specific target market

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	25	24.3	24.3	24.3
	Disagree	31	30.1	30.1	54.4
	Neutral	21	20.4	20.4	74.8
	Agree	12	11.7	11.7	86.4
	Strongly agree	14	13.6	13.6	100.0
	Total	103	100.0	100.0	

24.3% (25 people) strongly disagreed that lack of a specific target market was a factor in their failure, while 30.1% (31 people) disagreed with that statement. 20.4% (21 people) were neutral, 11.7% (12 people) agreed, and 13.6% (14 people) strongly agreed that a lack of a specific target market was a contributing factor.

Overall, it appears that a majority of the failed business owners (54.4%) either disagreed or strongly disagreed that a lack of specific target market was a factor in their failure, while a minority (25.3%) agreed or strongly agreed with that statement. The remaining 20.4% were neutral.

5.3.2 Poor business site location

Table 5.10 represents the responses of 103 failed business owners in Iran to what extent they believe that "Poor business site location" contributed to their failure.

Table 5.10: Poor business site location

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	19	18.4	18.4	18.4
	Disagree	31	30.1	30.1	48.5
	Neutral	15	14.6	14.6	63.1
	Agree	26	25.2	25.2	88.3
	Strongly agree	12	11.7	11.7	100.0
	Total	103	100.0	100.0	

18.4% (19 people) of the failed business owners strongly disagreed that poor business site location was a factor in their failure, while 30.1% (31 people) disagreed with that statement. 14.6% (15 people) were neutral, 25.2% (26 people) agreed, and 11.7% (12 people) strongly agreed that poor business site location was a contributing factor.

Overall, it appears that a majority of the failed business owners (48.5%) either disagreed or strongly disagreed that poor business site location was a factor in their failure, while a minority (37%) agreed or strongly agreed with that statement. The remaining 14.6% were neutral.

5.3.3 Failure to generate a long-term business plan

The table 5.11 represents the responses of 103 failed business owners in Iran to the extent to which they believe that "Failure to generate a long-term business plan" contributed to their failure.

Table 5.11: Failure to generate a long-term business plan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	21	20.4	20.4	20.4
	Disagree	27	26.2	26.2	46.6
	Neutral	23	22.3	22.3	68.9
	Agree	21	20.4	20.4	89.3
	Strongly agree	11	10.7	10.7	100.0
	Total	103	100.0	100.0	

20.4% (21 people) of the failed business owners strongly disagreed that failure to generate a long-term business plan was a factor in their failure, while 26.2% (27 people) disagreed with that statement. 22.3% (23 people) were neutral, 20.4% (21 people) agreed, and 10.7% (11 people) strongly agreed that failure to generate a long-term business plan was a contributing factor.

Overall, it appears that a majority of the failed business owners (46.6%) either disagreed or strongly disagreed that failure to generate a long-term business plan was a factor in their failure, while a minority (31.1%) agreed or strongly agreed with that statement. The remaining 22.3% were neutral.

5.3.4 Personal problems (health, marital, etc.)

The table 5.12 represents the responses of 103 failed business owners in Iran to the extent to which they believe that "Personal problems (health, marital, etc.)" contributed to their failure.

Table 5.12: Personal problems (health, marital, etc.)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	21	20.4	20.4	20.4
	Disagree	21	20.4	20.4	40.8
	Neutral	19	18.4	18.4	59.2
	Agree	29	28.2	28.2	87.4
	Strongly agree	13	12.6	12.6	100.0
	Total	103	100.0	100.0	

The sum of "Strongly disagree" and "Disagree" (42 people) is equal to the sum of "Agree" and "Strongly agree" (42 people). This suggests that about half of the failed business owners believe that personal problems played a role in their failure, while the other half believe that it did not. The remaining 18.4% (19 people) were neutral.

5.3.5 Ineffective advertising or promotional strategy

Table 5.13 the responses to what extent business owners believe that "Ineffective advertising or promotional strategy" contributed to their failure.

Table 5.13 Ineffective advertising or promotional strategy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	34	33.0	33.0	33.0
	Disagree	22	21.4	21.4	54.4
	Neutral	22	21.4	21.4	75.7
	Agree	15	14.6	14.6	90.3
	Strongly agree	10	9.7	9.7	100.0
	Total	103	100.0	100.0	

According to the table, 33% of failed business owners in Iran strongly disagree that an ineffective advertising or promotional strategy was a factor in their failure, while 21.4% disagreed. 21.4% were neutral, 14.6% agreed and 9.7% strongly agreed. This suggests that a majority of failed business owners in Iran (54.4%) did not believe that an ineffective advertising or promotional strategy was a significant contributor to their failure.

5.3.6 Inadequate knowledge of pricing strategy

Table 5.14 responses to what extent business owners believe that "Inadequate knowledge of pricing strategy" contributed to their failure.

Table 5.14. Inadequate knowledge of pricing strategy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	27	26.2	26.2	26.2
	Disagree	34	33.0	33.0	59.2
	Neutral	18	17.5	17.5	76.7
	Agree	15	14.6	14.6	91.3
	Strongly agree	9	8.7	8.7	100.0
	Total	103	100.0	100.0	

The survey results indicate that a large number of business owners did not believe that a lack of knowledge in pricing strategy played a role in their business failure. Out of 103 respondents, 26.2% strongly disagreed with this notion, while 33% disagreed and 14.6% agreed. Only 17.5% chose the neutral option, and the remaining 8.7% strongly agreed.

5.3.7 Inadequate financial accounting record keeping

Table 5.15 responses to what extent business owners believe that "Inadequate financial accounting record keeping" contributed to their failure.

Table 5.15: Inadequate financial accounting record keeping

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	40	38.8	38.8	38.8
	Disagree	22	21.4	21.4	60.2
	Neutral	18	17.5	17.5	77.7
	Agree	16	15.5	15.5	93.2
	Strongly agree	7	6.8	6.8	100.0
	Total	103	100.0	100.0	

The survey results indicate that a large portion of business owners in Iran, 60.2%, do not consider inadequate financial accounting record keeping as a significant contributor to their business failure. In contrast, only 22.3% of respondents believe it was a significant factor. 17.5% have a neutral idea about that.

5.3.8 Lack of managerial experience, skills, and training

Table 5.16 responses to what extent business owners believe that "Lack of managerial experience, skills, and training" contributed to their failure.

Table 5.16: Lack of managerial experience, skills, and training

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	28	27.2	27.2	27.2
	Disagree	23	22.3	22.3	49.5
	Neutral	18	17.5	17.5	67.0
	Agree	18	17.5	17.5	84.5
	Strongly agree	16	15.5	15.5	100.0
	Total	103	100.0	100.0	

27.2% of the respondents strongly disagree that Lack of managerial experience, skills, and training contribute to their business failure, while 22.3% disagree. 17.5% of the respondents feel neutral, while 17.5% agree and 15.5% strongly agree that Lack of managerial experience, skills, and training played a role in their business failure. The cumulative percentage shows that 100% of the respondents have answered the question.

5.3.9 Lack of a formal college education

Table 5.17 responses to what extent business owners believe that "Lack of a formal college education" contributed to their failure.

Table 5.17: Lack of a formal college education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	15	14.6	14.6	14.6
	Disagree	11	10.7	10.7	25.2
	Neutral	12	11.7	11.7	36.9
	Agree	27	26.2	26.2	63.1
	Strongly agree	38	36.9	36.9	100.0
	Total	103	100.0	100.0	

Out of the 103 respondents, 38 (36.9%) strongly agree that a lack of a formal collegeeducation contributed to their failure, 27 (26.2%) agreed, 12 (11.7%) were neutral, 11 (10.7%)disagreed, and 15 (14.6%) strongly disagreed. This means that 63.1% of the respondents believe that a lack of a formal college education contributed to their failure in some way.

5.3.10. Lack of knowledge of current business situation

Table 5.18 presents the results of a survey of failed business owners, who were asked to what extent they believe a lack of knowledge of the current business situation contributed to their failure. A total of 102 valid responses were collected, with 1 missing.

Table 5.18 Lack of knowledge of current business situation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	35	34.0	34.3	34.3
	Disagree	31	30.1	30.4	64.7
	Neutral	14	13.6	13.7	78.4
	Agree	15	14.6	14.7	93.1
	Strongly agree	7	6.8	6.9	100.0
	Total	102	99.0	100.0	
Missing	System	1	1.0		
Total		103	100.0		

34% of the respondents strongly disagree that a lack of knowledge of the current business situation was a major factor in their failure, while 30.1% disagreed. 13.6% of the respondents were neutral, 14.6% agreed, and 6.8% strongly agreed that a lack of knowledge of the current business situation contributed to their failure.

5.3.11 lack of consultation with experienced and professional business people

Table 5.19 presents the results of a survey of failed business owners, who were asked to what extent they believe a lack of consultation with experienced and professional business people contributed to their failure. A total of 103 valid responses were collected.

Table 5.19 lack of consultation with experienced and professional business people

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	7	6.8	6.8	6.8
	Disagree	13	12.6	12.6	19.4
	Neutral	18	17.5	17.5	36.9
	Agree	33	32.0	32.0	68.9
	Strongly agree	32	31.1	31.1	100.0
	Total	103	100.0	100.0	

6.8% of the respondents strongly disagreed that a lack of consultation with experienced and professional business people was a major factor in their failure, while 12.6% disagreed. 17.5% of the respondents were neutral, 32% agreed, and 31.1% strongly agreed that a lack of consultation with experienced and professional business people contributed to their failure.

5.3.12 Not selling what is demanded by the customers

Table 5.20 summarizes the responses of 103 failed business owners regarding the extent to which they believe "not selling what is demanded by the customers" contributes to their failure.

Table 5.20 Not selling what is demanded by the customers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	31	30.1	30.1	30.1
	Disagree	41	39.8	39.8	69.9
	Neutral	16	15.5	15.5	85.4
	Agree	7	6.8	6.8	92.2
	Strongly agree	8	7.8	7.8	100.0
	Total	103	100.0	100.0	

According to the table, the majority of failed business owners (69.9%) either strongly disagreed (30.1%) or disagreed (39.8%) that not selling what is demanded by the customers was a significant factor in their failure. 15.5% of the responses were neutral, 6.8% agreed, and7.8% strongly agreed.

5.3.13 Poor relationship with customers

Table 5.21 summarizes the responses of 103 failed business owners regarding the extent to which they believe a poor relationship with customers contributed to their failure.

Table 5.21 Poor relationship with customers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	26	25.2	25.2	25.2
	Disagree	29	28.2	28.2	53.4
	Neutral	13	12.6	12.6	66.0
	Agree	21	20.4	20.4	86.4
	Strongly agree	14	13.6	13.6	100.0
	Total	103	100.0	100.0	

25.2% of the failed business owners strongly disagreed that a poor relationship with customers contributed to their failure, while 28.2% disagreed. On the other hand, 20.4% agreed and 13.6% strongly agreed that a poor relationship with customers was a factor in theirfailure. 12.6% of the respondents were neutral on the issue.

5.3.14 Poorly trained sales people

Table 5.22 summarizes the results of a survey of failed business owners on their views of the extent to which poorly trained salespeople contributed to their business failure.

Table 5.22 Poorly trained sales people

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	24	23.3	23.3	23.3
	Disagree	35	34.0	34.0	57.3
	Neutral	22	21.4	21.4	78.6
	Agree	15	14.6	14.6	93.2
	Strongly agree	7	6.8	6.8	100.0
	Total	103	100.0	100.0	

From the table, we can see that 21.4% agreed or strongly agreed (14.6% and 6.8% respectively) that poorly trained salespeople contributed to their business failure, while a major portion of participants 57.3 disagreed or strongly disagreed and 21.4 have a neutral feeling about that.

5.3.15 Lack of employee's satisfaction

Table 5.23 summarizes the views of failed business owners on the extent to which lack of employee satisfaction contributes to their business failure.

Table 5.23 Lack of employee's satisfaction

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	34	33.0	33.0	33.0
	Disagree	20	19.4	19.4	52.4
	Neutral	19	18.4	18.4	70.9
	Agree	17	16.5	16.5	87.4
	Strongly agree	13	12.6	12.6	100.0
	Total	103	100.0	100.0	

33.0% of the participants strongly disagreed with the statement, which shows that theybelieved that employee satisfaction had no role in their failure. 19.4% disagreed, indicating that they had some reservations about the statement but still believed that it was not a major contributor to their failure. 18.4% had a neutral view, meaning that they did not have a strong opinion either way on the contribution of employee satisfaction to their failure.
On the other hand, 16.5% of the participants agreed that lack of employee satisfaction played a role in their failure, while 12.6% strongly agreed. These responses show that a minority of the participants believed that employee satisfaction was a significant factor in their failure.

5.3.16 Inconsideration of legal issues

The table 5.24 shows failed business owners idea about to what extent they believe lack of consideration of legal issues contributed to their failure.

Table 5.24 Inconsideration of legal issues

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	32	31.1	31.1	31.1
	Disagree	33	32.0	32.0	63.1
	Neutral	20	19.4	19.4	82.5
	Agree	13	12.6	12.6	95.1
	Strongly agree	5	4.9	4.9	100.0
	Total	103	100.0	100.0	

31.1% of the respondents strongly disagreed that legal issues contributed to their failure, while 32% disagreed. 19.4% of the respondents were neutral on the matter, while 12.6% agreed and 4.9% strongly agreed that legal issues played a role in their failure.

5.3.17 Ignoring competition

Table 5.25 represents the results of a survey of failed business owners. The survey asked the question "To what extent do you believe ignoring competition contributes to your failure?"

Table 5.25 Ignoring competition

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	29	28.2	28.2	28.2
	Disagree	25	24.3	24.3	52.4
	Neutral	22	21.4	21.4	73.8
	Agree	18	17.5	17.5	91.3
	Strongly agree	9	8.7	8.7	100.0
	Total	103	100.0	100.0	

According to the results, the majority of respondents (52.5%) either disagreed or strongly disagreed that ignoring competition was a significant factor in their failure. On the other hand, a smaller percentage (26.2%) agreed or strongly agreed that ignoring competition was a significant factor. The remaining 21.4 % respondents were neutral on the issue.

5.3.18 Lack of Adequate Cash Flow

Table 5.26 represents the responses of 103 failed business owners to the extent to which they believe that lack of adequate cash flow contributed to their business failure.

Table 5.26 Lack of Adequate Cash Flow

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	19	18.4	18.4	18.4
	Disagree	31	30.1	30.1	48.5
	Neutral	28	27.2	27.2	75.7
	Agree	18	17.5	17.5	93.2
	Strongly agree	7	6.8	6.8	100.0
	Total	103	100.0	100.0	

The results of a survey about the impact of lack of cash flow on a certain group of individuals show that 18.4% of the respondents strongly disagree that it was a factor, while 30.1% simply disagree. 27.2% of the participants were neutral and felt that it was not a significant factor nor was it insignificant. 17.5% agree that lack of cash flow was indeed a factor, and 6.8% of the respondents strongly agree with this statement.

5.4 Relative importance index for internal causes of small business failure

Table (5.27) shows the relative importance index (RII) of the 18 items representing internal causes of small business failure. RII was calculated to identify the significance of causes (items) and then the causes were ranked based on their RIIs.

Table 5.27 Relative importance index for internal causes of small business failure

	Strongly disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly agree (%)	RII	**Rank**
Lack of specific target market	24.3	30.1	20.4	11.7	13.6	0.520388	8
Poor business site location	18.4	30.1	14.6	25.2	11.7	0.2	17
Failure to generate a long-term business plan	20.4	26.2	22.3	20.4	10.7	0.549515	**4**
Personal problems (health, marital status, etc.)	20.4	20.4	18.4	28.2	12.6	0.584466	**3**

	Strongly disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly agree (%)	RII	**Rank**
Ineffective advertising or promotional strategy	33.0	21.4	21.4	14.6	9.7	0.493204	12
Inadequate knowledge of pricing strategy	26.2	33.0	17.5	14.6	8.7	0.493204	12
Inadequate financial accounting record keeping	38.8	21.4	17.5	15.5	6.8	0.460194	13
Lack of managerial experience, skills, and training	27.2	22.3	17.5	17.5	15.5	0.543689	**5**
Lack of a formal college education	14.6	10.7	11.7	26.2	36.9	0.720388	**2**
Lack of knowledge of current business situation	34.0	30.1	13.6	14.6	6.8	0.454369	15
lack of consultation with experienced and professional business people	6.8	12.6	17.5	32.0	31.1	0.735922	**1**

	Strongly disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly agree (%)	RII	**Rank**
Not selling what is demanded by the customers	30.1	39.8	15.5	6.8	7.8	0.44466	16
Poor relationship with customers	25.2	28.2	12.6	20.4	13.6	0.537864	6
Poorly trained sales people	23.3	34.0	21.4	14.6	6.8	0.495146	11
Lack of employee's satisfaction	33.0	19.4	18.4	16.5	12.6	0.512621	9
Inconsideration of legal issues	31.1	32.0	19.4	12.6	4.9	0.456311	14
Ignoring competition	28.2	24.3	21.4	17.5	8.7	0.508738	10
Lack of Adequate Cash Flow	18.4	30.1	27.2	17.5	6.8	0.528155	7

According the ranks in the table, the five most important internal causes of small business failure as perceived by owners of the failed businesses were:

(1) lack of consultation with experienced and professional business people (RII = 0.736)

(2) Lack of a formal college education (RII = 0.720)

(3) Personal problems (health, marital, etc.) (RII = 0.584)

(4) Failure to generate a long-term business plan (RII= 0.549)

(5) Lack of managerial experience, skills, and training (RII = 0.543)

Thus, these were the five most effective internal causes of small business failure in Iran.This study's findings are somewhat similar to those of the majority of other researchers regarding the internal causes of small business failure; for instance, Mohamed, A. K. (2022) found that a lack of consultation with experienced and professional business people is the most effective internal factor that contributes to the failure of businesses, and this result is in full compliance with this study's findings. Moreover, a variety of authors argue that access to consultants who can provide highly skilled guidance is necessary for the survival of a business (Mendes, 2012; Herrington, 2014).

Lack of managerial skills was identified by several researchers as the primary internal factor of small business failure (Twesige et al., 2020; Alshami et al., 2020;).This is entirelyconsistent with the findings of the current study.

To some extent, the results of this research vary from those of other researchers in terms of the internal reasons of small business failure. For example, Truong (2019) claims that an inappropriate business location is one of the most effective factors that contribute to small business failure, however it is not considered an important factor in the current study.Based on current study result, lack of formal education is the second important internal factor in Iran while it is not considered as a vital factor in Mohamed, A. K. (2022) findings.Since most of the cited studies were done in different contexts, it's conceivable that the results will be a littlebit different.

5.5 External factors

5.5.1 High taxes

The table 5.28 represents the responses of 103 failed business owners to the extent to which they believe that high taxed as an external factor contributed to their business failure.

Table 5.28 high taxes

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	37	35.9	35.9	35.9
	Disagree	26	25.2	25.2	61.2
	Neutral	15	14.6	14.6	75.7
	Agree	15	14.6	14.6	90.3
	Strongly agree	10	9.7	9.7	100.0
	Total	103	100.0	100.0	

Table 5.28 indicates that 61.2% (39.5% disagree+25.2% strongly disagree) of respondents disagreed about "high taxes", while 24.3% (14.6% agree+9.7% strongly agree) of respondents agreed with this statement. 14.6% have neutral idea about this factor.

5.5.2 Sanctions and poor political stability

Table 5.29 represents the responses of 103 failed business owners to the extent to which they believe that sanctions and poor political stability as an external factor contributed to their business failure.

Table 5.29 sanctions and poor political stability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	9	8.7	8.7	8.7
	Disagree	8	7.8	7.8	16.5
	Neutral	7	6.8	6.8	23.3
	Agree	28	27.2	27.2	50.5
	Strongly agree	51	49.5	49.5	100.0
	Total	103	100.0	100.0	

Table 5.29 indicates that 16.5% (8.7% disagree plus 7.8% strongly disagree) of respondents disagreed about "sanctions and poor political stability", while 76.7% (27.2% agree plus49.5% strongly agree) of respondents agreed with this statement. 6.8% of respondents neither agree nor disagree with this statement.

5.5.3 Lack of financial support from banks

Table 5.30 represents the responses of 103 failed business owners to the extent to which they believe that lack of financial support from banks as an external factor contributed to their business failure.

Table 5.30 lack of financial support from banks

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	26	25.2	25.2	25.2
	Disagree	34	33.0	33.0	58.3
	Neutral	21	20.4	20.4	78.6
	Agree	13	12.6	12.6	91.3
	Strongly agree	9	8.7	8.7	100.0
	Total	103	100.0	100.0	

Table 5.30 indicates that 58.2% (25.2% disagree plus 33% strongly disagree) of respondents agreed about the "lack of financial support from banks", while 21.3% (12.6% agree plus 8.7% strongly agree) of respondents with this statement.

5.5.4 Highly inflation-rate and poor economic conditions

Table 5.31 represents the responses of 103 failed business owners to the extent to which they believe that highly inflation-rate and poor economic conditions as an external factor contributed to their business failure.

Table 5.31 highly inflation-rate and poor economic conditions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	5	4.9	4.9	4.9
	Disagree	6	5.8	5.8	10.7
	Neutral	16	15.5	15.5	26.2
	Agree	33	32.0	32.0	58.3
	Strongly agree	43	41.7	41.7	100.0
	Total	103	100.0	100.0	

Table 5.31 indicates that 10.7% (4.9% disagree plus 5.8% strongly disagree) of respondents disagreed about the "highly inflation-rate and poor economic conditions" contributes to their failure, while 73.7% (32% agree plus 41.7% strongly agree) of respondents with this statement. 15.5% found this item to be a neutral cause of their failure.

5.5.5 Government regulations

Table 5.32 represents the responses of 103 failed business owners to the extent to which they believe that government regulations and policies as an external factor contributed to their business failure.

Table 5.32 government regulations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	34	33.0	33.0	33.0
	Disagree	47	45.6	45.6	78.6
	Neutral	9	8.7	8.7	87.4
	Agree	5	4.9	4.9	92.2
	Strongly agree	8	7.8	7.8	100.0
	Total	103	100.0	100.0	

Table 5.32 indicates that 78.6% (33% disagree plus 45.6% strongly disagree) of respondents disagreed about "government regulations", while 12.7% (4.9% agree plus 7.8% stronglyagree) of respondents agreed with this statement.Remeining 8.7% of respondents are neutral.

5.5.6 High operating expenses (wages, rent, etc.)

Table 5.33 represents the responses of 103 failed business owners to the extent to which they believe that high operating expenses (wages, rent, etc.) as an external factor contributed to their business failure.

Table 5.33 high operating expenses (wages, rent, etc.)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	4	3.9	3.9	3.9
	Disagree	11	10.7	10.7	14.6
	Neutral	22	21.4	21.4	35.9
	Agree	47	45.6	45.6	81.6
	Strongly agree	19	18.4	18.4	100.0
	Total	103	100.0	100.0	

Table 5.33 indicates that 14.6% (3.9% disagree plus 10.7% strongly disagree) of respondents disagreed about "high operating expenses (wages, rent, etc.)" contributes to their failure, while 64% (45.6% agree plus 18.4% strongly agree) of respondents with this statement.

5.5.7 High interest rates

Table 5.34 represents the responses of 103 failed business owners to the extent to which they believe that high interest rates as an external factor contributed to their business failure.

Table 5.34 high interest rates

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	30	29.1	29.1	29.1
	Disagree	29	28.2	28.2	57.3
	Neutral	20	19.4	19.4	76.7
	Agree	13	12.6	12.6	89.3
	Strongly agree	11	10.7	10.7	100.0
	Total	103	100.0	100.0	

Table 5.29 indicates that 57.3% (29.1% disagree plus 28.2% strongly disagree) of respondents disagreed about the "high-interest rates" effect on their failure, while 23.2% (12.6% agree plus 10.7% strongly agree) of respondents with this statement .The remaining 19.4% are neutral.

5.6 Relative importance index for internal causes of small business failure

RII was computed to also assess the significance of each of the seven external causes that this research has considered. Therefore, the below Table 5.35 indicates the raking of the external causes with respect to their RIIs.

Table 5.35 Ranking of external causes

	Strongly disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly agree (%)	RII	**Rank**
high taxes	35.9	25.2	14.6	14.6	9.7	0.473786	6
sanctions and poor political stability	8.7	7.8	6.8	27.2	49.5	0.801942	**1**
lack of financial support from banks	25.2	33.0	20.4	12.6	8.7	0.493204	5
highly inflation-rate and poor economic conditions	4.9	5.8	15.5	32.0	41.7	0.8	**2**
government regulations	33.0	45.6	8.7	4.9	7.8	0.417476	7
High operating expenses (wages, rent, etc.)	3.9	10.7	21.4	45.6	18.4	0.728155	**3**
high interest rates	29.1	28.2	19.4	12.6	10.7	0.495146	4

For the owners of the failed businesses, the three most influential external causes of their business failure were:

(1) Sanctions and poor political stability (RII = 0.801)

(2) Highly inflation-rate and poor economic conditions (RII = 0.8)

(3) High operating expenses (wages, rent, etc.) (RII = 0.72)

The impact of sanctions and political instability on small businesses in Iran cannot be overstated. These conditions can reduce access to resources and markets, leading to increased costs and reduced revenue. High inflation rates and poor economic conditions, also prevalent in Iran, make it difficult for small businesses to maintain financial stability and growth, as they may face challenges in increasing prices to keep up with rising costs. Meanwhile, high operating expenses can put a strain on the finances of small businesses and make it difficult toachieve profitability. The results of this research is in harmony with Okpalaojiego (2021) who considered poor economic conditions as external factors of small business failure.

5.7 Ranking of the eight most influential causes of small business failure

Table 5.36 presents the eight most powerful causes of the small business failure in Iran. Five of these eight causes were internal causes while three of them were external causes.

Table 5.36 The Ranking of the eight most influential causes of small business failure

Causes	Source	Strongly disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly agree (%)	RII	Rank
sanctions and poorpolitical stability	External	8.7	7.8	6.8	27.2	49.5	0.801942	1
highly inflation-rate and poor economic conditions	External	4.9	5.8	15.5	32.0	41.7	0.800345	2

Causes	Source	Strongly disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly agree (%)	RII	Rank
Lack of consultation withexperienced and professional business people	Internal	6.8	12.6	17.5	32.0	31.1	0.735922	3
high operating expenses(wages, rent, etc.)	External	3.9	10.7	21.4	45.6	18.4	0.728155	4
Lack of a formal collegeeducation	Internal	14.6	10.7	11.7	26.2	36.9	0.720388	5
Personal problems (health, marital, etc.)	Internal	20.4	20.4	18.4	28.2	12.6	0.584466	6
Failure to generate a long-term business plan	Internal	20.4	26.2	22.3	20.4	10.7	0.549515	7
Lack of managerial experience, skills, andtraining	Internal	27.2	22.3	17.5	17.5	15.5	0.543689	8

5.8 Conclusion

This thesis concludes with a comprehensive investigation of the internal and external factors of business failure among Iranian SMEs. The survey of 103 failed SME owners and managers reveals that sanctions and poor political stability, high inflation rate and poor economic conditions, lack of consultation with experienced and professional business people, high operating expenses, lack of formal college education, personal problems, failure to generate a long-term business plan, and lack of managerial experience, skills, and training are the most significant internal factors that contribute to business failure. These finding provides entrepreneurs, policymakers, and other business community stakeholders useful insights, as they highlight the need to address these factors in order to enhance the probability of SME success in Iran.

Particularly, the results of this research demonstrate that the issues faced by small andmedium-sized enterprises (SMEs) in Iran are distinct and may differ considerably from those experienced by SMEs in other countries of the world. The sanctions and lack of international relationships and collaborations that Iran faces, for example, are factors that are not commonly encountered by SMEs in other regions.This highlights the need for tailored solutions and policies to address the issues specific to the Iranian context.

This thesis concludes with valuable insights into the reasons for SME failure in Iran and practical suggestions for increasing the success and survival of SMEs in this environment. It is suggested that future studies focus on these findings and investigate potential solutions for mitigating the reasons for SME failure in Iran and other emerging economies. By doing so, we can help create a more business-friendly environment and foster the development and viability of small and medium-sized enterprises in these environments.

5.9 Recommendation

Based on findings in this research, the following recommendations are made.

1. In the face of sanctions, it may be difficult for small and medium-sized enterprises (SMEs) to acquire the funding they need to develop and succeed. Alternative forms of investment,

such as crowdfunding and angel investing, may give a lifeline to small and medium-sized enterprises (SMEs) and assist them in overcoming the obstacles created by sanctions and political instability.

In addition, small and medium-sized enterprises (SMEs) must be proactive in managing the risks presented by sanctions and political instability and prepare contingency plans to meet any operational interruptions. This may include diversifying suppliers, storing essential goods, and searching for other sources of finance. The Iranian authorities should adopt a proactive approach to promoting positive relationships with other nations and stabilizing the political atmosphere. This may be accomplished through increased transparency and accountability, as well as more effective and open communication with the international community.

2. SMEs can benefit from seeking advice from experienced business people andentrepreneurs, who can provide guidance and support. Small and medium-sized enterprises (SMEs) can meet possible mentors and get access to valuable advice and resources through networking events and business groups. Small and medium-sized enterprises (SMEs) mayjoin professional organizations, such as chambers of commerce and trade associations, which can give access to a network of experienced business managers and training and development opportunities. Business incubators and accelerators can provide SMEs with access to a network of experienced business people, as well as training and development opportunities. They can also provide access to funding, mentorship, and other resources that can help SMEs succeed.

3. Government programs and initiatives may give business owners and managers with educational and training opportunities. This may include training sessions, seminars, and mentoring programs that transfer real business skills and expertise. Universities and business schools in Iran may provide small business owners and managers courses and programs tailored exclusively for entrepreneurs. This might provide them access to formal education and current information in fields like business strategy, financial management, and marketing.E-learning platforms, webinars, and online courses may also enable company owners and managers who lack the time or resources to attend in-person events with access to education and training possibilities.

4. A comprehensive strategy is needed to alleviate the effect of personal problems, such as health and marital problems, on Iran's SME sector. First, SME owners may establish a strong

support system, consisting of family, friends, and coworkers, to assist in managing these issues and minimizing their impact on the business. Seeking professional help, such astutoring or psychological treatment, may also aid in dealing with the associated stress. Lastly, keeping a balance between work and home life may assist SME owners in managing their personal issues and minimizing their impact on the business. By applying these tactics, SME owners may effectively handle personal issues and secure their businesses' long-term success.

5. A comprehensive recommendation for mitigating the effect of failure to generate a long-term business plan for SMEs in Iran would be to prioritize the development of a solidand well-thought-out plan.This strategy should take into consideration all the essential features of the company, including financial projections, market research, target customer segments, and the organization's unique value proposition. In addition, as the business evolvesand market situations change, they should regularly analyze and update their business strategy. By adopting a disciplined and proactive approach to drafting a long-term business plan, SME owners can guarantee that their activities are well-founded and set their businesses up for success.

6. Small and medium-sized enterprises (SMEs) in Iran must implement a comprehensive strategy that combines cost optimization with greater productivity, diversification, and better cash flow management to alleviate the effects of high operating expenses. By constantly assessing their expenditures and recognizing savings possibilities, Businesses may decrease costs and improve efficiency. This may include negotiating better agreements with suppliers, minimizing waste, or optimizing operations. SMEs should also aim to boost their income and productivity by investing in technology, training employees, and upgrading procedures. SMEs may reduce their dependency on a single source of income and their exposure to financial risk by diversifying their revenue streams. In addition, reducing labor costs by outsourcing or adopting flexible working arrangements, negotiating better terms with landlords, and enhancing cash flow management may assist SMEs enhance their financial stability and reduce the impact of operational expenditures.

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Appendix1

Definition

Robinson (2007) argues that company failure is a crucial component of the economy to analyze, but different definitions make it difficult to analyze.He also believes "the phenomenon's complexity and multifaceted character is the most challenging aspect of defining the meaning of entrepreneurial failure in a single phrase."

Organizational mortality, organizational death, organizational outflow, bankruptcy, downsizing, company closure, entrepreneurial exit, dissolution, discontinuance, insolvency, and failure are some of the terminology used in the literature to characterize business failure. (Mellahi and Wilkinson 2004, Cardozo & Borchert 2004).

Companies may cease as legal entities by either voluntary or compulsory liquidation. Voluntary liquidation of the company might prevent additional financial losses in certain conditions. Voluntary liquidation is often pursued by businesses for entirely beneficial reasons, such as retirement or mergers and acquisitions(G. S. Walsh and J. A. Cunningham,2016).

According to Stokes and Blackburn (2002), most studies on the failure of businesses focused on the businesses themselves rather than the owners of the businesses, even though the entrepreneurs and the factors related to them are the most important factors in the entrepreneurial process. They believe that "researchers have been particularly interested in cases involving the causes of business failure, predictive patterns for failure, and weakbusiness strategies. Less attention has been paid to cases involving the firm, its owner, and its managers."

Bankruptcy

By reviewing the Cambridge dictionary and Investopedia, we will come up with the following definition of bankruptcy:

"Inability to pay your debts, or a particular example of this, involving the sale of your property or some other arrangement to pay as much as possible of the money you owe. Bankruptcy is a legal proceeding initiated when a person or business cannot repay outstanding debts or obligations."

Thus, it's a tempting term to employ when conducting research on why businesses fail(Cochran, 1981). The definition ignores other indicators of a failing firm: for example, the business cant provide an acceptable rate of return for the owners or investors and therefore, it needs to be clarified who is responsible under this definition (Ucbasaran et al., 2013). Binational regulations differ from country to country, and we can't have a common point of view on this term. So, Bankruptcy can’t be a comprehensive definition of failure.

Discontinuance

Based on Stanton et al.(2009) definition, a firm might experience discontinuity for various personal reasons, including the owner's sickness or passing away, retirement, selling the company to gain profit, or moving on new ventures. Hence, assuming discontinuance as a synonym for failure is myopic and inaccurate (Khelil, 2016). Business discontinuity is one of the major causes of entrepreneurs’ failures (D. Ucbasaran et al.,2013). Entrepreneurial discontinuance can be considered a voluntary strategic decision choice (Wennberg et al., 2010). According to Headd (2003), approximately one-third of closed businesses had a successful closure, and many owners conducted a planned exit strategy.

Disappearance, closure, exit, and death

"Disappearance" may occur for several reasons, including the failure of the firm, the company being acquired by or merged into another business, or the founders voluntarily shutting the business down.

The term "closure" refers to the cessation of a firm and may be used to mean that the company could not sustain its position in the market. (Coad,2014) has criticized the term ‘failure’ as a pejorative word that negates the prior existence of a firm as a futile exercise, given its ultimate demise. Instead, the term 'death' is more appropriate as it encompasses both compulsory exits, such as bankruptcy, and voluntary exits (Hoetker and Agarwal,2007). However, it is necessary to understand that exit and failureare two distinct concepts (Wennberg and DeTienne, 2014). "Exit" refers to the withdrawal of a business from operating in a given market or from manufacturing a specific product, as well as the owner's departure from the business (Z. Arasti, 2011), and firms can be successful when exiting. Khelil (2016) suggested in a recent study that exit should be engaged as a fundamental idea built upon three particular configurations to further synthesize the phenomena of failure. A successful exit plan enabling the owner to close or sell their firm while still profitable should not be considered a failure since it is not a sign of failure but rather a success (Headd, 2003). From an accounting point of view, failure is defined as “wanting or having to sell or liquidate to prevent losses or to pay off creditors or overall inability to make a successful go of the firm(Gaskill et al., 1993)”. According to the economist's point of view, failure is a circumstance in which a company is unable to get a return on investment (ROI) that is sufficient to cover the opportunity costs, andit is also less profitable than the many other options that are accessible at the time ofinvestment (Fredland and Morris, 1976). Based on involuntary liquidation and legal implications, “corporations are bankrupt once a creditor successfully petitions the court. It initiates a legal procedure that often results in the liquidation of a firm” (Cuthbertson and Hudson, 1996).

according to (Sheppard and Chowdhury,2005), the strategic management perspective defines failure as misalignment of the business to the existent realities in the market and inability to go forth.

Pretorius (2009) presents a general overview of the phenomena of failure in which “a business fails, when it involuntarily becomes unable to obtain additional debt or equity funding to reverse its downturn; as a result, it cannot continue to operate under its existing ownershipand management”. Ucbasaran et al. (2013) define failure as “the cessation of engagement in a business because it has not fulfilled a minimal criterion for economic viability as defined by the entrepreneur. In general, there is no unified definition in the literature, and the researcher’s choice of the definition should be guided by the study’s research question.”

“However, many of the characteristics of failing businesses are not readily observable or measurable on a large scale; instead, they are more implicit, intuitive, and subjective. As a result, a more in-depth investigation into the companies involved is required before they can even be classified by definition” (G. S. Walsh and J. A. Cunningham,2016)