

Failure Factors Among Entrepreneurs in Zambia: A Systematic Literature Review

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Abstract

Causes of entrepreneurship failure is a new field of research, especially in Zambia. Indeed, few studies have set out to study it, few studies have set themselves the objective of studying it. This article aims to explain the failure of newly created enterprises, focusing on small businesses. Small businesses constitute the absolute majority of the businesses that make up the Zambian economic fabric. Similarly, studies have shown that the first five years, which corresponds to the start-up period, represent the duration beyond which the majority of the businesses created do not manage to survive. A total of 25 peer reviewed journal articles and other publications were reviewed in order to obtain clear understanding of business failure causes. Journal articles extracted from Goggle scholar, Research gate, Semantic Scholar and JSTOR formed the literature review. The analysis has raised several conclusions that can help to better understand of this type of failure. Small businesses disappear suddenly for several reasons, in particular the lack of entrepreneurship training prior to starting an enterprise, lack of knowledge of available opportunities for business and inability for budding entrepreneurs to take calculated risks rank among the key causes of entrepreneurial failure

Keywords: Business Failure, Entrepreneurship, Enterprise, Literature Review

Introduction

The academic research on entrepreneurship has gained a significant momentum in the last two decades and contributed to the establishment of a robust theoretical basis in this field. Although such research provides ideas about different aspects of entrepreneurship, it usually focuses on the success of entrepreneurs (Sarasvathy 2004), cognitive entrepreneurship (Baron 1998, 2004), characteristics of entrepreneurs (Begley & Boyd, 1987), capital for entrepreneurship (Chandler & Hanks, 1998) and as such. Chilembo (2021) asserts that entrepreneurs create employment opportunities not only for themselves but for others as well. Entrepreneurial activities may influence a country's economic performance by bringing new products, methods, and production processes to the market and by boosting productivity and competition more broadly. Further, Kawimbe (2023) posited that entrepreneurial process of value creation is driven by the entrepreneur and her entrepreneurial intention (an aspiration for entrepreneurial reward. This study take a systematic literature review disposition. In all studies, the literature review is a significant consideration as well as it is an assessment on entrepreneurship that usually includes an outline, explanation, and a critical appraisal of past study, obstacle or difficulty current research and recognizes or set up new research issues and encouraging research questions available data (Boell and Cecez-Kecmanovic, 2015). It is a collection of accessible (both published and unpublished) theme documents that contain facts, concepts, data, and evidence published from a particular viewpoint to obtain or express

those viewpoints on the subject's nature and how it should be examined, and effective review of the research papers involved (Templier and Paré, 2015). From the prior studies of other authors, we can analyze and define the literature review based on their researches. Bandara et al., (2011) proposed that any academic research is a matter of a study of previous findings. A detailed review of a particular scientific literature is important for defining and identifying study problems to explain the future study in that field.

Literature Review

The need for economic development and the role of entrepreneurs are well discussed in the theory of economic development by Schumpeter (1961; cited in Rothaermel, 2012). The main features of Schumpeter's theory of economic development are 1) Circular Flow 2) The Role of the Entrepreneur 3) Cyclical Process or Business Cycle 4) End of Capitalism. Business failure has been referred to as the inability of a business to continue operating due to its inability to make profits or to bring in enough revenue to cover its expenses. Researchers have attributed business failure to among other factors the following:

Procrastination

Procrastination, which is the habit of unnecessarily delaying an important task, usually by focussing on less urgent, more enjoyable and easier activities instead has been viewed as a major contributor to entrepreneurship failure. Lay and Silverman (1996) suggest that procrastination makes delays and without intent, the beginning or completion of definite course of action is derailed

Knowledge of Opportunities

Entrepreneurial opportunities are those situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production. Recognizing opportunities is considered to be among the most important abilities of a successful entrepreneur (Shane, 2000; Shane and Venkataraman, 2000). People generally recognize opportunities related to the information that they already possess (Venkataraman, 1997). People have different stocks of information because information is generated through people's idiosyncratic life experiences (Shane, 2000).

Inability to Adapt

The occurrence of entrepreneur systemic lock-in is a powerful force that can limit an business's ability to learn and adapt to environmental change. Businesses that have failed to read "tell tale" signs of changing customer behaviour, change in taste and global events find themselves in trouble. High specialization of manpower, lack of sufficient information, difficulty of change, barrier to entry (fiscal or legal) etc. and any other factor can prevent organizations from adapting and/or making efficient changes.

Lack of Funding

Cope (2011) has lamented that inadequate financing or selecting the wrong type of funding has been blamed for business failure as posited by . A study conducted by the Bank of Zambia and Ministry of Finance and National Development showed that lack of funding opportunities is among the most prominent barrier to growth of entrepreneurs in Zambia, primarily due to high cost of borrowing which accounted for 41% cause of business failure. There has also been a lack of awareness about alternative sources of funding such as, venture capital, private equity, crowd funding and capital Markets.

Risk Appetite Vs Risk Tolerance

Risk appetite is the amount of risk one is prepared to take to meet aspirations. Risk tolerance is the amount of risk an entrepreneur is willing to take to meet the expectation aspirations. Sauser (2021) asserts that the failure that is associated with incompetence is explained by the lack of risk-taking, taking excessive,

unmanageable and unrealistic risks, and just having good ideas to succeed in business without focusing on how to implement these ideas, available resources, and a set of actions towards the achievement of the objectives already set by the strategic top, as an owner- manager of this business

Entrepreneurship Training

Although the business failure literature has acknowledged learning from failure as an important entrepreneurial process (Ucbasaran et al., 2013; Yamakawa, Peng, & Deeds, 2015), knowledge is lacking on how learning from failure connects business failure experience to new venture performance. Additionally, while previous research has examined how an entrepreneur's cognitive capability influences new venture performance (e.g., Tang, Kacmar, & Busenitz, 2012), scholarly knowledge is limited on how entrepreneur's alertness to new business opportunities complements or substitutes for the entrepreneur's ability to learn to boost new venture performance.

Table No 1 shows failure literature on failure factors that were examined in detail in this study

Table No 1: Selected Literature Literature Reviewed

SN	Failure Factors	Author/s	Publication
1	Procrastination	Lay & Silverman (1996)	“Trait procrastination, anxiety, and dilatory behavior”
		Shaah & Soomrow (2017)	“Investigating entrepreneurial intention among public sector university students of Pakistan”
2	Knowledge of Opportunities	Shane, 2000; Shane and Venkataraman, 2000)	“The promise of entrepreneurship as a field of research”
		Minniti and Bygrave (2001)	“A Dynamic Model of Entrepreneurial Learning.”
3	Risk Appetite Vs Risk Tolerance	Sausa (2021)	
		Jenkin, M et al (2014)	“Individual Responses to Failure: Appraisals, Grief and the Influence of Prior Failure Experience”
4	Inability to Adapt	Knotts T., Jones S. & Udell G (2022)	“Small Business Failure: The Role of Management Practices and Product Characteristics,”
5	Lack of Funding	Cahndler & Hanks, (1998)	“An examination of the substitutability of founders human and financial capital in emerging business ventures”
		Cope (2011)	“Entrepreneurial Learning from Failure: An Interpretative Phenomenological Analysis, Journal of Business Venturing”
		Bank of Zambia & Ministry of Finance & National Development	“2022 Micro Small and Medium Enterprises Survey”

		(2023)	
6	Lack of Entrepreneurship Training	Ucbasaran et al., (2013)	“The Nature of Entrepreneurial Experiences Business Failure and Comparative Optimism”.
		Yamakawa, Peng, & Deeds, (2015)	“Entrepreneurial Alertness in the Pursuit of New Opportunities”

Methodology

Systematic literature methodology adopted in this study which is the bringing together of various authorships on the key causes of entrepreneurship failure. The conduct of such study involves six specific stages (Templier and Paré, 2015):

1. Study question(s) formulation and purpose (s).
2. Searching for the existing literature.
3. Inclusion examination.
4. Evaluation of primary research quality.
5. Data processing.
6. Data interpretation and write a summarization.

Although these phases are addressed in order, the analysis is iterative, and certain tasks are initiated in the preparation phase. and then refined during the following stages (Finfgeld-Connett and Johnson, 2013).

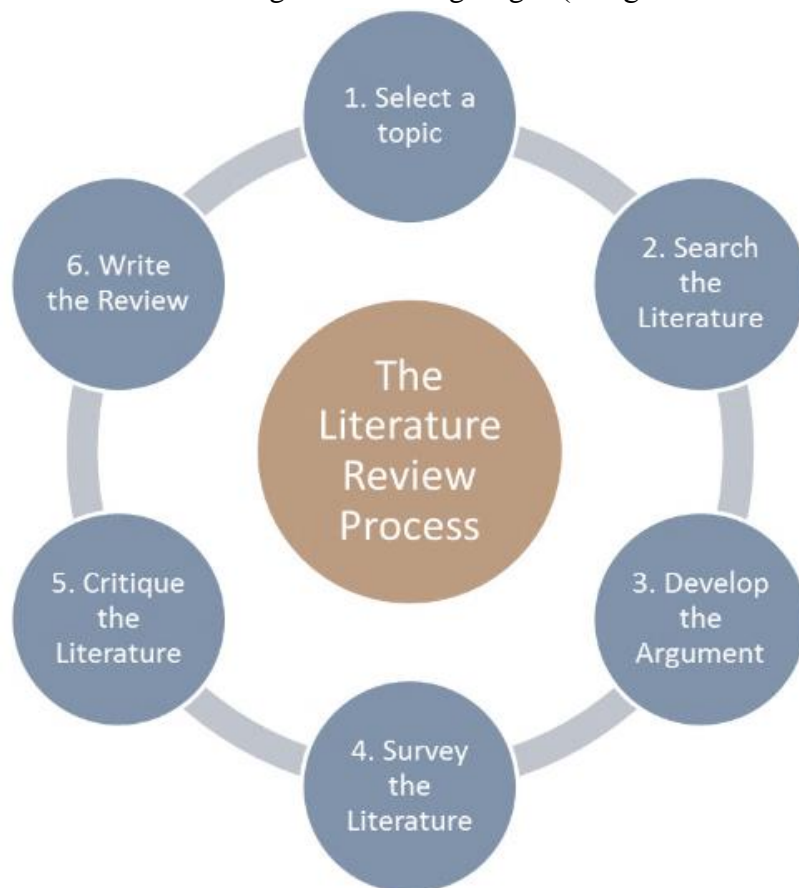


Figure 1. Process of Literature Review adopted from (Leitner et al., 2017)

In this study, the descriptive review which is used to establish whether a body of information reveals discoverable patterns and trends in a given subject concerning pre-existing ideas, hypotheses, methodologies, or results in a specific field of research.

This kind of review follows a systemic and clear process, including searching, evaluating, and classification of studies in comparison with narrative reviews. A relevant example of a larger publishing category uses the structured search method (Paré et al., 2015). To produce quantitative findings, including publishing year, research methods, data gathering techniques, and direction or intensities, descriptive reviews authors draw some essential features from the individual frequency analysis sample (e.g., positive, negative, or non-relevant research findings(Paré and Kitsiou, 2017).

Data Presentation and Discussion

A total of (25) journal publications as well as unpublished material in form of reports and theses were reviewed and categorised according to the causes of business failure as shown in Table No 2: Factors associated with entrepreneurship failure

SN	Factor	Frequency (f)	Percent	Valid percent
1	Procrastination	4	16	16
2	Lack of Entrepreneurship Training	7	28	28
3	Knowledge of Opportunities	5	20	20
4	Risk Appetite Vs Risk Tolerance	3	12	12
5	Inability to Adapt	3	12	12
6	Lack of Funding	3	12	12
	Total	25	100	100

From the literature reviewed in both published, it can be deduced that entrepreneurs face a host of challenges and hence their inability to grow and meaningfully contribute to the economic growth. Out of all the literature reviewed, most authors and researchers with the frequency (f) of 7 and accounting for 28% concluded from their studies that lack of entrepreneurship training was the main cause of entrepreneurship failure. Most of the government empowerment programmes are disbursed to beneficiaries without first subjecting them to some type of training so that they may comprehend basic bookkeeping, marketing, separating business from personal transactions.

Next on hierarchy is the lack of knowledge of business opportunities. 20% of published and unpublished work show that 20% of the researchers believe that lack of knowledge of available opportunities may be responsible for entrepreneurship failure. This could be attributed to their inability to read effectively and comprehend government opportunities emanating from Constituency Development Fund (CDF) and other government programmes. Procrastination has been identified as another reason responsible for entrepreneurship failure. Entrepreneurs may have an idea and lack the zeal and the drive to get out of the comfort zone and take action. 16% of researchers from the reviewed publications reported that procrastination is responsible for business failure. Risk appetite vs risk tolerance, inability to adapt and lack of funding have been cited by 12% of authors to be responsible for entrepreneurship failure. It is worthy noting that lack of financing ranks lowly as a cause for entrepreneurship failure. The explanation could be that entrepreneurs do not view financing entities as business friendly and hence not keen to approach them partly due to high interest rates that are chargeable on loans as reported in the study by Bank of Zambia and Ministry of Finance and National Planning who reported high interest rate rates at 41% as being a major hindrance to access to financing

Conclusions

In terms of entrepreneurial training and learning, the findings show that entrepreneurial failure can be minimised if entrepreneurs had some form of training on how to manage budding business as well as ceasing of opportunities and exploitation of them as comprehensively analyzed in the literature. The objective of this work is to draw attention to the failure as a current topic since most of the studies have been interested for years on the success of companies. This has led us to identify the endogenous and exogenous factors of failure of small businesses, as a first step to understand the complexity of the internal process of functioning of the very small business, to detect the most determinant variables of failure, and then to know the problem, not only to solve it, but also to capitalize on the existing to be able to change, improve, innovate, and thus perform especially at disastrous times. We would like to propose a few directions of research that would allow for a better understanding of the phenomenon of small businesses failure, and from a more precise definition of the actions that could curb it, or at least mitigate it. A question then arises: what exactly do we mean by the determinant factor and not just the one that explains failure? The objective is to give creative strategies to small businesses to succeed in their path towards continuity and sustainability.

The paper highly recommends training in entrepreneurial skills before any benevolent empowerment funds are disbursed by government through its numerous empowerment programmes or Non Governmental organisations that want to see small businesses flourish. It is also highly recommended that government and other stake holders make available opportunities to all the citizens by way of advertising these empowerment funds in local languages as some funds appear to be targeted at a few who can read and write

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