An Empirical Study of Impediments of Entrepreneurship Failure. A Case Study of District Faisalabad, Punjab, Pakistan. (Thematic Analysis)

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Abstract

This study documents the social impediments of entrepreneurship or self-employment failure. The failure cases of District Faisalabad, Punjab were the population of research. Exploratory case study method Yin, (2014) was used to furnish whole process. The experiences of failure entrepreneurs were acquired by putting open ended questions via personal interviews and field notes were taken for data saving. Thematic analysis was used to analyze the data and generated important themes. Finding of the study revealed that insufficient prior entrepreneurial experience, multiple business thinking and access to the market, lack of interaction with successful entrepreneurs, lack of proper planning and strategy to start the venture, lack of learning from fear of risk-taking behavior after failure in prior business attempt were the themes of research. It was suggested that proper planning and strategy is needed to start the venture, for this purpose training programs must be launched by state.

Key Words: Entrepreneurship, Impediments of Failure, Exploratory Case Study, Thematic Analysis.

Introduction

Entrepreneurship failure is not ever demanded or wished but is obviously painful and having real concern for learning to equip successive overcome on failure (Coelho & McClure, 2005), therefore, failure put fire and hinders to entrepreneur’s “steel and savy” (Timmons, 1999). Higher risks associate with entrepreneurial actions and possible negative socio-personal and management outcomes exist in entrepreneurial failure (Shepherd et al., 2016).

Poor entrepreneurial planning and learning transform negative impact on society; it is not acceptable hilariously for economic development of underdeveloped courtiers (Naude, 2013). Underdevelopment is not considered as due to an inadequate supply of entrepreneurs, but due to weaknesses in planning that has effect on learning as “lack of proceeds opportunities attached to performance so as to yield economic growth concern (Coyne & Lecson, 2004).

Particular entrepreneurs are more successful than others who have prior business experience sufficient knowledge, and understanding of entrepreneurship (Parkar, 2004). Prior knowledge shares more extraordinary managerial skills for equipping more influential business culture (Cope & Watts, 2003). Therefore, particular behaviour adopts different patterns and indicates an individual to make good entrepreneurial decisions to make utilization of available opportunities (Sarasvathy, 2000).

Learning of entrepreneurship refers to as gaining knowledge that how to manage and use of the available resources in hand based on previous knowledge and experience (Politis, 2005). It is also suitable for learning behaviour that how to organize and act upon available opportunities (Shane & Venkataraman, 2000; Corbett, 2002). Failure involves entrepreneurs to be a part of learning process that considers inevitable for successful entrepreneurial environment and promote dominant state of learning (Holmqvist, 2000).

The academic research is more concerned with our understanding regarding failure and the capabilities of entrepreneurs to deal with let-down and their learning skills is moderately imperfect (Shepherd, 2003). Today’s researcher needs to analyse not only success of entrepreneurs but make progressive works on failure experiences for value creation for future entrepreneurs (Davidson & Honig, 2003).

Objectives

- To explore the impediments that cause entrepreneurship failure.

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The study rectifies the learning outcomes for future entrepreneurs.

Research questions

1. What are people’s opinions regarding their failure in business?
2. Why prior entrepreneurial experience is so important to gain success in entrepreneurship.
3. What do people opine regarding starting a business without planning and learning from previous failures?

Review of Literature

Numerous studies have been reported that valuable knowledge and learning through entrepreneurship experience is inevitable, a work stated by Shepherd et al. (2000) concerning pertinent connections, dependable chains of business persons, possible markets, artefact accessibility and reasonable assets encompassed and marked the obligations to grab opportunities for entrepreneurial learning. Theory of planned behaviour initiated to measure the effects of experience and entrepreneurship intention entrepreneurial behaviour. A work reported by Linan & Chen (2009) concluded that personal attitude, perceived behaviour control and social norms were found to influence the entrepreneurial intention.

Huovinen (2007) stated that permanent entrepreneurs have owned more businesses than temporary entrepreneurs in their entrepreneurial careers. Although, compared to other entrepreneurs the habitual entrepreneurs may have more business start-up and closing experiences that afford more learning opportunities for multiple business exposure and having access to the market for the selling of the product.

Huse (2014) concluded that social networks influenced over the entrepreneurial procedures, and the aim was to give confirmation on how entrepreneurs use their associations to be able to plan, start and operate a new business on the behalf of social networking or relationships.

Therefore, fear of failure to take the risks for venture start-up, evidenced that more compulsory adopted behaviour to develop an entrepreneurship action. Unable the entrepreneurs learning from past failures coped with entrepreneurial decisions and had influenced on business collapse (Brinckmann et al., 2012).

Material and Methods

The research was purely qualitative in nature. In the present research, subjects were selected from Faisalabad city, the population of study were all entrepreneurs who failed in entrepreneurship start-up. In order to gain an in depth and holistic insight and understanding of the experience of unsuccessful entrepreneurs, the exploratory case study approach was used. Convenience sampling was used for selection of the research participants. Four case studies were conducted and open-ended unstructured personal interviews were obliged. An inclusion criterion was also fixed for the selection purpose as to only unsuccessful entrepreneurs were considered as participants. Field notes were taken by using note book and pencil, the shared experience of entrepreneurs were contended and transcribed for the analysis, after transcribing the data, important patterns form collected text were identified manually and then these patterns were organized into important themes. Thematic analysis was used to make clear picture of shared experiences of unsuccessful entrepreneurs. Five important themes were originated and discussed in next phase of the research study.

Data Analysis

The transcription of data is first and fundamental process to familiarize with the data and this process. After collecting the data, filed notes were written into transcribed form to understand and familiarize with the collected transcribed text, important codes were given manually to identify the pattern, and these patterns were further organized into major themes. Five important themes were explored that will be discussed in the next content.

Table 1. Demographic Description of Failure Entrepreneurs

<table>
<thead>
<tr>
<th>Participants</th>
<th>Age</th>
<th>Education</th>
<th>Residential Location</th>
<th>Business Experience</th>
<th>Family Business</th>
<th>Financial Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1B</td>
<td>30</td>
<td>Matric</td>
<td>Urban</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>2B</td>
<td>32</td>
<td>Middle</td>
<td>Urban</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>3B</td>
<td>42</td>
<td>Middle</td>
<td>Semi-Urban</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>4B</td>
<td>36</td>
<td>Undermatric</td>
<td>Urban</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

This table describes that the age of the participant vary from 30-42 years while the education of the participants was not well enough as participant 1B hold matric degree, participant 2B and 3B hold middle certificate, participant 4B was under matric. All participants belonged to urban area except 3B. According to their answers provided to researcher, participant 1B
had no business experience, no family exposure and financial assistance available for him; participant 2B had business experience but no family exposure and financial assistance while participant 3B had no family business experience but had financial assistance. Participant 4B had family business and financial assistance but no business experience before starting the business.

Themes and Discussion

Theme 1. Insufficient Prior Entrepreneurial Experience

Insofar, it is a fact that earlier studies have been conducted predominantly on successful entrepreneurs but the lack of business experience in failure of entrepreneurs for learning perspective of entrepreneurial behaviour has never been discussed in detail.

In this theme, failure entrepreneurs have been discussed with inadequate prior business experience which takes them towards failure. Cope and Watts (2003) reported that incompetence and poor managerial skills are affected by prior knowledge and working experience. Prior knowledge shares more extraordinary managerial skills for equipping more influential business culture. Entrepreneurial learning from prior experience is inevitable for entrepreneurial success. The same was true for an unsuccessful entrepreneur (participant) who shared his experience as:

“When I started my business, I had no experience in my past. I bought the heavy amount of raw material for gaining more profit, which was very expensive. As time has been gone my profit fell down due to heavy cost of raw material”.

“After affected by loss, I borrowed some money from my close friend and established another juice corner at the corner of the road. Some people got juice on pay later choice; I accepted and write down on the bill book against every juice borrower. Mostly people did not pay back the pending money they had spent”.

The above experience explored two essential learning outcomes related to entrepreneurial familiarity of experience; that how to be memorable with and proceed on entrepreneurial opportunities. Shane and Venkataraman (2000), Corbett (2002) and Politis and Gabrielsson (2005) highlighted that how to save experience learning from expected impediments when organizing and overseeing new start-ups, for instance deal efficiently with obligations of novelty might not be possible without prior business experience. The capability to identify and ensue entrepreneurial opportunities that are regularly measured to be among the central obligations of a successful entrepreneur, afterwards this been a key concern to study and describe in earlier studies and do research on entrepreneurship. Valuable knowledge and learning through entrepreneurship experience is inevitable pertaining to relevant connections, dependable chains of business persons, possible markets, artefact accessibility and reasonable assets, therefore, encompasses entrepreneurial requirement to grasp and mark opportunities for entrepreneurial learning (Shepherd et al., 2000). It is more noticeable and surprising that new entrepreneurs with not enough business experience got failed in entrepreneurship (Timmons, 1999), which means that coping with obligations becomes a crucial module for the endurance and survival of the nascent entrepreneurs (Aldrich, 1999). Consequently, it is further coincided that experienced entrepreneurs are more healthy and proficient of handling impediments and reservations which take place with new entrepreneurial start-up, for instance financial capital for start-up, dependability and managerial skill development having get in touch with entrepreneurial environment (Shane & Khurana, 2003). Entrepreneurial learning becomes habit and part of the entrepreneurial behaviour that goes through some essential managerial implications.

Theme 2. Multiple Business Thinking and Lack of Access to the Market

Multiple businesses without having experience are hardly possible to run successfully. So far, focus on entrepreneurs in common, while learning in the environment of habitual entrepreneurship has been in fewer interests.

Habitual entrepreneurs are often characterised as persons who have awareness about owning at least two different businesses, may be temporally or permanently (Hall, 1995; Westhead & Wright, 1998a). Therefore, it can be thought that there are also former learning potentials in the milieu of habitual entrepreneurship. Pertaining to habitual entrepreneurship has principally determined on the causes following the action and the implication of prior experience in the milieu of the habitual entrepreneurship. So, habitual entrepreneurship has compensated its deliberation to the issues of entrepreneurial learning and cognitive depiction of an entrepreneur (Westhead et al., 2003b). However, merely little is documented regarding the influence of prior breakdown experience on the existing business and how entrepreneurs be trained from preceding experience.

One of the participants shared that:

“I worked for three years in chemical factory, after taking experience of the concern work, I thought about to start my own business. For this purpose few skill workers were required, I moved to locate workers from the market but got failed due to nepotism and already established factories owners were providing better salaries to many skill workers. I was only a person who could work alone in chemical factory, which was not possible for me, and also did know how to prepare a chemical or amalgamation of different elements for producing new chemical. The prices of other elements that are used in chemical preparation had gone high, I was unable to purchase raw material due to lack of capital”.

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“The other picture of my experience was that about to start new business in cosmetics. My intention diverted into another business while I was losing focus on my initial business. I invested some money in cosmetic business, where my friend was the front man, I had to follow him. With the passage of time he claimed to me that we need market for selling our products, because I was unfamiliar with market exposure, I failed to locate or approach to new market, also had no more money for investment. Our business collapsed suddenly, when prices of the cosmetics fell down and demand of customers has also been fallen”.

Descriptively, many business owners connect with many businesses at a same time. But lack of concentration on single business concludes lucid failure uncertainties. Another, important obstacle with multiple businesses that hinder personal approach to the markets by the inexperienced and multiple business thinking is very difficult specially, for those who are living in resource of poverty.

As reported by scholars Mair and Marti (2007) and Ahsan (2016), people living in developing countries are unable to participate in the markets due to poverty. Access to the market is one the most essential element for new producers to sell out their goods. Due to inactiveness of producers’ link to the market, no incentive could be generated for selling the goods or products. Most widely concern to equip the skill and training for new producer was crucial in global economic trends (Malingxa, et al., 2009). Poor producer having lack of access to the market including no skill or training, no standardized products, and having fewer connections to the market actors that prevailed unreachable environment to the market for new producers (Markelova, 2009).

Theme 3. Having no Interaction with Successful Entrepreneurs

Interaction with successful entrepreneurs and guidance (Alstete, 2008) from them might be more productive and fruitful for nascent entrepreneurs. By answering a question that has been asked from one of the unsuccessful entrepreneur that either he had met any successful entrepreneurs, one of the participants shared that:

“Before starting business I never met with any successful business man or entrepreneur. Honestly speak to you that I have no idea what is entrepreneurship. I never tried to get any information and knowledge from any source as friends, relatives, parents. When I have launched my business, I was only me who took this decision. I purchased cosmetic goods by myself without any involvement and participation of experienced person for guidance in buying purpose. I had no enough information to buy products for selling. I invested huge amount on buying these products, later I came to know that more expensive products I have purchased, as compare to proper market prices. Knowledge of markets no doubt develops from social relations and network”.

As discussed earlier, the significance of interaction between nascent entrepreneurs and successful entrepreneurs that can extend thorough social network or social relation is crucial for entrepreneurial success. By interacting with others, people enhance the strength of social capital. The promising stance of social capital and social network are sympathetic standing which abets and for gaining admittance to self-determination of entrepreneurs. Therefore, resource embeddings and relational fixity influences definitely on the entrepreneurial performance conduction. Resourceful interactions to be able as learning and to influence on entrepreneurial decisions in favour of entrepreneurial success (Baron & Markman, 2003).

One of the participants told that:

“Relationship does matter a lot, when you feel alone yourself; develop thoughts not to do anything, which you want to do. Then psychological stress influences on your mentality of rationale thoughts that assumed not to be cheerful but create disturbance for your whole life achievement”.

A social relation between individuals and groups of same interest is indebted in learning outcome for entrepreneurs. However, companionship of personal relations and social contacts of people lead to achieve possible acceptance of social actions. In earlier studies, social network was proved to be very important for potential pursuit to improve socio-economic description of enhancing high standards of life.

Similarly, Sandhu et al. (2011) reported in relating to earlier context that in most of under developing countries including Malaysia, social networking was considered very essential term to influence heavily on entrepreneurial behaviour. Another work (Bizri et al., 2012) reported that there have been four significant factors; such as lack of societal networking, incidental instability, hatred to risk, and poor business environment performing as barriers to entrepreneurship, but among all the most impacting one was ‘lack of social networking’.

Theme 4. Lack of Proper Planning and Strategy to Start the Venture

Without having interaction with experienced entrepreneurs, planning guidance could not be achieved. Planning is the process of understanding the needs, goals and objectives of definite task, and also identifying and utilizing the resources to accomplish these goals. Without prior planning, sudden or guesswork make no proper decision to start up business, lack of proper planning could influence on business negatively, therefore, as added by Brinckmann et al. (2012), entrepreneurship should be planned rather than just storm the castle. In the same scenario, one of the participants said that:
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“...I started my business without proper planning, because I was settled in Saudi Arabia for many years, where I spent a very tough time, I was a hairdresser in Saudi Arabia. After working for 7 years there, I returned to Pakistan. I bought an Auto Rickshaw. When I met my family relatives, they called me wrong words, because I had nothing in my hand to look after my family”. Planning perspective for business is crucial for endurance and growth of both new and conventional small business. In this context, Hechavarria et al. (2017) stated that time and entrance in a business are considered very important for nascent entrepreneurial success; it reduces the business start-up cost and improves entrepreneurial process.

Study participants reported that there was no proper planning before starting the entrepreneurial process, the entrepreneurial actions resemble as the sudden and instant decision that moved a person toward entrepreneurship start-up and has become the cause of failure of ventures.

Another participant shared his experience as:

After passing matric exam, I had left for Saudi Arabia, spent many years there and after coming back I established a hotel. No one in my family was engaged in business, so that I could get advice from them. Most of the family member were doing jobs. I committed myself to the start-up business of a hotel. Moreover, I had no technical skill work and planning to establish a hotel nor had I personal relations with entrepreneurs. As I had no prior business experience, my business failed.

Coinciding two schools of planning, the first is formal planning through written documents and use of the written rules and techniques, and the second is informal planning pertaining without written rules but oblige and make plans on the spot. Is informal planning being guaranteed for success in business or the formal one? Alred et al. (2007) answered this question saying that both formal and informal planning are crucial for business success, but most of business operators spent more time on informal planning as what and when to take important actions. Keidel (2005) stated that more business success relies upon informal business setting. Informal planning is not linked with permanent set of laws and documents. It has been flexible and might be conducted anytime inside and outside the business. The informal arrangement might be dispersed through unwritten or printed statement. Business planning does not only have an influence on individual but also follows a standard schedule (Hormozi et al., 2002). A business plan is highly effective on growth of the business (Orser et al., 2000).

One of the participants shared that:

“When I started my business, I previously had no intentions or planning for launching the business. After returning from abroad, I was mentally disturbed because of losing means of earning in abroad. About three months later, I decided to start my business. One of the problems in launching business was financial constraint. I had savings in my hand and utilized them to establish a hotel. The resources required for the sustenance of hotel business were impossible to meet by me alone. For financial arrangement, I moved to commercial bank for borrowing money but the bank demanded a guarantee of property, which I did not own”.

Empirical evidence regarding the formal possessions of planning on start-up development in the initial stages of the business as launching process be passionately discussed (Brinckmann et al., 2010; Davidson & Gordon, 2012), as start-up progress has the success stance of fundamental and supporting actions besieged at minimizing the detachment between current state of start-up. Consequently, by formal planning the start-up can move towards quitting or towards becoming a lucrative business over time for entrepreneurial individual (Dimov, 2010). In this connection Kuratko et al., (2001) stated that entrepreneurial actions depend on strategically planned and new formation were considered as critical path to understand entrepreneurial actions and business growth.

Formal planning comes through contacting with entrepreneurial managers who are experienced in launching multiple businesses. So, follow their company and getting experience from them is very hard to achieve without sacrificing time, money, health and self-thoughts.

Theme 5. Lack of Learning from Fear of Risk-Taking Behaviour after Failure in Prior Business Attempt

Overcoming the risk of failure in initial attempt of entrepreneurial activity or business often create uncertainty in fraught with other social, capital and financial obligations. The effects of entrepreneurial failure on the individual entrepreneur are more complex and arguably inconsistent with perception of entrepreneurial risk and fear upon moderating role of decision making (Nefzi, 2018). Therefore, failure may lead to a potentially valuable knowledge taking occasion for the entrepreneurs who conveyed and informed the unsuccessful venture performance. It may also be an arousing and shocking experience (Cope, 2011) that obstructs learning. Yet learning has taken place, and for these learning repayments to become visible, the entrepreneurs who became unsuccessful must organize and impart new knowledge, for example, by embarking the lesson from another entrepreneurial venture (Ucbasaran et al., 2003: 2013). The value of failure (i.e., financial, social, and psychological) might be too high and compared to the benefits of learning from failure, entrepreneurs may decide to way out their entrepreneurial careers.

One of the participants said that:

“When I launched my first hotel business with my own efforts and will, I was not motivated to venture creation. I waited for many months to make relations with customers. After fewer months my hotel made a big loss, my investment on buying hotel fundamental things...
was lost due to lack of sale. Then had lost money, time and social obligations as well and could not prepare myself to take another attempt to start a business. I considered myself as not a learner by my own previous failures in different businesses.”

Unfortunately, saying that when a person got failed in business, he or she feels helpless. In this scenario, Caccioti and Hayton (2015) argued that fear of failure is only a barrier in the way of entrepreneurial success. Consequently, fear of failure has been conceptualized in the psychology narrative as the intention to evade disappointment as opposite the intention to attain achievement. These initial conceptualizations explained fear of failure as the “temperament to evade letdown or the capability for experiencing disgrace and embarrassment as a result of failure” and as the “temperament to become nervous about letdown under accomplishment anxiety.” These description of failure highlight not merely the relationship involving the temperament and the expressive practice such as the feeling of disgrace (McGregor & Elliot, 2005) or anxiety but also leads the significance of situational cues (e.g., achievement contexts) in motivating that relationship.

In this conceptualization, the first, anxiety necessary fear of failure commencing of, second, experiencing shame and embarrassment, third, devaluing self-estimate, fourth as having an uncertain future, and at last losing interest.

One of the participants shared his experience as:

“After failure I felt ashamed and embarrassed, also got distress from others including friends and family members, afterwards I felt alone myself and lost interest in business. The fear of failure stacked in my thinking, actions and upon my decisions that were kept in loss of my efforts in business.”

Cacciotti & Hayton (2015) stated that there is widespread dispersion of fear of failure and different discussion of research “by means of little or no cross citation among different discussion of research” by psychology in general or in entrepreneurship specifically.

Furthermore, the economic based view of fear of failure in entrepreneurship has been studied as fear of failure observation depressingly influences entrepreneurship as a professional choice (Arenius & Minniti, 2005), perception determination increased the possibility of starting a business (Langowitz & Minniti, 2007; Minniti & Nardone, 2007). Integrating upon this, the Global Entrepreneurship Monitor (GEM) database, where fear of failure is measured by using a single item: as “fear of failure would prevent individual from initiating a business” (Bosma et al., 2012). Coinciding with present study, many participants reported that they did not learn from their failures, that was real draw back which repel them away from initiating entrepreneurship. The wording of this thing assumed a standing association with nature of the behaviours connected with the fear of failure, purposely, avoidance was considered the only behavioural outcome.

Conclusion

The causes and factors of entrepreneurship failure have long been debated about. This research work attempted to explore new state of social impediments that lead the entrepreneurial actions and activities towards failure. Failure reprints negative in sense, mostly entrepreneurs do not learn and take no interest to overcome their failure tendency. Although, the experiences of unsuccessful entrepreneurs put some important parameters for smooth thinking towards intention of entrepreneurial actions positively. Lack of proper planning and insufficient experience negatively influence the entrepreneurial intentions. Beside this, multiple business thinking and access to the market overwhelm an individuals and make them unable to sell their products in market for having the intention of more earning. Moreover, the fear of failure and risk taking behaviour do not promote individual understanding and learning, consistency in causes of failure become prominent on the way of blind habitual entrepreneurs. The prevention of these impediments by learning and interaction with experienced entrepreneurs enhance the chances for success.

Future Implications for entrepreneurs

• Learning behaviour from failure must be adopted; in this way entrepreneurs can overcome their failure tendencies.
• Before taking venture initiatives, one must discuss the idea with experienced and successful entrepreneurs.
• Entrepreneurial education in universities can identify prior knowledge and understanding about start-ups.
• Visit first markets where entrepreneurs intend to sale their products, make social relations and social networks to absorb them into the mainstream of market.
References


