

The Entrepreneurial Failure: Exploring Links between the Main Causes of Failure and the Company life Cycle

Qualitative analysis using NVivo 7 software

Amel Dakoumi Hamrouni

Professor Assistant

Higher Institute of Management-Sousse

University of Sousse, Sousse

Tunisia

Imen Akkari

Assitant

Higher Institute of Management-Sousse

University of Sousse, Sousse

Tunisia

Abstract

Purpose – This paper aims to explore links between entrepreneurial failure and factors that underlie the case of companies of different ages by taking into account the company life cycle

Design/methodology/approach – The research has used a qualitative interview methodology based on the life stories of four entrepreneurs who have experienced entrepreneurial failure. The data have been analysed using NVivo 7 software.

Findings – The findings indicate that among the main causes of failure of start-ups we find lack of experience and management skills as well as a shortage of financial resources, while the failure of older firms is mainly due to financial mismanagement.

Research limitations/implications – This study is based on qualitative interpretation. The limitations of this study are due to the small number of informants and also to the lack of generalization of results. In further studies, larger samples should be used.

Originality/value – Little previous work has been undertaken to analyze entrepreneurial failure using both the main causes of failure and the company life cycle.

Keywords – Entrepreneurial failure, company life cycle, organizational ecology theory, resource-based view or RBV.

Introduction

Research in entrepreneurship is today prevailing among many Anglophone and French-speaking works (Amit and Thornhill, 2003 ; Brunet, 2009 ; Cardon and al., 2009 ; Douce, 2005 ; Flamholtz and Aksehirli, 2000 ; Fayolle and al., 2008 ; Glavan, 2008 ; Homsma and al., 2009 ; Koellinger and al., 2007 ; Macchiavello, 2008 ; Meliani, 2006 ; Patzelt and Shepherd, 2009 ; Rampini, 2004 ; Sammut, 2001 ; Santoro and Gaffeo, 2009 ; Shane and al., 2003 ; Shepherd and al., 2009 ; Ucbasaran and al., 2009) and remarkable development has taken place in the research frameworks and methodologies respectively.

However, research on the subject is primarily centered on the entrepreneurial success despite failure which “remains a little studied aspect” (Singh and al., 2007) and for which the majority of the researchers pays little attention to. Eventhough many financial studies have analysed the patterns of business failures (Zacharakis and al., 1999), entrepreneurial failure remains a somehow unexploited field as far as research is concerned, and the few existing research papers show that it is a question of multidimensionnel concept (Cope and al., 2004 ; Singh and al., 2007 ; McGrath, 1999 ; Crutzen, N. and D. Van Caillie (2009) and Cope, 2010). This is explained by the fact that it is often perceived as “a myth with negative connotations” (Brunet, 2009).

Koellinger and al. (2007) affirm that “Just like medicine would undoubtedly not progress if the researchers studied only healthy people, the field of knowledge of scientific organizations would be limited if one studied only the prosperous companies”. Cardon (2009) shows, in these researches, that the study of the phenomenon of entrepreneurial failure proves to be rather interesting, and to be understood it is necessary to determine its fundamental causes. Thus the remaining research in this field has essentially taken into account the prevailing causes of failure as well as the entrepreneurs’ personalities and psychology, those who have themselves experienced such failure without paying attention to the company life cycle (Crutzen, N. and D. Van Caillie, 2009 ; Cope, 2010). Moreover, the limited existing researches on this field have primarily concentrated on the determination of the various causes without taking into consideration the company age, which confirms the complexity of the subject. It is however necessary to recognize that this phenomenon affects all companies without exception, whether young or old ones. In this regard, it would be appropriate to check whether the main causes of failure vary according to the company age or not. In other words, this research aims to understand the concept of entrepreneurial failure and precisely to establish links between the old and young companies’ failure and its different causes.

The current research begins with a review of the relevant literature which presents the principal explanatory theories of the concept of entrepreneurial failure, followed by a presentation of the research methodology. Subsequently, a qualitative study based on the method of life stories is performed. Analysis and results are discussed. Finally, limitations and directions for future research are provided.

1. Theoretical framework: the entrepreneurial failure

In order to explain the phenomenon of entrepreneurial failure and better clarify it, we rely in this study on two main theories. The first is the organizational ecology (Hannan and Freeman, 1977) and the second is the strategy based on resources or « Resource-based view » (Wernerfelt, 1984).

1.1 The theory of organizational ecology

According to Hannan and Freeman (1977), the theory of organizational ecology is considered as one of the first approaches to focus on the analysis of the act of creation of companies as well as their disappearance. The principal contribution of this theory is to explain the causes for which certain companies face failure in spite of the competence of their entrepreneurs, or the reverse. Indeed, this current research Provides a crucial role of the environment and considers the individual as being an «actor spectator» (Danjou, 2002). As shown by Hannan and Freeman (1977) « the analysis of the effects of the environment on the organizational structure occupies an important place in the theory of the organizations and in recent searches ». In other words, this theory is interested particularly in the relation between organization-environment; moreover, it considers the environment as a «principal explanatory factor of the performance of firms», Lelogeais (2004).

According to Hannan and Freeman (1977), the reason for which the environment plays an essential role in the functioning of the company, is that it is constantly determined by its context and that its survival depends primarily on the latter. Similarly Morgan (2006) notes that « organizations are widely open to their environment and must achieve an appropriate relationship with this environment, if they want to survive ». Amit and Thornhill (2003) claim that, the environment will eliminate the companies which are unable to get adapted to it or to follow its evolution. For that reason, a concordance between the requirements of competitive environment and what the company can do is important, otherwise this can lead to failure. Moreover, they found from their study of 399 Canadian corporate bankruptcies that if there is no follow-up of the evolution of the environment, this will lead to business failure. So « the role played by the evolution of the environment confirms the argument of selection of the theory of organizational ecology » (Thornhill and Amit, 2003). We can conclude that according to the theory of organizational ecology, the companies are affected by their environment and this latter eliminates all those which are unable or inapt to follow its evolution.

1.2 The theory of Resource-based view or RBV

Developed in 1980, this approach emphasizes the importance of the resources and considers that the performance of an organization depends largely on resources which it owns and controls (Wernerfelt, 1984; Barney, 1986). Cooper and al. (1994) affirm that the initial financial resources have an influence on the survival of the company and that this influence still remains even if the environment is not the same. Thus, the initial resources can be considered as an explanatory factor of the failure or the success of organizations.

The companies which possess sufficient resources have a competitive advantage and can better resist and exceed the various problems even the most unpredictable. So, it is important to have resources before starting a business. And it is in this context that Smida and Khelil (2008) show that the mature companies behave much better than the new ones which often find difficulties of access to the vital resources necessary to the installation of their strategy, because of their «liability of newness». They also affirm that according to this approach, the deficiency in resources is one of the principal factors of failure. Amit and Thornhill (2003) also have found from their study of 399 Canadian corporate bankruptcies that there is a link between the resources of the company and its disappearance or survival.

2. Life cycle of the company and causes of failure

In the turbulent environment of today, the phenomenon of entrepreneurial failure is very common in the market and touches a significant number of companies of various ages. Indeed, during its survival each company goes through various phases which constitute its life cycle and a failure can occur at any phase. Therefore, the phenomenon of entrepreneurial failure can touch as well the new companies as the old ones. For this purpose, it is important to study, on the one hand, the various phases of the life cycle of the company, and on the other hand the main causes of failure in the case of company of various ages.

2.1 The life cycle of a company

The life cycle of a company has diverse and many definitions, they vary from one author to another, but they are still vague and not really precise. Indeed, the life cycle of a company contains several different stages and it is in the specification of the number of these phases where there is no consensus by researchers. The literature presents different models; Porter (1998), Faugere and Shawky (2005), Parasha (2006), Mintzberg (1973) and Quinn and Cameron (1983) argue that there are four phases in the life cycle of a company but each author gives them different names; while Wang (2002), Miller and Friesen (1984) have proposed five phases and Mintzberg (1984) and Smith and al. (1985) have shown that there are three phases in the life cycle of a company. In our research, we will retain the model of Miller and Friesen (1984) which contains 5 phases: birth, growth, maturity, decline and revival (Figure1). It is to be noticed, as was claimed by Kallunki and al. (2008) that several researchers have used the age of the company to measure the various phases of the life cycle of the company. Its age increases through these phases. Moreover, according to Miller and Friesen (1984), the first phase, spreads out over the first six years and the second begins from the sixth year of the company's age. Generally, they affirm that each phase lasts six years.

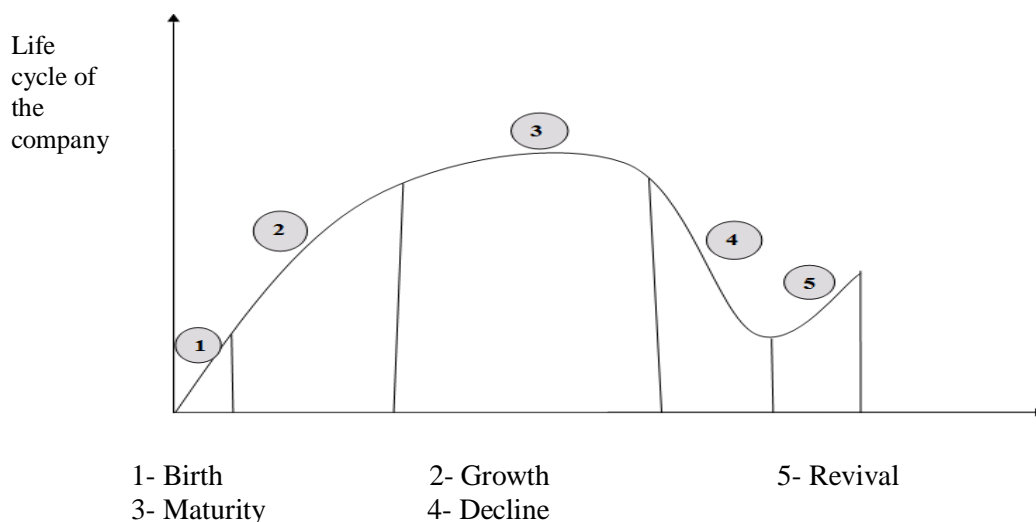


Figure 1: Different phases of the model of life cycle of the company according to Miller and Friesen, 1984

2.2. Causes of failure related to the various phases of the life cycle of the company

According to Miller and Friesen (1983), that each stage of the life cycle of the company lasts an average of six years, we will consider here that the young companies are those which did not exceed six years of existence, and which are more precisely in the first phase of the life cycle of the company.

The older companies are those which have more than six years of existence on the market, and those located in the phase of growth or maturity. However, in the turbulent environment of today the new companies are most exposed to the risk of failure (Venkataraman and al., 1990). In this same context Douce (2005) notes that generally, the young companies are the most fragile. In fact, as shown Rieg (2002), the highest failure rate concerns principally companies between one and four years old. Indeed, Burrows and Keynes (1982) affirm that the average age of survival of the companies is four years. So this cape of four years is considered dangerous for the majority of the young companies. The studies carried out by Insee (2002) have shown that the highest failure rate in 2001 was that of the companies aged between one and four years. Santaro and Gaffeo (2009) also have shown in their research that young firms are more likely to fail than older ones. Stinchcombe (1965, cited by Thornhill and Amit, 2003) highlighted three main causes that make young companies fail more than the older ones, namely:

- First, the fact that they are based only on general knowledge until each employee is familiarized with his role;
- Second, the fact that there can be conflicts and inefficiencies during the determination of the roles of each employee;
- And finally, the difficulty of establishing stable relationships with customers.

In addition, there are other causes of failure of young companies such as the shortage of resources (Smida and Khelil, 2008), or lack of experience (Lamontagne and Thirion, 2000).

However, Amit and Thornhill (2003) underline that the causes of failure of the young companies are different from those of the older ones. Indeed, for the young companies, they are summarized primarily in the lack of resources, competences and in inexperience, for the older companies the principal cause of the failure, according to Barron and al. (1994) is the lack of adaptation to the environment and more precisely « a bad adaptation of the resources and the competences to the strategic characteristics of the business sector» (Amit and Thornhill, 2003). In other words, the companies can survive longer, on condition of being more flexible and being ready to adapt to the requirements of their environment. They affirm that it is important to find an agreement between the requirements of the competing environment and what the company can make. From where, it is imperative to follow the evolution of the environment. The executives have to change mentality since as shown by Harrigan (1988, cited by Amit and Thornhill, 2003), the executives of the majority of the older companies «do not realize that a strategic position which gave good results before is not competitive any more». This brings us to a first proposal:

P1: The principal causes of failure of the young companies are different from those of the older companies

The young companies, those situated in the first phase of the life cycle, are often confronted with diverse problems as outlined by Sammut (2001) due to a transition from « the comfortable situation without risk from virtual to real ». Indeed, among the main problems they face and which often lead to failure, are the lack of resources as cited by researchers (Amit and Schoemaker, 1993; Thornhill and Amit, 2003; Douce, 2005; Laitinen, 1992 ; Lussier, 1995; Meliani, 2006; Smida and Khelil, 2008, Venkataraman and al., 1990). These resources are defined by Amit and Schoemaker (1993) as « stocks of available factors owned or controlled by the company». According to Stinchcombe (1965, cited by Smida and Khelil, 2008) it is «the liability off newness» which makes the access of these young companies to the various resources rather difficult. In this same context, Cressy (2006) argues that the majority of the companies fail very young because of the lack of initial financial resources.

Also, Laitinen (1992) stresses that the failure of the companies during the first six years is due to the difficulty of obtaining financial resources. Moreover, Smida and Khelil (2008) affirm that the shortage of resources is regarded as one of the principal causes of failure of the companies recently created. Moreover, it is this initial endowment of resources for the financing of the company which will play a key role in the survival or failure of young firms, as confirmed Meliani (2006), « the financial resource seems more fundamental in the start up and can be a primary cause of the failure over this period ».

Indeed, the majority of the new companies suffer from lack of financial resources (Amit and Thornhill, 2003) and this occurs for various causes. For example, they may know very well the branch of industry to which they belong (Amit and Thornhill, 2003), but the deficiency in financial resources will prevent them from applying the adequate strategy to succeed (Lussier, 1995). Based by what precedes, we will be able to formulate the second proposal:

P2: The failure of young firms is mainly due to a lack of financial resources.

We will now specify the role of competences in the handicap due to lack of experience. In its article on the entrepreneurial failure of the new companies, Honjo (2000) established a study from 2488 young companies situated in Tokyo between 1986 and 1994 and has noticed that the age has an impact on the probability of entrepreneurial failure. He has said that, in general if the experience is perceived by age in other words the more the company remains in the market the more it gains experience, so in this case the age will be a negative effect on entrepreneurial failure. More precisely, he has noted according to his study that the probability of failure increases with the age during the first six years and that it decreases after this stage. In the same context Lamontagne and al. (2000) affirm that one of the principal causes of the disappearance of the companies before their third birthday is the lack of experience; also Wyant (1977, cited by Venkataraman, 1990) affirms that the lack of experience of the young companies often leads to failure. In fact, as a firm grows older, employees deepen their knowledge and become more competent (Thornhill and Amit, 2003).

Also, Douce (2005) affirms that the lack of experience and thus of competence can be considered as a principal factor of failure of the young companies. Amit and Schoemaker (1993) define competences as « corporeal or incorporeal process, based on information, specific to the companies that are developed over time through complex interactions between various corporate resources ». According to Cardon and al. (2009), the majority of the articles show that the new companies fail because of the lack of competences. Amit and Thornhill (2003) add that the lack of competences in marketing and in finance plays a major role in the failure of young firms more than the older ones, in other words it reduces their ability to survive. Therefore, we can conclude that the deficiencies in competences of management often present in newly established firms have a negative influence on their returns, which would lead generally to failure. This brings us to a third proposal:

P3: One of the principal causes of failure of the young companies (startups) is the lack of experience and competence in management.

We will now look at the main cause of failure of older companies. Indeed, these companies have already overcome the various problems facing the young companies i.e. they have already the necessary resources and competence, but as Amit and Thornhill (2003) underline it, it is necessary that the value of these resources and competence does not decrease but remains valid as the competing environment evolves. Moreover, these two authors affirm that « the failure of the older companies would be caused by a bad adaptation of the resources and competences to the strategic characteristics of the business sector » (Amit and Thornhill, 2003). In other words, the failure becomes more probable if the resources and competences are not maintained compared to the evolution of the competing environment. Therefore, it is important to mention that there is a harmony between the requirements of the competing environment and what the company is able to make.

If resources and competences of these companies are losing their relevance compared to the changing environment, this can automatically lead to failure. According to Hannan and Freeman (1984), the majority of the older companies already established “routines”, have survived beyond the first six years, but can no longer be effective if their heir environment becomes unstable. And it is in this context that intervenes the theory of ecology of the organizations which considers that the environment plays an essential role in the survival or the disappearance of companies (Smida and Khelil, 2008). According to Hernandez and Marco (2002, cited by Smida and Khelil, 2008), the latter imposes a process of selection called « environmental selection » which will eliminate the inapt companies being in a noncompeting situation. It is thus imperative that the older companies which have already established routines are less rigid and are able to change and to adapt to the evolution of the environment. Moreover, it would be necessary that the managers of these companies change their mentality. Harrigan (1988) affirms that the majority of managers do not realize that one strategy which gave satisfactory results and allowed their initial survival cannot become competitive especially if the current environment is not stable. All this, brings us to a fourth proposal:

P4: The principal cause of failure of the older companies is the absence of follow-up of the evolution of the environment

3. METHODOLOGY

3.1. Qualitative approach: Life stories

In an exploratory approach, our research has as objective to better understand the phenomenon of entrepreneurial failure in order to verify the link between the causes of failure and the age of the company. Knowing that the choice of the method used depends on the stage of understanding, it seems that on this level of research, the use of a qualitative methodology can be the most adequate choice to meet our aim because in our case we cannot measure the phenomena observed. In addition, understanding the phenomenon of entrepreneurial failure and determine the main causes in the case of companies of different ages, requires the inclusion of some elements such as representations and interpretations that actors maintain themselves of this phenomenon, also how they arrived at this stage and how they lived it. Yin (1994) underlines moreover, that case studies are the best adapted methods when it is about questions of type "how" or "why"; the researcher has little or no control on the events and the phenomenon is contemporary.

Within this qualitative case study, we used the method of life stories. Bertaux (1977) considers that "there's life story when a subject tells to another person, researcher or not, some episodes of his lived experience". Similarly, Bayad and Barbot (2002) noted that according to Demouge and al. (1998) the life story is defined as « An autobiographical narrative style by a social actor within a precise interaction (...) So soon the appearance of the narrative form, the subject using it to express some of his experiences, there is life stories». Wacheux (1996) emphasizes that this method allows the analysis and understanding of situations and this from the experience of the person concerned. In our case, it seemed to us the best adapted, moreover Mouline (2000) asserts that it constitutes a methodological approach allowing at the same time to verify and to reformulate the propositions announced by the researcher. In the case of the present study, using the life-story research method was suitable also because of the lack of theoretical and empirical studies relating to the entrepreneurial failure.

3.2 Data collection

Sanséau (2005) affirms that « The concrete application of the method of life stories is reflected particularly by interviews », which are prepared like any other interview. In order to do it, we are going to resort in our research a face to face interview. The collection of the information will be done through an interaction between the interviewer and the interviewee. In this perspective Wacheux (1996) emphasizes that « If one has an objective of knowledge, the other one has certain concern to communicate and be courteous»; so it is imperative to let him speak freely by stressing only the points which seem important.

3.2.1. Diapositif of data collection

The collection of information was made with the entrepreneurs having lived an entrepreneurial failure based on semi-structured interviews which according to Mucchielli (1991, cited by Sanseau, 2005) must imperatively «be directed according to the object of research». Our guide of interview was elaborated from a detailed review of the literature containing twelve questions concerning three themes which are: the general causes of the entrepreneurial failure, the main causes of the failure of the questioned companies and the possible link between the causes of failure and the age of companies in question. (See appendix 1). In our case, the data were collected due to a face to face and the average duration of each interview was an hour and a half. These conversations were registered on microcassettes, retranscribed as quickly as possible in a literal way in order to analyze and be analyzed with the software NVivo7.

3.3. Determination of companies to be questioned

The great difficulty for the choice of companies has consisted in the fact that in Tunisia there is no organization collecting or treating the companies which have already failed.

Meliani (2006) notes that «The main problem (...) resides in the identification of companies that have failed for several reasons:

- Managers are generally reticent to speak about their failure;
- The cause of the failure is sometimes difficult to identify for the leader. »

In this same context, Bruno and Leidecker (1988) affirm that «There is no easy means to retrace the company or its key employees and its founders. If the failure is recent and the founders are localized, the majority of them refuse to be questioned for personal reasons».

In our case, we had recourse to our social network, the chartered accountants and API (Agency of Promotion of Industry). Among twelve contacted companies, only four agreed to take part in our study. (See appendix 2: Table1)

4. Analysis using the NVivo7 software

There are various techniques of qualitative analysis. In our case we are going to use the thematic analysis which according to Deschenaux (2007) “is considered as polyvalent, being able to be exerted in an inductive way starting from the corpus to generate themes or, again, in a deductive way, identifying the themes to be located before the analysis”.

Sanséau (2005) considers that this analysis “consists in identifying in each story the passages touching to various themes in order to compare the contents of these passages of one story to another”. The processing of data and their analysis have been made using the NVivo7 software. The software has served first as manager of databases. The interviews with the four entrepreneurs have been imported into NVivo interface to be treated later according to an approach of decontextualisation / recontextualisation of the data.

We will expose a concrete example to better understand this method of analysis: the company (1) `company Mohammed Chaâben’.

The analysis will focus on three themes, namely:

- The causes of entrepreneurial failure in general
- The causes of failure of the company in question
- The possible link between the causes of failure and the age of the company

In this example, the explanation will be only limited to the first theme. First, we cut all the verbatim in extracts. Each extract was related to the theme which corresponds to it.

Taking the example of some extracts related to the first theme:

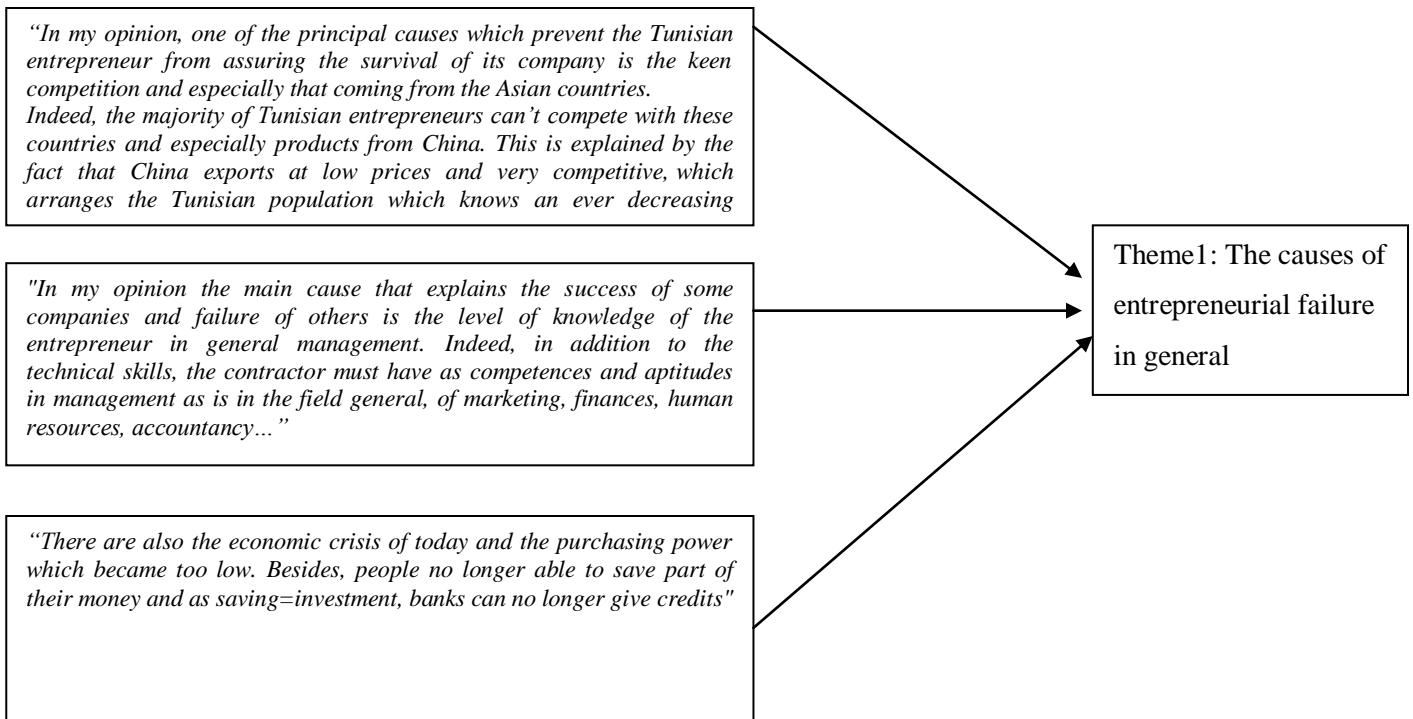


Figure 3: Presentation of an example between extracts and themes

Secondly, we cut each theme in nodes:

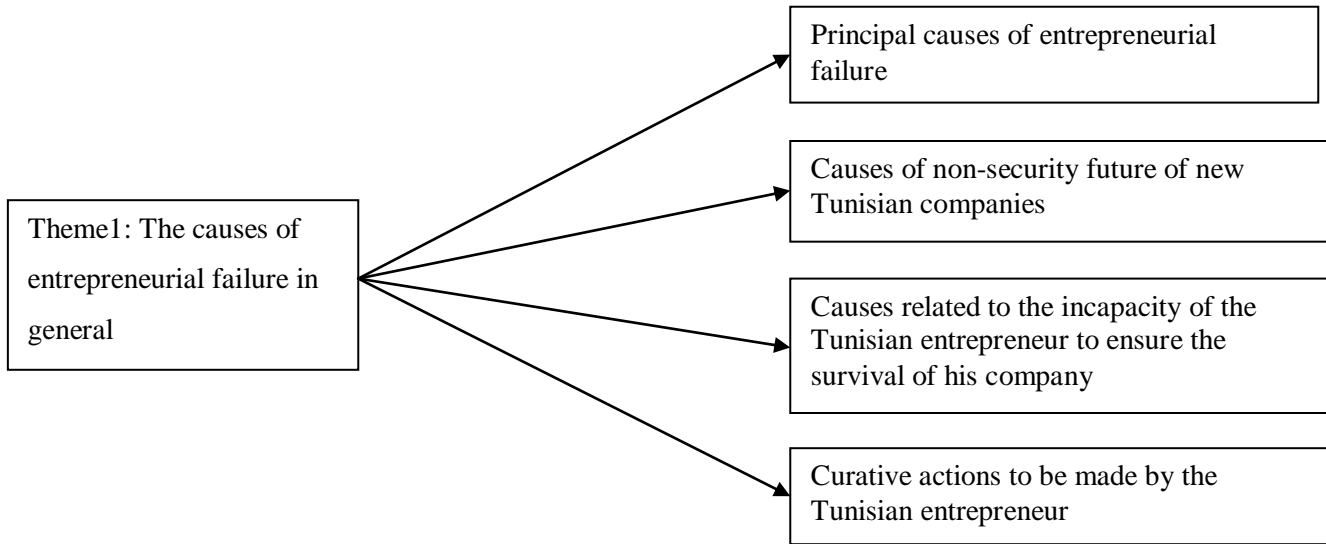


Figure 4: Decomposition of the theme in nodes

These nodes were subdivided in sub-nodes:

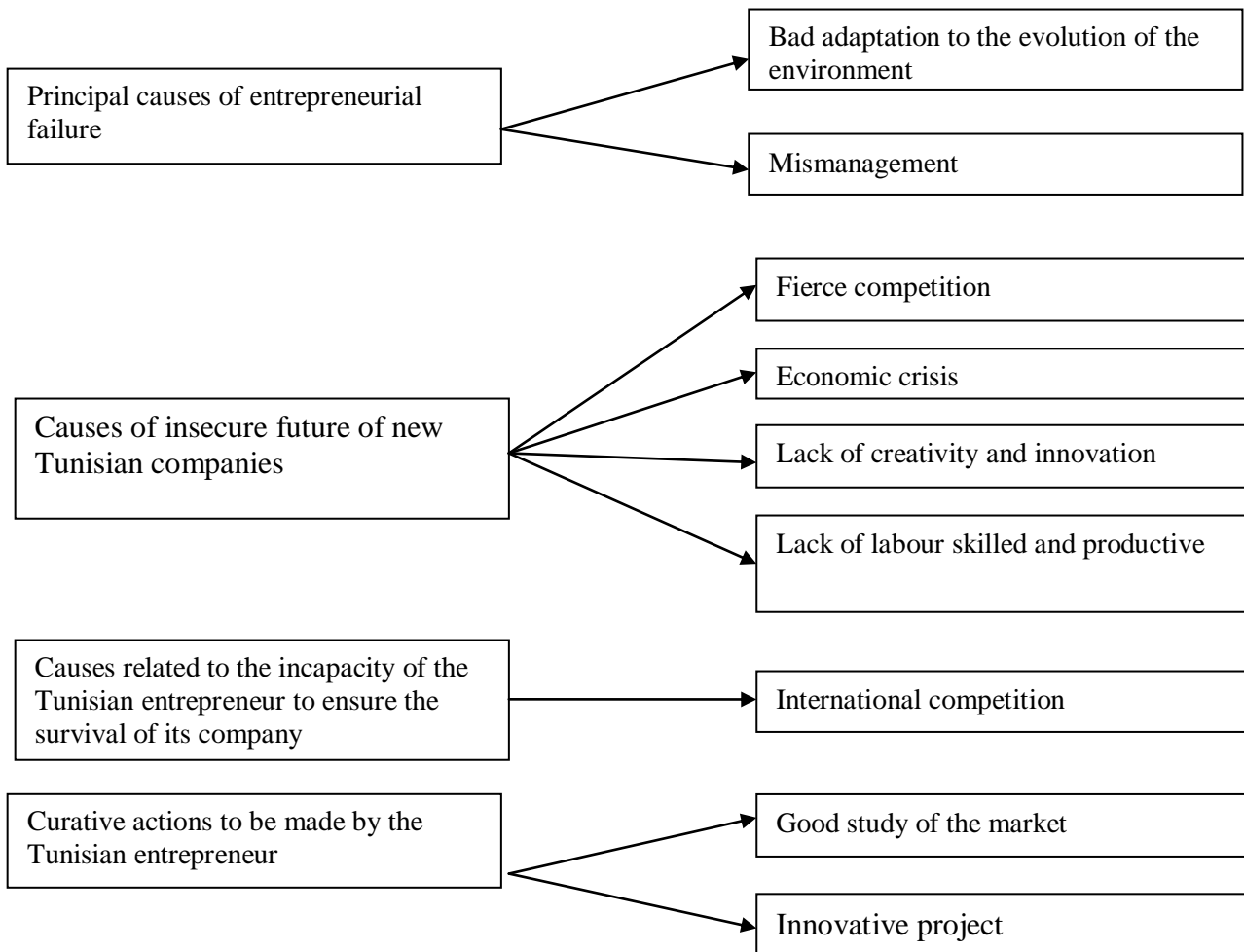


Figure 5: Presentation of the sub-nodes (see Appendix 3)

Thirdly, we have grouped these sub-nodes in a matrix "to make it quite intelligible and meaningful" (Deschenaux, 2007). (See appendix 4)

5. Results and conclusion

After having analyzed the life stories of the four questioned entrepreneurs via the software NVivo7, a comparison between the observations synthesized on each theme and theory will allow us to verify our initial proposals.

We divided the four companies selected into two groups:

- The first contains those which had survived less than six years;
- The second contains those which had survived more than six years.

Based on our analysis of life stories of the four questioned entrepreneurs, we have found that there are causes that are more specific to young companies and others to those who are older. For example, both interviewed in the first group stipulate that the principal causes of their failure are the lack of financial resources and the lack of experience and competences in management which are directly related to their young ages. Moreover, the two other interviewees belonging to the second group stipulate that the principal causes of their failure are the absence of the follow-up of the evolution of the environment as well as the financial mismanagement and more exactly the exaggerated personal expenses which are directly related to the age of their companies. Thus, we can deduce that the proposal (1) which stipulates that the principal causes of failure of the young companies are different from those of the older companies has been accepted. According to the analysis of the contents of the entrepreneurs belonging to the first group i.e. that of the young companies; we can conclude that the lack of financial resources can be among the principal causes of failure.

Indeed, one affirms that he had invested all his resources in the infrastructure of the company and the purchase of the material, which made him unable to pay his suppliers and his employees, in the startup period because the customers did not respect the payment deadlines *«I had made a bad study of profitability by occulting the working capital and by taking into account only the cost of the project»*.

The other interviewee stipulates that if he had had the necessary financial resources, he would have been able to avoid the delays of payment of the customers and to pay his suppliers and employees, and possibly to obtain bank credits in order to improve his situation *«So I was confronted to a state of insolvency, I had no financial security to cover the payment deadline. Therefore, I had an important sum of unpaid which led me to give rubber checks what has still ruined me»*.

In summary, this result joins what was quoted by the literature on this matter. Indeed, the majority of the authors (Amit and Schoemaker, 1993; Amit and Thornhill, 2003; Douce, 2005; Laitinen, 1992; Lussier, 1995; Meliani, 2006; Smida and Khelil, 2008; Venkataraman and al., 1990) confirm that among the main problems that young companies face and which often leads to their failure, is the lack of financial resources. For example, (Cressy, 2006) affirms that the majority of the companies fail very young because of the insufficiency of the financial resources. In this same context (Laitinen, 1992) noted that the failure of companies during the first six years is due to the difficulty of obtaining financial resources. Moreover, according to (Smida and Khelil, 2008) the shortage of resources is considered one of the main causes of failure of new firms.

Thus, the results of our exploratory investigation show that the two questioned entrepreneurs who belong to the first group affirmed that one of the principal factors which made their task more difficult and led them to failure, is the lack of financial resources. We can deduce that the proposal (2) which states that the failure of young companies is mainly due to the lack of financial resource can be retained. These interviewees also confirmed that mismanagement was among the main causes which led them to the failure. They affirm that it is due to a lack of experience especially in the sector where they have invested, and a lack of competence in management because they were good technicians but bad managers whereas the two components are complementary and are very important *«I had no knowledge in management, I was a good technician but a bad manager, which affected the survival of my company »*.

We will notice that this principal cause of failure as far as the two young companies are concerned, corresponds to what is normally cited in the literature on the failure of young companies, since the majority of the authors (Cardon and al., 2009; Douce, 2005; Honjo, 2000; Lamontagne and al., 2000; Wyant, 1977) stipulate that the failure of the young companies is mainly due to lack of experience and knowledge management.

Indeed, (Lamontagne and al., 2000) affirm that one of the principal causes of the disappearance of the young companies is the lack of experience. In this same context, Wyant (1977, cited by Venkataraman, 1990) affirms that the lack of experience at the young companies often leads them to failure. Further, (Cardon and al, 2009) and (Douce, 2005) confirm that the majority of articles show that the new companies fail because of the lack of experience and competences in management. Moreover, (Hanjo, 2000) argues that in general if the experience is perceived by age, in other words the more the company will remain on the market the more it will gain experience, in this case the age will have a negative effect on entrepreneurial failure. However, although both entrepreneurs interviewed have suggested other causes which are derived indirectly from lack of experience and competences (such as: the bad market study, lack of implication and presence, bad selection of the customers whose majority were insolvent...), they stipulate that one of the principal causes which led them to a quick failure is the lack of experience and competences in management. So, we can underline that the results of our exploratory study do not contradict the proposition (3) which stipulates that one of the main causes of failure of the young companies is the lack of experience and skills in management, thus this theory can be retained.

On the other hand, according to the analysis of the contents of life stories of the two interviewees belonging to the second group, whose companies have survived more than six years, we can make these conclusions:

As a matter of fact, we noticed that these two entrepreneurs have asserted that one of the main causes of failure of their companies is financial mismanagement. Moreover, the first interviewee has explained this by the fact that he spent plenty of resources to improve the brand image and notoriety, whereas it was necessary to focus on the profitability of the project *«there was mismanagement, for example we had organized championships of karting. But the expenses exceeded the gains, because we had considered that the essence was the brand image while in addition to that it was necessary to make profits»*. In addition, he spent a lot of money for personal expenses *“In my opinion, I had well managed the resources which I had and if I had made fewer useless expenses (like buying a car luxury, two villas, travel and a luxurious life) the company would have been able to survive and grow at a good rhythm and in the serenity. Thus a good financial management is surely susceptible to contribute to the success of a business”*.

The second explains has said that when he saw his business flourishing he privileged his personal interests before those of his company, while this one was yet a little bit fragile *“Indeed, I saw myself being a member of richards of the country, I thus had to put myself in their level and win in social scale. To make it I spent a lot of money in the luxury car, villas at the seaside, voyages and very high standard of living. All this was done with depends on the company, because instead of reinforcing it and to make it more competitive, by diversifying the product line and invest in other fields, I thought only on my personal well-being”*. Moreover, he considered that the second principal cause of his failure is the absence of follow-up of the evolution of the environment. Although, he has explained this by the fact that he has not tried to evolve and grow, but he remained on the contrary static in his ideas and did not evolve with the environment of the market *“There is a fact that I did not try to evolve, to follow the evolution of my environment by investing in personnel more qualified, in research and the innovation, quality, the search for other markets...I had remained static in my ideas. This especially in 1990 when the state authorized the import of products equivalent to ours, I remained static and I did not try to conquer the other markets to face this situation”*.

In summary, the results of our empirical study concerning the principal causes of failure of the older companies do not join what was quoted by the literature on this subject. Indeed, as opposed to what was claimed by (Amit and Thornhill, 1988; Bladwin et al., 2000; Hannan and Freeman, 1984, Harrigan, 1988), the observation presented by case (2) shows that the absence of the follow-up of the evolution of the environment does not appear among the main causes of failure of the older companies. As for the rest of the cases, and analogically with what was identified in the theoretical part, case (1) shows that the absence of follow-up of the evolution of the environment belongs to the principal causes of failure of his company. So, basing on our exploratory results, we have to reject the proposition (4) which stipulates that the principal cause of failure of the older companies is the absence of follow-up of the evolution of the environment.

This empirical study led in this frame has allowed us to highlight certain principal causes of failure which are directly related to the age of the company. That constitutes already a step towards interventions allowing a better understanding and a better support to anyone susceptible to be interested in this problem, that it is about future entrepreneurs, about guides...

Moreover, the study of these companies can contribute to an eventual success, on one hand for these same entrepreneurs by learning their own errors in the case of a re-creation, and on the other hand for the other entrepreneurs, by learning indirectly from experiences of the others (Douce, 2005; Bloch, 2004; Shepherd, 2003; Shepherd, 2004; Singh and al., 2007; Sitkin, 1992). Therefore, this study can be considered as a source of learning and can even help to develop strategies to guarantee the entrepreneurial success.

However, like any research, this work contains certain number of limits that should be raised in future studies. Some of them can be mentioned. It is interesting, especially in our case to consider some of the results because they allow a thorough comprehension of the principal causes of failure of the young companies and also the older ones. It is noted that this research strategy does not allow us to examine the various cases of figure which are likely to be presented. So we cannot lead to a generalization of the results obtained to all the Tunisian companies which failed like those of other countries. The second limit of this research is due to the reticence and the refusal of a significant number of companies to take part in our research because they consider that the information is quite personal and thus refuse to answer. Brunet (2009,) affirms that «the work of transforming the feeling of failure rests on a detachment, it is about a work of mourning which rather painful ».

The third limit of this research is linked to the latter theories to explain the entrepreneurial failure. We based our research on the theory of organizational ecology (Hannan and Freeman, 1977) and the theory of strategy based on resources of explanatory theories of entrepreneurial failure. Such as Darwin evolutionist theory or goal achievement gap theory weren't cited. According to Darwin, the principle of natural selection within markets automatically eradicates companies whose managers' entrepreneurial competence is very weak (Metzger,2006), while the goal-achievement gap theory believes entrepreneurial failure to be due partly to lack of motivation and entrepreneurs' determination (Wiklund and Shapered, 2001).

Thus some questions remain suspended and require further research concerning the extension of this research. In addition, it would be interesting to undertake a study similar to our research but on a larger scale in order to better determine the principal entrepreneurial causes of failure in the case of companies of various ages. Also, it is possible to introduce other variables, except for the age, in this study case, such as the business sector, the size of the company ...Moreover it would be convenient to follow a model integrating the principal causes of failure of the young companies and the older ones, which will serve as reference to every potential entrepreneur wanting to try a second chance. In the same context, some research can be based on the entrepreneurial failure and the development of strategies so as to be avoided in the future.

Finally, we can conclude that further study is needed to find out if our results can be confirmed by other entrepreneurial samples and cultures.

References

- Amit, R. and P.J.H. Schoemaker. (1993), "Strategic assets and organizational rent", *Strategic Management Journal*, 14, 33-46.
- Barbot, M.C. and Bayad, M. (2002), « Proposition d'un modèle de succession dans les PME familiales : étude de cas exploratoire de la relation père-fille », *6ème Congrès International Francophone sur la PME, 24-26 Octobre, Montréal, Canada*.
- Barron, D. N., E. West and M. T. Hannan. (1994), «A time to grow and a time to die: Growth and mortality of credit unions in New York City: 1914–1990 », *Amer. J. Sociology* 100 381–421.
- Bertaux, D. (1997), « *Les récits de vie* », Paris : Nathan.
- Brunet-Mbappe, A. (2009), « Une nouvelle approche de l'échec et ses apports à la démarche entrepreneuriale », *6ème Congrès de l'Académie de l'Entrepreneuriat*.
- Bruno, AV and Leidecker JK, (1988), « Causes of a new venture failure : 1960s vs.1980s », *Business Horizons*, 31 : 6,51-56.
- Burrows and Keynes. (1982), "Venture Management Success or Failure?", *Long Range Planning*, 15(6), 84-99.
- Cardon, M. S., Stevens, C. E. and Potter, D. R. (2009), « Misfortune or mistakes? Cultural sensemaking of entrepreneurial failure », *Journal of Business Venturing* 05527, 1-14.
- Cooper, A. C., F. J. Gimeno-Gascon and C. Y. Woo. (1994) « Initial human and financial capital as predictors of new venture performance », *Journal of Business Venturing* 9 371–395.
- Cope, J., Cave, F. and Eccles, S. (2004), « Attitudes of venture capital investors towards entrepreneurs with previous business failure », *Venture Capital*, 6, 2/3, 147-172.

- Cope, J. (2010), « Entrepreneurial learning from failure: An interpretative phenomenological analysis », *Journal of Business Venturing*, 373-397.
- Cressy, R. (2006), “Why Do Most Firms Die Young?”, *Small Business Economics*, 26, 103-116.
- Crutzen, N. and D. Van Caillie (2009), « Vers une taxonomie des profils d’entrée dans un processus de défaillance : un focus sur les micro-et petites entreprises en difficulté », *Revue Internationale PME*, 22,1, 101-128.
- Danjou, I. (2002), « L’entrepreneuriat un champ fertile à la recherche de son unité », *Revue Française de Gestion*, 28(138), 109-386.
- Demouge, N., Olivier G. and Mouline J.P. (1998), « Une approche phénoménologique l’utilisation de l’enquête orale et des histoires de vie dans les sciences du management », *Cahier de recherche n° 1998-9*, GREFIGE, Université Nancy 2.
- Deschenaux, F. (2007), « Guide d’introduction au logiciel QSR Nvivo 7 », Trois-Rivières. En ligne : <http://www.recherche-qualitative.qc.ca/Nvivo7.pdf>
- Douce, S.B. (2005), « L’accompagnement entrepreneurial par un incubateur universitaire – Le point de vue critique d’un créateur », *4ème Congrès de l’Académie de l’Entrepreneuriat*, 24 et 25 novembre, Paris.
- Faugère, C. and Shawky, HA. (2005), “A valuation formula for firms in the early stage of their life cycle”, *Advances in Financial Planning and Forecasting*, 1, 101-130.
- Flamholtz, E.G and Aksehirli, Z. (2000), “Organizational Success and Failure: An Empirical Test of a Holistic Model”, *European Management Journal*, 18(5), 488–498.
- Fayolle, A., Barbosa, SD. and Kickul, J. (2008), « Une nouvelle approche du risque en création d’entreprise », *Revue Française de Gestion*, 5(185), 141-159.
- Glavan, B. (2008), “Coordination Failures, Cluster Theory, and Entrepreneurship: A Critical View”, *Quarterly Journal of Austrian Economics*, 11, 43-59.
- Hannan, M. T. and J. Freeman. (1977), « The population ecology of organizations », *American Journal of Sociology*, 929–964.
- Harrigan, K. R. (1985), « *Strategic Flexibility* », D.C. Heath and Co., Lexington, MA.
- Harrigan, K. R. (1988), « *Managing Maturing Businesses* », D.C. Heath and Co., Lexington, MA.
- Homsma, G.J, Van Dyck, C., De Gilder, D, Koopman, P.L. and Elfring, T.(2009), “Learning from error: The influence of error incident characteristics”, *Journal of Business Research*, 62, 155-122.
- Honjo, Y. (2000), “Business failure of new firms: an empirical analysis using a multiplicative hazards model”, *International Journal of Industrial Organization*, 18(4), 557-574.
- Insee (2002), « Les défaillances d’entreprises : Moindre baisse en 2001 », n° 866, 4.
- Kallunki, J.P. and Silvola, H. (2008), “The effect of organizational life cycle stage on the use of activity-based costing”, *Management Accounting Research* 19(1), 62–79.
- Koellinger, P, Minniti, M., and Schade, C (2007), “ I think I can, I think I can: Overconfidence and entrepreneurial behaviour”, *Journal of Economic Psychology* 28(4), 502–527.
- Laitinen, E.K. (1992), “Prediction of failure of a newly founded firm”, *Journal of Business Venturing* 7(4), 323-340.
- Lamontagne, E. and Thirion, B. (2000), « Les facteurs de survie, les qualités du projet priment sur celles du créateur », *Insee Première*, n°703.
- Landier, A. (2005), « Entrepreneurship and the Stigma of failure », Social Science Research Network.
- Lelogeais, L. (2004), « Le rôle des variables qualitatives dans la détection précoce du risque de défaillance », *13ème conférence de l’Association Internationale de Management Stratégique. Normandie. Vallée de Seine*.
- Lussier, R.N. (1995), “A nonfinancial business success versus failure prediction model for young firms”, *Journal of Small Business Management*, 33(1), 8-20.
- Macchiavello, R. (2008), “Public sector motivation and development failures”, *Journal of Development Economics*, 86, 201-213.
- McGrath, R.G. (1999), « Falling forward: real options reasoning and entrepreneurial failure », *Academy of Management Review*, 24, 1, 13-30.
- Meliani, B. (2006), « Le fondement stratégique de démarrage de la petite entreprise », *Document de travail n°122*.
- Metzgera, G. (2006), « Afterlife – Who takes Heart for Restart ? », Discussion Paper No. 06-038, *Centre for European Economic Research*, juin 2006, 1-22.
- Miller, D. and Friesen, P.H. (1982), “Innovation in conservative and entrepreneurial firms: two models of strategic momentum”, *Strategic Management Journal*, Vol. 3 No. 1, pp. 1-25.
- Miller, D. and Friesen, P.H. (1983), “Successful and unsuccessful phases of the corporate life Cycle”, *Organizational Studies*, 4 (3), 339–356.

- Miller, D., Friesen, P.H., (1984), "A longitudinal study of the corporate life cycle", *Management Science*, 30(10), 1161-1183.
- Mintzberg, H., « Le manager au quotidien: Les dix rôles du cadre », (Tendances actuelles), Paris, Editions d'organisation, 1984.
- Morgan, G. (2006), "Images of organizations", Sage publications, second edition.
- Mouline, J.-P. (2000), « Dynamique de la succession managériale dans la PME familiale non cotée », *Finance Contrôle Stratégie*, 3(1), 197-222.
- Mucchielli A., 1991, « Les méthodes qualitatives », Paris, PUF Que sais-je ?
- Parasha, M. (2006), "Organisational Life Cycle: Leadership Roles and Competencies", *Vilakshan, XIMB Journal of Management*.
- Patzelt, H. et Shepherd, D.A. (2009), Negative emotions of an entrepreneurial career: Self-employment and regulatory coping behaviors, *Journal of Business Venturing*.
- Peneff, J. (1990). La méthode biographique. Paris : Armand Colin.
- Quinn, R. E., Cameron, K. (1983), « Organization Life Cycles and Shifting Criteria of Effectiveness : some preliminary Evidence », *Management Science*, vol.29, No. 1, janv., p. 33-51.
- Rampini, A.A. (2004), *Entrepreneurial activity, risk, and the business cycle*, *Journal of Monetary Economics*, 51, 555-573.
- Rieg C., (2002), « Les défaillances d'entreprises », INSEE Première, n°866, septembre.
- Sammot, S. (2001), Processus de démarrage en petite entreprise : système de gestion et scénarios, *Revue de l'entrepreneuriat*, 1(1), 61-77.
- Sanséau, P.Y. (2005), Les récits de vie comme stratégie d'accès au réel en sciences de gestion: pertinence, positionnement et perspectives d'analyse, *Recherches Qualitatives*, 25 (2) , 33-57.
- Santoro, E. and Gaffeo, E. (2009), "Business failures, macroeconomic risk and the effect of recessions on long-run growth: A panel cointegration approach", *Journal of Economics and Business*.
- Shane, S., Locke E.A. and Collins C.J. (2003), "Entrepreneurial motivation", *Human Resource Management Review*, 13, 257-279.
- Shepherd, D.A, Covin J.G and Kuratko D.F. (2009), "Project failure from corporate entrepreneurship: Managing the grief process", *Journal of Business Venturing*, 24(1), 588-600.
- Singh, S., Corner, P. and Pavlovich K. (2007), "Coping with entrepreneurial failure", *Journal of Management & Organization*, 13, 331-344.
- Smida A. and Khelil N. (2008), « Repenser l'échec entrepreneurial des nouvelles entreprises : Proposition d'une typologie s'appuyant sur une approche intégrative », *9ème Congrès International Francophone en entrepreneuriat et PME, Louvain la neuve, Belgique*.
- Smith, K., Mitchell T., and Summer C., (1985), « Top level management priorities in different stages of the organizational life cycle », *Academy of Management Development*, 5, 1-25.
- Stinchcombe, A. L. (1965), « Organizations and social structure », ed. *Handbook of Organizations*. Rand-McNally, Chicago, IL.
- Thornhill, S. and Amit, R. (1998). "Growth management of emergent firms in Canada." *Frontiers of Entrepreneurship Research*,
- Thornhill, S. and Amit, R. (2003), "Learning about failure: Bankruptcy, firm age and the resource-based view", *Organization Science*, 14(5): 497-509.
- Ucbasaran, D., Westhead, P., Wright, M., Flores, M., (2010), « The nature of entrepreneurial experience, business failure, and comparative optimism », *Journal of Business Venturing* 25, 541-555..
- Venkataraman, S., A. H. Van de Ven, J. Buckeye, R. Hudson. (1990), « Starting up in a turbulent environment: A process model of failure among firms with high customer dependence », *Journal of Business Venturing* 5 277-295.
- Wacheux, F. (1996), « Méthodes Qualitatives et Recherche en Gestion », *Paris: Economica*.
- Wang KC. (2002), "The Five Elements Theory in Business Research", *Proceeding of the 46th Annual Conference of ISSS, Shanghai, P.R. China*.
- Wernerfelt, B. (1984), « A resource-based view of the firm. *Strategic* », *Management J.* 5 171-180.
- Wiklund, J. and Shepherd. D.A. (2001), « Intentions and growth: the moderating role of resources and opportunities », *Academy of Management Proceeding*.
- Wyant, R. (1977), "The Business Failure Record", New York: Dun and Bradstreet
- Yin, R.K. (1994), "Case Study Research: Design and Method", *2nd Edition, Thousand Oaks: Sage Publications*.
- Zacharakis A., Meyer GD. and DeCastro J. (1999), « Differing perceptions of new venture failure: a matched exploratory study of venture capitalists and entrepreneurs », *Journal of Small Business Management*, 37,3.

Appendices

APPENDIX 1: INTERVIEW GUIDE

This guide of interview joins within the framework of an academic research on the theme " entrepreneurial Failure: causes and age of the company ".

Convinced that your contribution will be of a considerable contribution and will come to enrich the answers of the other persons who participated in this research , we ask you to answer all the questions which follow and we make a commitment to guarantee the anonymity of the answers and the information collected.

We thank you in advance for the precision of your answers and for the contribution that you will make to the quality of this study, please accept Mr. expression of our high consideration.

Questions :

- 1) Why, in your opinion, certain companies succeed and the others not?
- 2) Why is the future of the new Tunisian companies not more insured today?
- 3) Why doesn't the Tunisian entrepreneur manage to assure the survival of his company?
- 4) What does he have to make to favor the success of his company?
- 5) Which factors in your opinion affected the success of your business?
- 6) What are the factors which were susceptible to contribute to the growth of your business?
- 7) What are the factors which "handicaped" the realization of your aspiration and initial waits?
- 8) What makes you say that you did not success in your project?
- 9) What are the indications or the demonstrations which will allow you to say, before the closure of your company, that you could not continue any more the entrepreneurs' activity?
- 10) If you ever have to relaunch in the creation of the same company, what are the changes to operate in order to succeed? »
- 11) From which year the activity of your company it was affected?
- 12) Do you think there is a direct link between the factors that have affected the success of your company and its age?

Appendix 2: Presentation of the participating companies to the research project

Companies	E1	E2	E3	E4
Region	Msaken	Hergla	Msaken	Sousse
Business sector	Industry «Manufacturing of every type of rubber joint intended for the automobile »	Animation, leisure and service	Industry «Manufacturing of cleaning products »	Industry «Installation and starting of materials of central air conditioning »
Company name	Africa Joint	Hergla Parc	Company Mohamed Chaâben	Clim Confort
Legal form	incorporated company	LLC	LLC	LLC
Staff	70	40	5	7
Acquisition of the company	New creation	New creation	New creation	New creation
Creation Date	1983	1997	1993	1997
Date from closing	1996	2007	1998	2000
Lifetime	13 years	10 years	5 years	3 years
Initial capital	250 thousand dinars	700 thousand dinars	20 thousand dinars	30 thousand dinars
Formation of the entrepreneur	Training course at the foreign partner	Training course abroad in a similar activity	Chemical engineer	institute of professional training in plumbing

Appendix 3: Presentation of the sub-nodes according to the software NVivo 7

les actions curatives à entreprendre par l'entrepre	0	0	19/05/2010 23:00	19/05/2010 22:20
bonne connaissance technique	2	2	19/05/2010 23:01	27/05/2010 18:15
bonne étude de marché	4	4	19/05/2010 23:01	27/05/2010 18:15
la juste évaluation du projet	1	1	19/05/2010 23:02	19/05/2010 23:56
le recours aux organismes d'accompagnements	1	1	19/05/2010 23:01	19/05/2010 23:01
projet innovant	2	2	19/05/2010 23:01	19/05/2010 23:01
les causes liées à l'incapacité de l'entrepreneur T	0	0	19/05/2010 16:53	19/05/2010 16:35
concurrence internationale	2	2	19/05/2010 16:53	19/05/2010 16:53
manque de ressources financières	1	1	19/05/2010 16:53	19/05/2010 16:53
manque d'innovation	2	2	19/05/2010 16:53	27/05/2010 18:15
mauvaise gestion financière	3	3	19/05/2010 16:53	27/05/2010 18:15
mauvaise stratégie en cas de difficulté	1	1	19/05/2010 16:53	19/05/2010 16:53
les causes de l'insécurité de l'avenir des nouvelles	0	0	19/05/2010 16:27	19/05/2010 16:08
absence d'une stratégie marketing	1	1	19/05/2010 16:27	19/05/2010 16:27
étroitesse du marché	1	1	19/05/2010 16:27	27/05/2010 18:15
la concurrence acharnée	3	3	19/05/2010 16:27	01/06/2010 16:48
la crise économique	1	1	19/05/2010 16:27	19/05/2010 16:27
manque de créativité et d'innovation	2	2	19/05/2010 16:27	19/05/2010 16:27
manque de main d'oeuvre qualifiée et producti	1	1	19/05/2010 16:27	19/05/2010 16:27
manque de professionnalisme des entreprene	1	1	19/05/2010 16:27	19/05/2010 16:27
mauvaise étude de marché	1	1	19/05/2010 16:27	19/05/2010 16:27
les principales causes d'échec entrepreneurial	0	0	19/05/2010 16:03	01/06/2010 02:13
les facteurs extraordinaires	1	1	19/05/2010 16:04	19/05/2010 16:04
manque de ressources financières	2	2	19/05/2010 16:04	19/05/2010 16:04
manque d'expériences et de compétences	3	3	19/05/2010 16:04	19/05/2010 16:04
mauvais choix du créneau	1	1	19/05/2010 16:04	20/05/2010 00:28
mauvaise adaptation à l'évolution de l'environn	1	1	19/05/2010 16:04	19/05/2010 16:04
mauvaise gestion	2	2	19/05/2010 16:04	19/05/2010 16:04

Appendix 4: Presentation of the matrix according to the software “NVivo7”

(E1) Ste Chaâben	D : mauvaise adaptation à l'évolution de l'environnement ▼		E : mauvaise gestion ▼	
	Yes		Yes	
	O : concurrence internationale ▼	U : bonne étude de marché ▼		W : projet innovant ▼
	Yes	Yes		Yes
	B : manque de ressources financières ▼	C : manque d'expériences et de compétences ▼		F : mauvais choix du créneau ▼
	Yes	Yes		Yes
	I : la concurrence acharnée ▼	J : la crise économique ▼	K : manque de créativité et d'innovation ▼	L : manque de main d'oeuvre qualifiée et productive ▼
	Yes	Yes	Yes	Yes