



Title:

Detection of Business Failure Through Business Management

Author:

Celal Selçuk ESEN

Academic/Company: ACADEMIC

Company name:-

Tutor name: Professor Umit BITITCI, Heriot-Watt Uni.

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ABSTRACT

Detection of business failure is an important way to understand the characteristics of any kind business and it can give early opportunities to amend the processes that are used and paths that are followed throughout the business running-up. In the last century, especially in the last 4 decades, a quite number of researchers have been conducted about business failure. Financial point of view is the most appealing way to evaluate any kind of business, whether to decide if it is successful or a failure. Nevertheless, management of business is also one of the important crucial points that affect its progress, success or failure. Indeed, financial results are the consequences of decisions taken by management teams, so wrong or improper decision are the causes of bad financial results, and hence business failures (Ross and Kami, 1973; Morris, 1997; Mellahi and Wilkinson, 2004).

In this research, the main purpose is to detect business failure through business management. With this purpose, the interest in the research is to determine the factors cause failure and among them focusing on the most significant ones; and furthermore finding ways to deal with them before facing failure. By analysing the literature and applying a questionnaire with the responds from 15 different industries and 7 countries, the most significant business factors that cause failure has been detected among the 14 factors that are proposed in the research. The 5 factors that come forward significantly (58% of all causes) are; Inability to access to proper talent, Poor communication, Lack of delegation, Poor Innovation Management and Overconfidence and Complacency. Focusing on these 5 factors and their symptoms, and moreover applying the suggestions proposed in this research may be a guide to save time and energy while determining the strategies and/or managing the operations of the company to search ways for taking actions against, or even eliminate, business failure factors.

For the future studies, this research can be developed by combining with financial factors, also, in order to provide a comprehensive guideline to deal with business failure.

Key words: Business Failure, Business Management, Failure Factors, Causes of Failure.

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All of the mistakes in this thesis are completely on my responsibility.

Celal Selçuk ESEN
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LIST OF ABBREVIATIONS

BBR	Bureau of Business Research
FMCG	Fast moving consumer goods
IO	Industrial Organization
IT	Information Technology
MDA	Multivariate Discriminant Analysis
OE	Organization Ecology
OS	Organizational Studies
OP	Organizational Psychology
SME	Small and Medium Enterprises
T ^A	Origin of Failure
T ^S	Appearance of Failure Symptoms
T ^X	Appearance of Critical Warning Signals
T ^Z	Bankruptcy of the Firm

1. INTRODUCTION

This chapter of the master thesis will introduce the background of the comprehensive work and the challenges faced by the organizations. Then, it will mention about the problem, research questions studied and the purpose behind it. Afterwards it will state the delimitations clearly and finally, the plan of the thesis structure will be given.

1.1 BACKGROUND

“To avoid all mistakes in the conduct of a great enterprise is beyond man's powers, but, when a mistake has once been made, to use his reverses as lessons for the future is the part of a brave and sensible man.”

(From Minucius to his soldiers after his defeat by Hannibal [B.C. 209])

In the last decades, as the competitiveness in world markets and industries has increased by so many different reasons, managements of companies try to adapt themselves into the changing conditions in order not to face failure. Management teams of organizations want to run their business with continuous growth, with the famous called terminology, sustainable growth. In this global world, this attitude is related not just with the companies, but also with the stakeholders. As Gruber and Warner (1977) suggest that the whole company can be affected by business failure and based on the consequences, its effects might be felt deeply by all stakeholders, the public and even by the economies of other countries (Weitzel and Jonsson, 1989). In order to perform their businesses with success within that entire economic environment, the management people want to take right decisions and/or to interfere at the time with the right action at all operational, management and strategic levels to have success.

However, being able to take the right decisions is not the case always, unfortunately, and companies fail mostly. Based on the Fortune 500 data, 87% of the companies did not take place in 2011, and 89% were out of the list in 2014 compared with the ones that were in Fortune 500 in 1955 (Perry, 2011 and 2014). As it is understood, most of the companies in that list, have failed somehow and lost their previous positions. Failure stories of big and apparently successful organizations, like Eastman Kodak due to inability to response to the new technology (in 1980s and 90s) (Ma and Karri, 2005;

Mui, 2012; Munir, 2012) and Levi's due to failure to understand the changing customer preferences (in 2000s) (Sandgren, 2010; Kattan, 2012) are just some known examples for how management decisions can provide undesired financial results and effect companies' future even if they may be in the leading positions of their markets. Consequently, management members would like to detect any business related factors that may indicate the probable failure symptoms and make the organizations avoid falling in a failed position. As a result, detection of business failure is an important way to carry out organizations with success and prevent them falling down.

Monitoring and deciding over financial ratios and indicators (i.e. Liquidity, leverage, profitability, sales related-efficiency) of companies are commonly the most used ways to evaluate any kind of business, whether to decide if it is going successful or failing (Brealey and Myers, 2003). Nevertheless, it may not be enough. In their analysis, Olson and van Bever (2008) find that the average failed company in Fortune 100 list throughout 1955 to 2005 has annual revenue growth rate of 13.9% one year before starting their failure period.

Actually, financial results are obtained after some decisions have been taken and activities have been carried out. So, other than uncontrolled changes like regulatory actions by governments or global and/or regional economic downturns (i.e. based on oil and gas prices), and unethical behaviour like abuse of authority and rights, it can be said that financial results, that indicate a company fails, are the consequences of deliberate decisions of some people who are in managerial positions and manage the company ineffectively and make wrong choices; and their activities are the main causes of business failure (Ross and Kami, 1973; Morris, 1997; Mellahi and Wilkinson, 2004; Mellahi, 2005). In conjunction with this, one of the interests behind this master thesis is how the business failure can be detected through business management actions.

While assessing businesses and giving strategic decisions for their future projects and activities, besides financial factors, factors related and based on business management should be also taken into consideration as they might have so many impacts and may be the key points for the future of any business, by influencing the staff, development of business, pathways that are used and totally whole business environment. So, a model based on also business management related factors may also provide better chances while giving strategic decisions on the future of any business in any industry.

Therefore, in this research, the focus will be on business failure factors through management and among them, we will pay special attention on the most significant ones based on the literature review, industrial practices and conducting a survey within managerial positions. Eventually, the writer thinks, it will be interesting and contributive to carry out such a research for detection of business failure before they become inevitable to make the companies meet unsuccessful results.

1.2 PROBLEM DEFINITION

In order to make what failure means explicitly before going into details, it will be useful to mention that, in the current master thesis, the word failure corresponds to both bankruptcy of the company and decrease of growth rate continuously in a specific period of time.

Business failure has been an important research subject in the business literature until today (Balcaen and Ooghe, 2006a) and since Bureau of Business Research (BBR) (1930 cited in Bellovary, Giacomino and Akers, 2007) issued a bulletin that shows the analyses of some common financial ratios of firms that failed. Within these studies researchers have used two main approaches; preventive and mostly predictive. The former focuses on the causes of failures and how companies fall into fail stages; besides the latter focuses on forecasting the bankruptcy risk of the companies and categorizing them based on financial ratios through some statistical models (Bellovary, Giacomino and Akers, 2007; Crutzen and Van Caillie, 2007a)

As one of the main purposes of organizations in any industry or business is to keep long-term endurance and have the financial results for the survival of the company, they are mainly assessed by financial criteria. Accordingly, in the last decades, within a quite large number of researches that have been made in order to predict any probable business failures; different models manifested and various methods used are mostly financial factors based (i.e. multiple discriminant analysis, logit analysis, neural networks) (Altman, 1968; Dimitras, Zanakakis and Zopounidis, 1996; Adnan Aziz and Dar, 2006; Balcaen and Ooghe, 2006a; Bellovary, Giacomino and Akers, 2007). However, those models do not provide information for the probable causes of failure to companies (Crutzen and Van Caillie, 2008).

On the other side, as studies for preventing failure deal with their main and deep causes and how companies enter in these failure processes; they question the decisions and actions behind the financial results. So, management of these activities and processes that are taken are also important in these studies. Likewise, those studies exhibit some failure factors which are non-financial (Ross and Kami, 1973; Argenti, 1976; Sharma and Mahajan, 1980; Morris, 1997; Mellahi and Wilkinson, 2004; Ma and Karri, 2005; Probst and Raisch, 2005; Olson and van Bever, 2008). Those were put forward by these through inspecting of many companies and real cases. Even some of these studies suggest several models that may help companies before going to different failure stages; there is disintegration among the literature as researchers conduct their own analysis and results without so many references from previous researches and literature (Crutzen and Van Caillie, 2008).

So the problem in this master thesis to be dealt with has three different parts; primarily, reviewing the current models and the business failure factors in the literature related with business management; and then with the findings of review, trying to choose the most significant ones with a descriptive questionnaire through experienced people in managerial positions; and finally, describing the probable symptoms in order to detect these factors, giving suggestions how to deal with them and testing those with, again, experienced managerial people will be the last part of the problem in the following research.

1.3 RESEARCH QUESTIONS

Based on the mentioned background and the problem of the master thesis, the following research questions have been proposed in order to carry out this scientific material to a comprehensive study;

Q1: What are the factors related with Business management behind business failure?

Q2: What are the most significant ones among these factors?

Q3: How can we detect these factors and what are the appropriate ways or strategies to deal with them?

1.4 PURPOSE

In this research, the aim will be to make contribution(s) to the business management communities by finding some methods and giving suggestions in order to detect business failure indicators and symptoms before it is late to recover the results. These will be general to different industries and, hopefully, will be helpful for future researches for specific areas. With this objective, the focus will be on determining the business management factors that have impact on different business failures. With analyses of these factors that affect companies from different industries, it is aimed to clarify the most significant ones and afterwards to find recognition ways for them in order to run the business in different sectors successfully or amend the failed party as early as possible on business management point of view. Finally, the objective is to provide a better understanding in business failure subject and give some new research spaces for the future researchers.

1.5 LIMITATIONS

Although it believed that this study may provide significant results for business failure research area; it has some limitations mainly because of schedule.

Primarily, the research focuses on big corporations instead of small and medium enterprises (SMEs). The failure factors that has been discussed are found by researches related with top companies that mainly exist in Fortune 500. So, it would be interesting to expand this research by making connection to SMEs.

Secondly, through the analysis of failure factors, the most significant ones are considered and focused on them. If researchers might expand the study on the other factors also; there might be an overall model which may be helpful to handle business failure.

Thirdly, the factors that are analysed are considered individually, but there might be some interrelations among these factors. Actually, while causing failure, some factors may overlap. So, if some future studies will focus on this are, some interrelations that will be found out, may increase the understanding of relations between these factors and business failure.

Lastly, in the literature, the study area has two main pattern as financial and managerial (organizational) approaches, and in the current research, the aim is to investigate the factors related with management of business. If some future researches may compare deeply the financial and managerial failure factors, and provide some integrated solutions, there might be more understanding on how to deal with business failure and/or avoid it.

1.6 THESIS OUTLINE

In order to present the development and the content of the research, the outline of the master thesis will be as in the following structure;

In the *introduction chapter*, the general background of the research is mentioned and the problem related to business failure is defined in order to give the readers a clear understanding of the subject with the research questions and objective of the thesis. Afterwards, the main paradigms and the approaches will be discussed in the *methodology chapter* and the selected ones (interpretivism, inductive approach) are described in order to conduct the research and some detailed information is given; then the methods to gather and analyze the relevant data are explained. Furthermore, in the *literature review chapter*, the business failure studies in the literature are explained in order to provide a broad understanding of the topic for the reader and to present the theoretical concepts that are suggested. Besides, previously discovered managerial factors by different authors are figured out and combined. Thereafter, the detailed information about the interpretative findings from literature review is given in *empirical research chapter*. Then, the questionnaire is presented which is prepared through the managerial business failure factors that are interpreted from literature and the results are provided through the feedback taken from experienced people in managerial positions. Afterwards, based on the findings some detailed analysis is made and suggestions are provided which are also interpreted by experienced managerial people based on the most significant failure factors through business management. The last chapter of the research, the conclusion chapter, includes the summary of the results from the study conducted, mentions the contribution of the research and provides some suggestions for the probable future researches.

2. METHODOLOGY

The purpose of this chapter is to give the general explanations of paradigm and approach options for the research methodology. Afterwards, the selected ones will be clarified and the research techniques that will be used and the plan to conduct the thesis will be mentioned.

2.1 RESEARCH PARADIGM

In general, research paradigm is the theoretical structure that helps researchers how to conduct the scientific researches they carry out. Harré (1987, p.3 cited in O’Gorman and MacIntosh, 2014, p.60) defined paradigm as “a combination of a metaphysical theory about the nature of the objects in a certain field of interest and a consequential method which is tailor-made to acquire knowledge of those objects.” Until Kant (1781 cited in Rosenberg, 2005), claimed that other than direct observation and experiment, there are alternative ways to have knowledge about the world with his book, *Critique of Pure Reason*; the methods used by researchers in order to explain the world were objective, focused on natural sciences such as biology and physics . The alternative methods that have subjective characteristics, focus on social sciences and the researchers used them challenged the traditional scientific methods (Collis and Hussey, 2014).

There are many paradigms that are applicable to different research fields. Among them, the two main paradigms used in business research are *positivism* and *interpretivism*. A good understanding of these two main paradigms and their comparison is helpful in order to make a better decision for the approach will be taken for the research (O’Gorman and MacIntosh, 2014)

2.1.1 Positivism and Interpretivism

According to positivism, research conducted is based on observation and experiment. Thus, the claims and results in the research can be scientifically (Walliman, 2011). The main idea behind this paradigm claims that the reality is independent of human and value-free. Moreover, according to the researchers who believe in positivism, that

reality is not affected by the trials that are trying to explore social reality (Creswell, 2014).

There are critiques for this paradigm. Some of the main criticisms for positivism are as the following ones; distinguishing people from the social environment is not possible; people can be understood by considering their own level of understandings for their activities and while conducting their research, researchers add their own perceptions and concerns into them (Collis and Hussey, 2014).

As those critiques pervaded, the other main paradigm, interpretivism, developed as researchers changed their attention to social sciences and with the response to the domination of positivism (O’Gorman and MacIntosh, 2014). This paradigm claims that reality is subjective and structured with human interest and concerns.

As an important part, maybe the most, of conducting a research is being told; it is worth to mention Aristotle (B.C. 350) who claimed there is something other than the known thing with the following;

If, on the one hand, there is nothing apart from individual beings, and the individuals are infinite in number, how is it possible to get knowledge of the infinite individuals? For all things that we know, we know in so far as they have some unity and identity, and so far as some attribute belongs to them universally. But if this is necessary, and there must be something apart from the individuals, it will be necessary that something exists apart from the concrete thing.”

(Aristotle Metaphysics 999a 25-28 cited in (O’Gorman and MacIntosh, 2014)

The following table is also a guide to compare the two main paradigms;

Table 2-1 Comparison of main research philosophies in management research

Assumptions	Positivism	Interpretivism
Ontology: the researcher's view of the nature of reality or being	Social reality is external, objective to the researcher and independent of social actors	Social reality is subjective and socially constructed, it may change
	There is only one reality	There are multiple realities
Epistemology: the researcher's view regarding what constitutes acceptable knowledge	Only observable and measurable phenomena can provide knowledge and facts.	Knowledge can be provided from subjective meanings, evidence and participants
	Focus on causality and law like generalisations, reducing phenomena to simplest elements	Focus upon the details of situation, a reality behind these details, subjective meanings motivating actions
	The researcher is distant from phenomena under study	The researcher interacts with the phenomena under study
Axiology: the researcher's view of the role of values in research	The researcher is independent of the data and maintains an objective stance	The researcher is part of what is being researched, cannot be separated and accepts it will be subjective
	Research undertaken is unbiased and value-free	The findings are biased and value bound
Rhetoric: the researcher's use of language in research	The researcher uses passive voice, accepted quantitative words and set definitions	The researcher uses the personal voice, accepted qualitative terms and limited a priori definitions
Methodology: the process of research	The researcher takes a deductive approach	The researcher takes a inductive approach
	The researcher studies cause and effect, and uses a static design where categories are identified in advance	The researcher studies the topic within its context and uses an emerging design where categories are identified during the process
	The researcher formulates hypothesis and test them	Develops ideas through induction from data
	Generalizations lead to prediction, explanations and understanding	Patterns and/or theories are developed for understanding
	Results are accurate and reliable through validity and reliability	Finding are accurate and reliable through verification
Data collection techniques most often used	Highly structured, large samples, measurement, quantitative, but can use qualitative	Small samples, in-depth investigations, qualitative

(Sources: Saunders, Thornhill and Lewis, 2009 , p.119; O'Gorman and MacIntosh, 2014, p. 61; Collis and Hussey, 2014, p. 46-47)

Selected Paradigm

Interpretivism is selected for the thesis. The author has developed the ideas during the research as facing with the knowledge about the subject, based also on his 5-year-professional experience in fast moving consumer goods (FMCG) in food industry. Besides, the categories of the business failure factors are identified through the research. As the author has not found out any specifically suggested model to detect specific business failure factors based on business management, he has developed suggestions based on personal experience and literature review. Hence, between the topic and the researcher's point of view, a connection is created. Moreover, he accepts that the findings may change based on the evidence and participants in the study.

2.2 RESEARCH APPROACH

After deciding on the paradigm, the next step for the research is to select the research approach. This is important as it will be a guide for how to use the data, make valuable outcomes and answer the questions in the research conducted. The major approaches are Induction and Deduction to carry out a research through the theory and empirical framework (Collis and Hussey, 2014).

Primarily, in deductive approach, the main idea is going from the general to the specific. The study starts from putting forwarding a hypothesis and then testing with some empirical observation and data. After reviewing the current theories; new hypothesis is made and by gathering empirical data, the researcher tries to confirm the new hypothesis. It is a highly structured methodology and generally linked with positivism (Creswell, 2014; Collis and Hussey, 2014; Saunders, Thornhill and Lewis, 2009).

On the contrary, the inductive approach starts from observing empirical data then continues by developing a theory with the result(s) of these data. As it goes from the specific to the general; with the analysis of empirical data, the researcher can draw conclusions or produce some new theoretical knowledge. It focuses on the social environment the research takes place and generally connected with it (Creswell, 2014; Saunders, Thornhill and Lewis, 2009).

The following table will show the major differences between the two approaches;

Table 2-2 The major differences between deductive and inductive approaches to research

Deduction Emphasis	Induction Emphasis
• Scientific principles • Moving from theory to data • The need to explain causal relationships between variables • The collection of quantitative data • The application of controls to ensure validity of data • A highly structured approach • Researcher is independent of what is being researched	• Gaining an understanding of meanings • Moving from data to theory • A close understanding of the research context • The collection of qualitative data • A more flexible structure to permit changes of research emphasis as the research progress

(Source: Saunders, Thornhill and Lewis, 2009, p. 127)

Selected Approach

In this research, the chosen approach is inductive. The business failure factors are observed through the current cases and literature review, and from the relevant data a new model will be tried to produce for specific factors. The author of this research has not come across any model in the literature to detect the specified business failure factors, so by collecting qualitative data from previous studies and also based on professional experience; he has suggested a specific detection model for the relevant failure factors.

2.3 RESEARCH METHOD

When the research paradigm and approach are specified, the next step is to decide on the research method type. In order to gather data and to make the analysis, there are two main research method types, quantitative and qualitative (Collis and Hussey, 2014).

Quantitative research is generally linked with positivist approach, based on numerical information and has structured approach. The researcher, who chooses this method, tends to conduct a research that is more objective and based on statistical results. They can use surveys and experiments (O’Gorman and MacIntosh, 2014). On the contrary, qualitative one is mainly associated with interpretivist approach, based on non-numerical information and has a non-standardised structure; as a result, in this type, the research is more subjective (Saunders, Thornhill and Lewis, 2009). On this case, MacIntosh and Bonnet (2007, p.321) say that “Qualitative research is sometimes styled as the poor cousin of ‘real science’...”, with a hilarious phrase.

The following table will give the differences between quantitative and qualitative data;

Table 2-3 Distinctions between quantitative and qualitative data

Quantitative data	Qualitative Data
• Based on meaning derived from numbers • Collection results in numerical and standardised data • Analysis conducted through the use of diagrams and statistics	• Based on meanings expressed through words • Collection results in non-standardised data requiring classification into categories • Analysis conducted through the use of conceptualisation

(Source: Saunders, Thornhill and Lewis, 2009, p. 482)

Selected Method

As the data collection is not based on mathematical results; conversely, it is based on context specified by the researcher. For the research, an extensive use of data is required, but as the time is limited, other than small and medium enterprises, the focus is on, comparatively, larger corporations. So, in this research the chosen approach is qualitative.

2.4 RESEARCH QUALITY

According to Saunders, Thornhill and Lewis (2009) while assessing the credibility of a research, there are three important features. These are reliability, validity and generalisability.

2.4.1 Reliability

In research assessment, reliability indicates the measurement accuracy and if there is any existence of dissimilarities if the research is done again. In order to obtain a reliable research and its results, when the study is made once more, the results obtained should be the same as the previous one. However, whilst it is so important under positivism paradigm, in interpretivist studies it has generally little importance, comparatively (Collis and Hussey, 2014, p. 52-53).

As mentioned before, this study is interpretivist, so in order to increase the reliability; the author should decrease the observer or participant bias (Saunders, Thornhill and Lewis, 2009). The author believes that by using different kinds of sources, techniques to collect data and accessing experienced people from different industries will be helpful to obtain more reliable results.

2.4.2 Validity

Validity is related with confirming if the methods or tests used in the research are appropriate to what the researcher wants to measure, and the results obtained are about the purpose of the research subject (Collis and Hussey, 2014, p.53). According to the two authors, the most common way to assess validity is *face validity*, which is

associated with assuring that the methods provide relevant findings and show the results that they are supposed to depict. Denzin (1978 cited in Collis and Hussey, 2014) suggests that using different sources during data collection will increase the validity of the research. The author will follow this suggestion and moreover, making a questionnaire with experienced people in managerial positions and testing the results and suggestions with again managerial people will make contribution to the validity of the research.

2.4.3 Generalisability

Generalisability, that is also named external validity, is referred to whether the researcher can apply the results of the current research to some other researches, like within other social environments or different settings (Saunders, Thornhill and Lewis, 2009). Under positivist paradigm, it is about claiming that the findings from the sample selected have the characteristics that also exist in the population that the sample is taken from. On the other hand, under interpretivist studies the main purpose is not to generalize what is found out from a group of sample to a huge population (Collis and Hussey, 2014). However, Gummesson (1999) supports the view that claims to make a generalisation from a few, even one case, is possible if the researcher has a high and deep understanding of the subject and catches the main characteristics of the objects she/he is conducting in the research.

2.5 RESEARCH SOURCES

There are two types of data, primary and secondary. Primary data is the one that is generated from an original source for a particular aim of a research, like surveys, interviews, experiments and observations. On the other hand, secondary data is the one that can be collected from existing resources like, publications, books, newspapers or articles (O’Gorman and MacIntosh, 2014).

In this research, as mentioned before, different resources will be used to gather data in order to present a comprehensive work. Hence, *triangulation* method, which is the usage of two or more different sources of data or data collection methods in the research conducted, will be used in this study (Saunders, Thornhill and Lewis, 2009).

These are personal observations of the author, a questionnaire and archival research based on previous case studies. The data gathered is mainly based on qualitative data.

2.5.1 Secondary Data

The data gathered for the research is mainly based on secondary data. Primarily, literature research was made through international journal articles published about “business failure” and “business failure factors”. At the same time, relevant books that were met through university library databases and online book stores and that were also recommended by some journal articles, colleagues, the research tutor and experienced people in managerial positions, were reviewed. Moreover, some public interviews that were made by business people, database for company information (like Fortune list) and some online resources were also examined.

So, the initial empirical data for the research was gathered through secondary data which can even be used as the only source for a research (O’Gorman and MacIntosh, 2014).

2.5.2 Primary Data

In order to confirm the findings from secondary data resources, through the practical business environment, a questionnaire was conducted to identify what the managerial people in large corporations think about the business failure factors and the most significant ones according to their experience. The questionnaire is descriptive so the main aim is finding out the views of relevant people about the phenomena. Indeed, as questionnaires are commonly identified within positivist researches, they are also used in interpretivist researches. The main purpose of this kind of research is to understand better the data and characteristics of it. (Collis and Hussey, 2014; Rousseau, Manning and Denyer, 2008).

Besides, Morris (1997) also states that carrying out questionnaires is usual in order to receive opinions of related people in business failure studies. It consists of both scale questions and free text section. The participants were selected in a framework; instead of SMEs, they work for large corporations and they have managerial experience in

order to make precise comments for business failure factors. The details of the questionnaire can be found in research chapter.

2.6 ANALYSIS OF FINDINGS

Indeed, there is not any standard procedure in order to analyse the data collected for this research. As the study is inductive based and the data is qualitative, a widely used general procedure for analysing which is called *data display and analysis approach* will be used. This approach is described by Miles and Huberman (1994) who wrote a book that the main purpose is to define the process of 'doing-analysis'.

There are three main steps in this approach. First is 'reducing the data' in order to simplify and summarize the data. The next step is displaying the data which includes organising and presenting the data in diagrammatic or visual forms. And finally, the last step is drawing conclusions and confirming them.

After finding the failure factors that cause business failure from previous studies, they are summarized under main patterns and with the insights taken from professional managerial people; a model in order to detect the failures and to find solutions against them is suggested. Afterwards, this model is also tested and some conclusions are drawn.

The following figure summarizes the research method and process;

Figure 2.1 The summary of research method and process

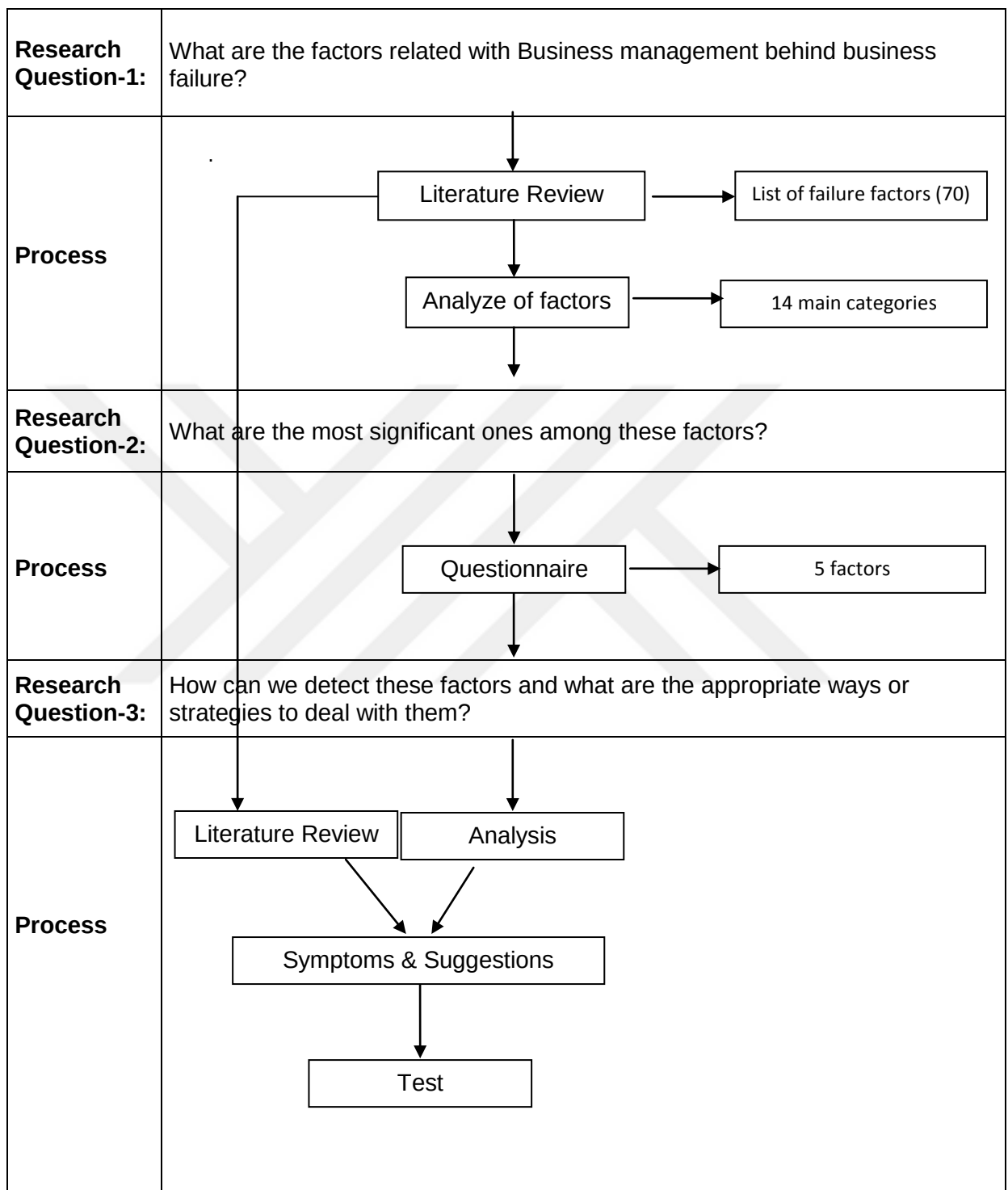


Figure 2.1:The summary of research method and process

3. LITERATURE REVIEW

This chapter will provide the review of the previous literature studies about business failure and business failure factors. It starts by explaining the definition of business failure, and then continues about the main approaches that researchers have studied up to now. Finally, the business failure factors that have been found in previous studies will be introduced.

3.1 BUSINESS FAILURE DEFINITION

In order to analyse and detect business failure throughout an organization, the definition should be clear to everyone who concern about it. According to *Dictionary of Banking and Financial Services* by Rosenberg (1985, p. 280), business failure is defined like the following, “the inability to fulfil normal business obligations; becoming insolvent or bankrupt”. But other than that, failure has different meanings in the particular literature. While making the review, it is observed that researches have used so many different meanings in order to define conduct their studies and it is almost discretionary (Balcaen and Ooghe, 2006a).

Mainly in business studies failure is associated with bankruptcy which is the financial inability to pay the debts to the creditors (Dimitras, Zanakis and Zopounidis, 1996) or the situation that “reservoir becomes empty” (Sharma and Mahajan, 1980, p.81). The other most terminology used is financial distress which is referred to having negative income continuously for some years or suspension of dividend payments (Platt and Platt, 2002). In the previous studies of business failure; several researchers also used the following expressions; “organizational failure”, “organizational decline” or “organizational death” (Crutzen and Van Caillie, 2007b) . Business failure can also be defined such as closure or sale of some part of the business (Morris, 1997); and even removing the company out of market (Altman and Narayanan, 1996) because of having financial problems. Besides, Daubie and Meskens (2001 cited in Crutzen and Van Caillie, 2007b, p.7) continuum beginning from slight difficulties to more serious problems and perhaps finally bankruptcy which is the final stage of financial distress”. In the current research, the fall of growth rate and decrease of revenue for some continuous years is also included to refer to business failure. Business failure is also defined as a process that is related with lack of proper coordination among, on one

side, the (tangible and intangible) resources of the company and their usage to obtain the vision and mission and, on the other side, the requirements of the market that the company exist and serve for (Thornhill and Amit, 2003; Turner, 2005).

While conducting this study, business failure is used for all these definitions, because companies can encounter all these situations. Besides, some of them can also recover themselves, if they have the ability to amend their situation. Even if the companies have fixed and solved their bad conditions after facing with business failure, they can be well defined examples in order to give details about business failure and its detection suggestions. So in the current study, not only the companies that failed some time ago and does not exist anymore are investigated but also, the ones who have some failure experience and still live are also reviewed.

3.2 RESEARCH APPROACHES ON BUSINESS FAILURE

Up to date, there have been considerably increased numbers of researchers who are interested on this specific area (Guilhot, 2000 cited by Crutzen and Van Caillie, 2008). The increased interest for the business failure studies can be based on two main reasons; the increased accessibility and availability of data on the subject and the relation between the results of business failure and stakeholders of that business and. (Van Caillie, 1999). As the financial data (i.e. financial statements) of companies can be published to public properly and information about incidents that the companies face can be reached, easier than before, the researchers can access lots of data that they can use in their studies. Besides, the world is getting more global and the relations are becoming more integrated and the effects of incidents can be heard and felt faster. So, the results of business failures can affect deeply the whole company and all the related groups such as; the shareholders, managers, suppliers, employees, customers and other relevant groups, like competitors and even the economies of other countries (Van Caillie and Dighaye, 2002; Weitzel and Jonsson, 1989; Gruber and Warner, 1977)

Business failure studies have history for almost a century, starting from 1930s. The first source, the bulletin published by BBR (1930 cited in Bellovary, Giacomino and Akers, 2007) provides an analysis of financial ratios of some 29 companies that failed. The findings of that study claims there are some important indicators that give some clues for the failure of a firm. Afterwards, the first comparatively study was conducted by

FitzPatric (1932) who analysed some successful and failed companies and found out that, in comparison, successful ones have some significant better financial ratios than the failed companies.

Starting with these two studies, the main idea of business failure studies was to predict if a company will go to bankruptcy in some time, and as seen they focus on financial situations of the company. As researched from literature, there are two main approaches on business failure subject; predictive and preventive approaches. The former is based on financial ratios of the companies and related with prediction of probable bankruptcy of companies, comparing the ratios of successful and unsuccessful ones. And the latter is based on trying to understand the causes of failures and their symptoms, with deep analysis in order to avoid any serious problems (Crutzen and Van Caillie, 2007b).

3.2.1 Predictive Approach in Business Failure Studies

This approach is based on quantitative studies and statistics. It mainly focuses on evaluating financial numbers (i.e. working capital, total assets, sales, total debt) and their ratios in order to estimate if the specified company will go to bankruptcy. The method used is basically to distinguish the ratios of successful and failed companies, and then to make a good prediction as accurate as possible. The analysis of these ratios generally focuses on the companies' financial positions such as liquidity, profitability, and efficiency. (Morris, 1997) Beaver's (1966) univariate study and Altman's (1968) multivariate discriminant analysis (MDA) study were the first contributions on this area, that provide some statistical models in order to predict the bankruptcy of firm. Later on, some other bankruptcy prediction models has also been developed. Up to date, there are more than 150 different bankruptcy prediction models in use (Bellovary, Giacomino and Akers, 2007).

Within this approach, the most used method are "classic cross sectional statistical methods" (Balcaen and Ooghe, 2006a). Specifically; that is to say, there are several different common methods such as Logit Anaysis, Probit Analysis and Neutral Analysis and MDA (Bellovary, Giacomino and Akers, 2007). Among them MDA is a famous one that is used so many times by some different researchers most used one MDA method is introduced by Altman (1968) and he figured out a model called Z-score model and

later on developed this model. Altman describes MDA as “a statistical technique used to classify an observation into one of several a priori groups dependent upon the observation’s individual characteristics...” and “...to derive a linear combination of these characteristics which ‘best’ discriminates between the groups” (Altman 1968, p. 592). If required, for future studies or for special interest, some more details of studies can be found from the tables absorbed from the study of Bellovary, Giacomino and Akers (2007, pp. 23-41).

Naturally, to be able predict business failure of any company is crucial for all stakeholders related with that business. Other than the management; the suppliers, lenders, customers and sometimes even the community can find important information about the future of the company. Before taking any decisions like merging, making investment in or working together with another firm; management can take benefits of accurate predictions (Cybinski, 2001; Dimitras, Zanakis and Zopounidis, 1996).

Although within this approach some methods give high accurate bankruptcy predictions (Balcaen and Ooghe, 2006a) and it is more popular and, moreover, most of the research about business failure has been done under; it has some limitations and does not provide proper knowledge about the failure reasons in order to deal with them (Van Caillie and Dighaye, 2002)

Actually, the studies under this approach focus on the situation of the company at that moment (Daubie and Meskens, 2001 cited in Crutzen and Van Caillie, 2007b, p.9). Besides, these studies do not provide useful tips in order to analyse the causes of failure, they focus on the results, and accordingly symptoms of the failure based on financial ratios. However, according to Argenti (1976), these ratios are the results of the business failure causes, they do not give the option to analyze the causes deeply in order to understand the main reasons and amend them. So, just analysis of those ratios is not a good way to understand the phenomenon completely (Morris, 1997; Cybinski, 2001).

Furthermore, Argenti (1976) argues that when using this approach, because of probable manipulations on financial numbers by management which can be defined as “creative accounting”, the reliability of the ratios can decrease. In addition to that, Balcaen and Ooghe (2006a) suggests that although the statistical methods are

favourable to be used by researchers and practitioners, there are problems related to selection of variables in methods and their industrial application.

3.2.2 Preventive Approach in Business Failure Studies

The preventive approach is based on analysis of how the companies meet failure and their causes deeply in order to understand them comprehensively, instead of figuring out the differences between successful and failed companies. This approach has also a financial point of view, nevertheless, its main focus is on organizational incidents hence has a strong managerial point of view. Actually, based on the limitations of business failure prediction methods, in mid 70s this approach emerged (Van Caillie and Dighaye, 2002). Argenti (1976), in his book *Corporate Collapse*, suggests that crucial factors that cause business failure are also related with business management and the decisions and activities of managerial people. Mainly after that, many researchers have conducted papers and researches in order to understand deeply the factors that cause of companies fail and have business failure (Dimitras, Zanakakis and Zopounidis, 1996; Van Caillie, 1999).

The studies under this approach have some special characteristics based on their focus categories and contributions to science. Primarily, some researches gather failure factors and provide analysis mainly focused on causes and signs of business failure independently (Morris, 1997; Jaminon, 1986 cited in Crutzen and Van Caillie, 2007b, p.10) and is named as “static”. Besides these, there are studies conducted (Argenti, 1976; Sharma and Mahajan, 1980; Hambrick and D’Aveni, 1988; Mellahi and Wilkinson, 2004; Mellahi, 2005) called “dynamic” that continue the analysis deeper and provide some models that integrate these factors based on timeline that the company face during failure (Crutzen and Van Caillie, 2007a) Secondly, there can be categorised on their focus on the early stages or last stages of failure. Focusing on early stage, that is specified by the period before any mark of failure is observed, is mainly conducted with qualitative point of view and associated with organizational view (Argenti, 1976; Hambrick and D’Aveni, 1988) which is the dominant approach in this study area. And on the other side, the last stage, that defines interval between noticing the failure symptoms and having the bad results, is mainly connected with financial approach that fewer researchers used in their studies. Another crucial characteristic is the methodology used in these studies. As, some of the researchers conduct under

deductive reasoning, they conclude some hypothesis from the previous literature and test them in empirical way (i.e. Sharma and Mahajan, 1980); on the other side most of the studies conducted under inductive reasoning (Argenti, 1976; Hambrick and D'Aveni, 1988; Mellahi, 2005) (Crutzen and Van Caillie, 2008). If desired, for future studies or for special interest, more details of studies can be investigated from the tables that are taken from the study of Crutzen and Van Caillie (2008, pp. 294-297).

Furthermore, although this approach can support researchers who try to eliminate the limitations that are connected to the predictive approach; it has also some limitations based on its characteristic properties. The static studies do not integrate the causes and the symptoms of the failure in order to understand how the incidents follow each one another (Argenti, 1976), where the dynamic ones do not define the specific combination of factors for the specific failure conditions (Daubie and Meskens, 2001; Balcaen and Ooghe, 2006b cited in Crutzen and Van Caillie, 2007a). Moreover, the organizational and financial point of views still are not integrated comprehensively for the sake of understanding the business failure concept (Van Caillie and Dighaye, 2002). This is also related with why the inductive approach is the common one used in preventive studies. The researchers generally collect their empirical findings, based on experience or specific interest and try to explain the business probable failures in an inductive way, with not using so much knowledge or with giving few references from the previous studies (Morris, 1997).

3.2.3 Some Conclusions about the Approaches

After discussing all these researches and arguments, the author, in this study, thinks the predictive approach has a narrow focus, i.e. the last moment screen shot of the company, and having some idea of this last moment is not so useful in order to fix the situation as it will not provide some time long enough to make the required corrections on time. The financial focus on under this approach, may not be so helpful for analyzing managerial incident And hence he tends to be more interested in the other approach, the preventive one, as the main focus in the dissertation is to detect business failure through business management. Correspondingly, in order to detect it, the main interest is on the causes of failure and their deep analysis before having or facing with the failure. As it has a dominant organisational view rather than financial; so

before facing with the failure, it may provide some time in order to correct what is going inappropriate and can give a broader view before taking serious and crucial decisions.

For a better understanding of the business failure phenomenon, the proper integration of both approaches may provide better opportunities. Indeed, this miss point is stated by Altman, Marco and Varette (1994 cited in Crutzen and Van Caillie, 2008, p.300) as “we know many things about how companies fall into economic distress, about crisis processes and company decline, but we do not have a complete theory”. And also Dimitras, Zanakos and Zopounidis (1996) express that “a unifying theory of business failure has not been developed, in spite of few notable efforts”. So these may also be helpful to explain why the business failure studies are highly fragmented.

3.3 REVIEW OF SOME SUGGESTED MODELS ON BUSINESS FAILURE

In 1980, Sharma and Mahajan (1980) made the analysis of 46 retailing companies in USA, with the data gathered from Moody's *Industrial Manual*. They suggested a model based on the analysis and the information taken from (Argenti, 1976). They analysed the business failure as a process beginning from the causes until facing with the failure (Crutzen and Van Caillie, 2008).

In the research, it is stated that failure is usually appeared based on improper or ineffective management. Hence, they claim the main *causes* of the failure are *management mistakes*, and *performance* indicators are the *symptoms* of probable failures. After reviewing some previous studies, which the author of the current research could not reach even the abstracts, and, stating that these give beneficial observations for the management of companies, Sharma and Mahajan proposed the following model that was adapted from (Argenti, 1976)

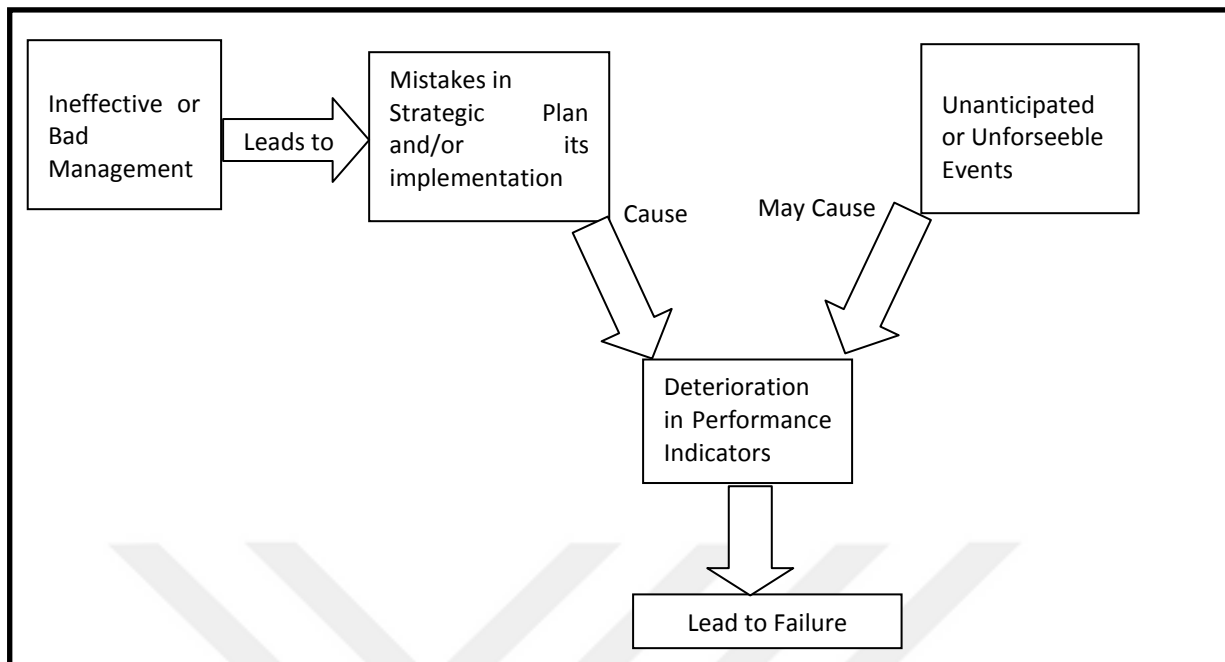


Figure 3.1: Failure Process Model

(Source: Sharma and Mahajan, 1980, p. 81)

The model suggests some managerial insights for the companies and also provides some financial information, and this can be used in order to control the overall performance of the company. Besides, it is also recommended for evaluating products and sales people, also. The authors propose that with the analysis of either the performance indicators or causes, failure can be predicted; knowing that the former do not give information about the causes of failure, and the latter can rely on judgements and bias of managers. The factors analysed are various and not same that shows the previous researchers used different sources or made observations not so relevant to each other. Furthermore, the authors propose that these studies do not tell whether the company should encounter just one or some of the failure factors in order to fail; and likewise, they do not give any suggestions if these factors should be analysed to prevent or predict the failure.

This model is probably one of the earliest models designed and presented, so it can be said that it triggered an important point of view by suggesting managerial effect into the business failure area. The author of the current research has evaluated the managerial side of the findings in order to stay in the scope of this study. For the financial side, he believes the validation of the analysis method should be confirmed by some further research.

Mellahi and Wilkinson (2004) made a study based on some critiques and review of previous research about organizational failure which is can be also used in order to define business failure when the organization refers to a company. Also, the authors express the connection organizational failure with organizational death, exit and bankruptcy.

They propose an integrative framework that is suggested in order to combine previous researches that carried out two different perspectives. The first one is named Deterministic View and connected with Industrial Organization (IO) and Organization Ecology (OE). Within this approach, it is claimed that the external industrial and environmental forces on companies has so strong effects that (McGahan and Porter, 1997), the control power on company management for failure is so limited. The second is Voluntaristic View and is related with Organizational Studies (OS) and Organizational Psychology (OP). This approach refuses that management does not have enough power, and on the contrary, assumes that managers are the main decision makers (Hambrick, Cho and Chen, 1996).

Under deterministic view, primarily, IO perspective expresses the incidents outside of the company cause the failure by some technological, regulatory or economic incidents (Scott, 1992). It has also three assumptions; primarily, external forces bring so much pressure that they trigger the failure. Secondly, the companies exist in the same categories have identical strategies and finally, the managerial people try to give their best effort for the company, so that the failure cannot be caused just by themselves. Besides, OE perspective proposes other companies and organizations have significant roles to lead the main company to failure or success. It has four assumptions; in the first place, about population density, that the life of the company relies on the total number of companies within the related market (Hannan and Freeman, 1988). The next one, industry life cycle (ILC) that suggests that failure is natural process (Balderston, 1972) and related with saturation of demand, stock running out and new technology developments. The third one is organization age that is also named by the liability of newness which “argues that, because it is harder to create new routines and effective management structures than to continue with an already established one, older firms with established routines and management structure have an advantage over younger ones” (Nelson and Winter 1982 cited in Mellahi and Wilkinson, 2004, p.25). And the last one is liability of smallness that suggests size is important and the

bigger has more advantageous compared to the small corporations such as attracting the talented employees, stronger access options to the required market needs.

On the other side, Voluntaristic view that is mentioned as OS/OP perspective, claims the people who decide on what to do inside the company is much more effective than the environments where the decisions are taken. Barmash (1973 cited in Mellahi and Wilkinson, 2004, p.28) states that “corporations are managed by men; and men, never forget, manage organizations to suit themselves. Thus corporate calamities are calamities created by men.” This perspective does not have a main theory but has a few sub-theories. The first one is Groupthink Theory (Janis, 1982 cited in Mellahi and Wilkinson, 2004, p.28) which argues that the desire for a full-agreement within a group may cause a-too-much united team that provides serious problems and miss of careful and objective decision taking. The other one is Upper Echelon Theory (Hambrick and Mason, 1984) proposes that the management teams’ specific characteristics have important effects on failure, particularly, composition (homogeneity) and succession. This study expresses that, other than in specific situations like crisis, there is strong body of research in literature that suggests heterogeneous teams and managerial successions provides more effective and positive performance for a company. The third one is Curse of Success Theory that suggests after some successful period, companies may have the tendency to turn the process as their routine and unwillingness to develop it (Kelly and Amburgey, 1991). Finally, the last theory connected with OS/OP perspective is Threat Rigidity Effect that proposes people, in pressured situations or crisis, have the tendency to act based on their core beliefs and to keep the current status continue (Staw , Sandelands and Dutton; 1981).

The main critique about IO/OS view is that it focuses on the external forces so much the inside factors are almost ignored. With contribution by focusing also on internal effects, the approach may increase its validity. On the other hand, the OS/OP perspective, although providing different points of views about failure factors, it requires an overall theory in order to coordinate the current sub-theories as, people who carries out this perspective in their researches, may come across with different conflicts and unorganized findings. Moreover, like IO/OS, OS/OP has too much focus on internal factors that this decreases its capacity to take care environmental issues.

The following figure is proposed as an integrative framework by the authors.

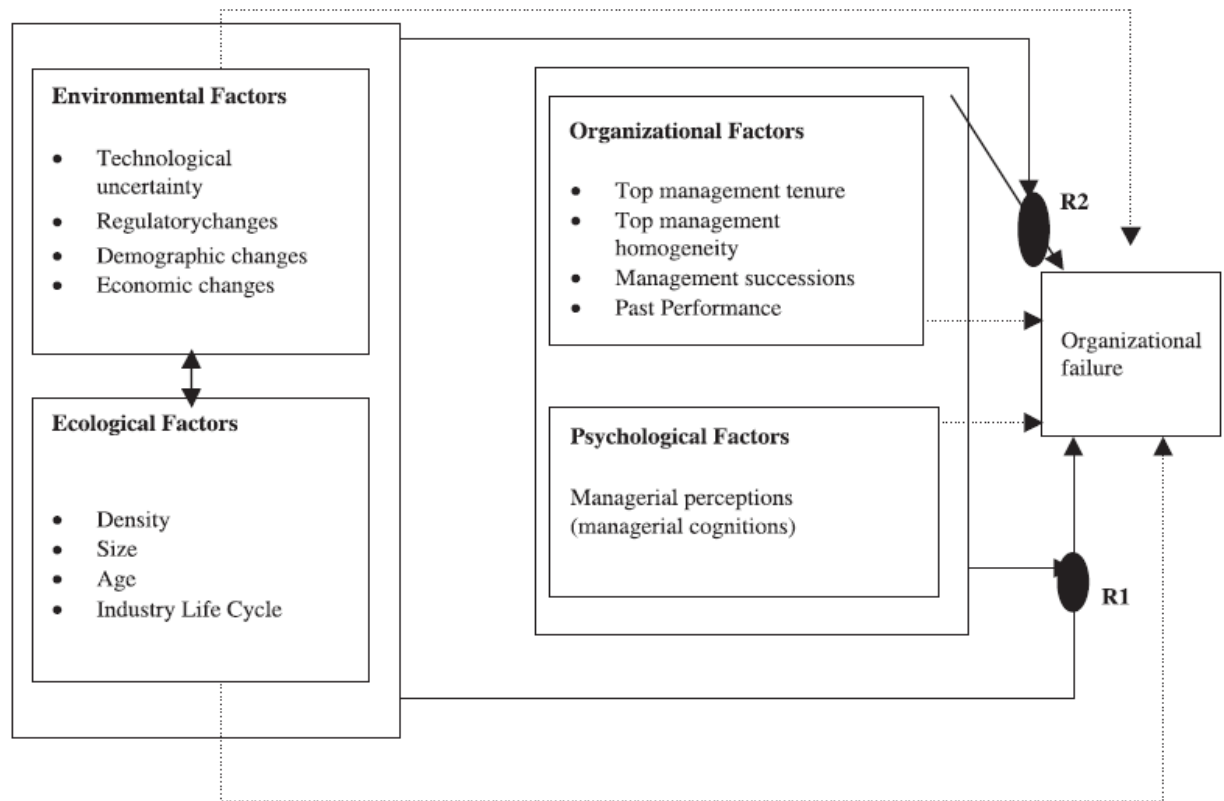


Figure 3.2: An integrative framework of determinants of organizational failure

(Source: Mellahi and Wilkinson, 2004, p.32)

So in this framework, the authors try to propose an integrated approach by showing the relationship between two approaches. The dotted lines on the bottom and top represent the single-view approaches as mentioned previously. The R1 and R2 correspond to the interactions between the internal and external features and the model claims the managerial actions do not alone cause business failure. Mellahi and Wilkinson propose that even if the companies have the same internal factors there will be different outcomes related to failure, based on the external situations and effects.

The author of the current study thinks that the model gives a better understanding related to business failure concept and the relations between internal and external factors related with, by expressing the interrelations among the environmental and organizational factors. On the other hand, it mentions very few specific factors cause to failure so it could have been defined more factors. It does not provide information to what extent each of the approaches has more and stronger effects on the other which is also mentioned by the owners of the model. The future questions suggested are

such as “Which organizational features cause failure in the face of changing circumstances, and under what specific circumstances?” and “Under which environmental circumstances and ecological factors do organizational factors increase the risk of failure?” (Mellahi and Wilkinson, 2004, p.33)

Lastly, Crutzen and Van Caillie (2008) conducted a study which is also a review about the previous business failure studies conducted since 1930s and the last one according to the literature review done by the author of this master thesis.

After defining the two main categories of the research area, the authors underline the lack of integrative model for the business failure studies. The approaches they mention are predictive and preventive which are deeply explained in the ‘Research Approaches on Business Failure’ section. Other than predictive approach that use statistical models, mainly concentrate on forecasting financial situation of the companies and that is excluded in this study because of the previously defined limitations (i.e. having narrow objective, not providing information about causes); the researchers’ main focus is on the preventive point of view that analyses the cause of business failures and the relations between the symptoms of failure deeper than the other.

Primarily, after defining the main characteristics of the perspectives such as; static or dynamic point of view contributions focus on early or last stages of failure, taking financial or organizational approaches, and the deductive or inductive methodology use in the researches; the authors define the limitations related to these characteristics that are also explained deeply in the same section named previously above. Considering the highly fragmented researches on the business failure prevention area and the existing gap in the previous literature, they proposed the following integrative model in an interpretative approach.

The following figure is proposed as an integrative model for the business failure process by the authors.

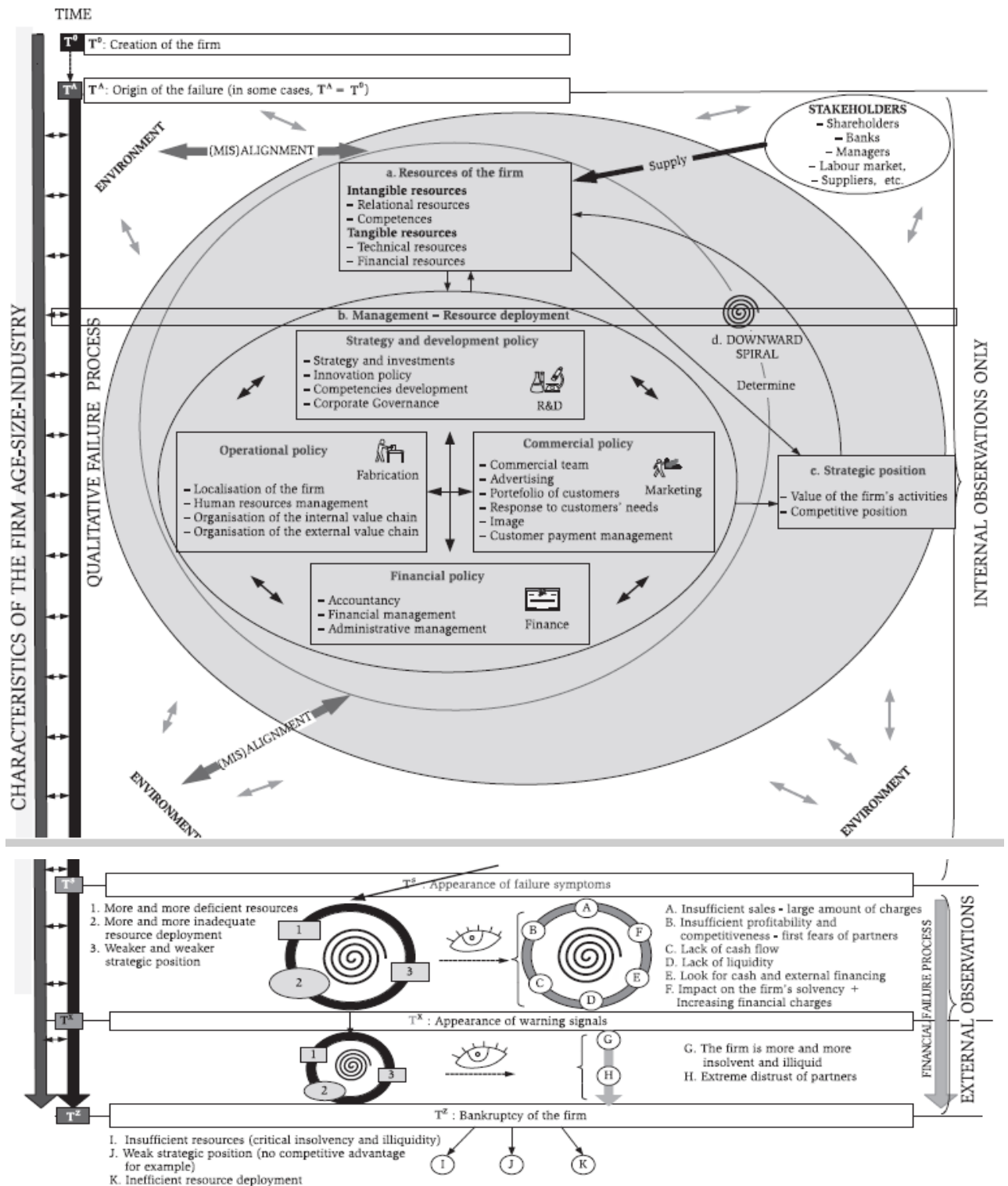


Figure 3.3: Integrative model of the business failure process

(Source: Crutzen and Van Caillie, 2008, p.32)

The claim in this model is that it integrates the business failure factors that are mentioned in the relevant literature. They express that the model is placed under resource-based view that suggests performance of companies are based their resources, capabilities and competitiveness (Thornhill and Amit, 2003). They also claim that it defines the interrelations with external environment. According to their model there are four different phases in order to encounter failure. The first one is named as the *Origin of Failure* (T^A) that has four different dimensions. Primarily, *point a* shows that the tangible or intangible resources of the company are so important that if they are not adequate somehow (i.e. not enough amount, not in required quality), this may be the initial stage of a probable failure. Besides, *point b* expresses that the management and deployment of resources within the organization are so crucial in order to operate and lead the company to the right direction in the market. The next one, *point c*, declares that the resources and their usage can have important effects sufficient, the company will not be able to keep its competitive position in a sustainable way. Finally, *point d* tells that if the company have all the previous incidents and does not take any corrective actions in order to fix them, it will enter a decline phase, “organizational downward spiral” (Argenti, 1976; Hambrick and D’Aveni, 1988; Thornhill and Amit, 2003; Crutzen and Van Caillie, 2008, p. 308). The next phase, *Appearance of Failure Symptoms* (T^S), proposes that the failure indicators begin to be recognisable by not only inside of the company, but also from outside. As the four dimensions in the T^A are getting worse, the indicators that are mainly financial (i.e. decreasing sales, profitability, cash flow), will be so clear to be seen by external people. Later on, in the *Appearance of Critical Warning Signals* (T^X) phase, the financial outcomes are so much worse than before such as the liquidity and solvency are low enough that the partners of the company begin to disbelieve in it. It may be said the company will go to bankruptcy in soon (Weitzel and Jonsson, 1989). Finally, the last phase is *Bankruptcy of the Firm* (T^Z) after all the phases defined.

Crutzen and Van Caillie (2008) suggest that this model connects the organizational and financial approaches in the business failure literature. Based on the management point of view, it may guide the stakeholders related with management (i.e. shareowners, managers) in dealing with potential failure of the company and its causes. They can have a better understanding about the subject which is so crucial for the life and strategies of a company.

However, this model has also some limitations that are suggested by the creators. As the model is suggested by excluding the predictive approach, it may be useful to investigate non-financial factors by using them in predictive models in the future researches. Besides, the transitions between the phases shall be more clarified in order to have a better understanding about the phenomena. And lastly, the model should be validated empirically with some future research.

The author of the current research thinks that the model can provide a comprehensive better understanding about the business failure phenomena for both the new coming researchers and the ones who presently deal with. However, it will be more valuable if the both financial and managerial business failure factors are integrated in a clear way to the model, so that the stakeholders, especially the management people will have better opportunities while giving decision on their companies and business strategy.

3.3.1 Conclusion about the models

Even these three models provide better understanding about business failure subject through business management, they do not give specific suggestions in order to detect business failure, the factors that cause failure and how to deal with those failure factors. They propose general pathways and the stages related with management teams before or while facing with failure, but they do not suggest how to detect specific failure factors before going into the business failure process and how to determine strategies against them. Because the purposes of this research are how to detect business failure through business management, the factors cause failure and how to deal with them; the author of the study has tried to find the specific causes and their indicators that take the company to failure. With this purpose, as the models do not make any specific suggestions; the business failure factors are also reviewed and investigated through previous studies and different online resources.

3.4 REVIEW OF BUSINESS FAILURE FACTORS

In the current section the main causes of the business failures will be presented. In order to detect business failure, it is obviously important that the causes, in other words, factors, should be clarified. When the factors are clear, dealing with business failure, or preventing them by taking some proactive actions or amending the improper incidents going on in within the organization can be easier for all the people related with that (Argenti, 1976; Sharma and Mahajan, 1980; Ma and Karri, 2005).

With this purpose, the factors that somehow cause corporations to fall in failure are searched. The relevant factors consist of some incidents and characteristics that are defined in business failure study area or expressed in practical experiences. This research has been made through the sources such as; journal articles, books, case studies, online interviews and relevant websites that focus on big companies and analyse what they have experienced before facing with failure in their business operations. Finding of authors throughout their researches, their observations and suggestions about the subject have been collected and presented.

Primarily, in their book *Corporate Management in Crisis*, Ross and Kami (1973) express how big corporations “have managed to mismanage” (p. 7) their business and reached failure. They analysed firms in different industries from USA such as; Chrysler (automobile), Lockheed (aerospace), Ling-Temco-Vought (primarily electronics then conglomerate), Penn Central (railroad) and some others. According to them, the companies they analysed were so good financially and powerful in their businesses that they were able to afford to have top management talent, however, based on mismanagement, they faced failure and their business declined. By analysing the failures of companies and the incidents happened, they also give suggestions in order to avoid failure.

Furthermore, based on reviewing the opinions of writers (i.e. Joel E. Ross, Michael J. Kami, Isodere Barmash and David Cohen) and experts (i.e. Ronald Leach, C.A. Thorn and G.W. Scarlett) on business failure of his time in his book, *Corporate Collapse*, Argenti (1976) proposes some failure factors that the companies should take care of on both financial and managerial aspects. He then analyses some company failures (Rolls-Royce and Penn Central) and gives some specific details of the incidents

according to the factors he defines. And finally, he gives some suggestions in order to turnaround the company that is facing failure.

Likewise, in his book named *Early Warning Indicators of Corporate Failure*, Morris (1997) gives a detailed explanation of business failure phenomenon and makes a deep, mainly based on financial point of view, analysis of the previous studies. But other than that, he also gives information about managerial point view in business failure area. After expressing some previous researches, theories and models (i.e. univariate, multivariate), he mentions some case studies and business failure factors related with management from some previous researchers. (Grinyers, Mayes and McKiernan, 1988; Clutterbuck and Kernaghan, 1990 cited in Morris, 1997, pp. 200-201). And then he proposes a list of causes (factors) that companies result in failure.

Besides, as mentioned in the previous section (3.3), Mellahi and Wilkinson (2004), while proposing a model on their review study is about organizational failure, also mention about a few specific failure factors.

Moreover, in their research Ma and Karri (2005) explore how the companies that are among the leading ones in their industries can lose their competitive advantages. After giving some examples from the firm failures, they make a deep analysis on Eastman Kodak in order to provide a better understanding what the causes are for the failure are for a big and successful corporation. They name the causes, as triggers, and categorize them into two main groups, such as internal and external, as shown in the following figure;

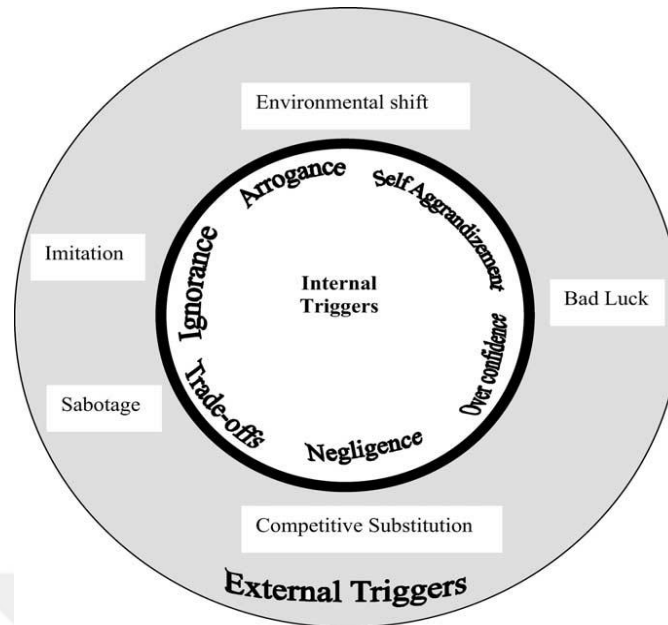


Figure 3.4: Triggers of business failure

(Source: Ma and Karri, 2005, p. 67)

Additionally, Probst and Raisch (2005), in their research, made a deep analysis of 100 biggest companies that failed the years between 2000 and 2005 that ended with a strong fall or bankruptcy in their business. Their two research questions are; why precisely do the organizations that for years were among the most successful and coveted get into difficulties so often?" and "Is there a common logic explaining these failures?" (Probst and Raisch, 2005, p 91) In the study, they suggested two main categories that cause failure; the Burnout Syndrome and the Premature Aging Syndrome. The former is based on high growth rate, highly visionary leadership and success-oriented company culture. And the latter is based on stationary growth, poor leadership, lack of success culture. They detail the two categories with specific characteristics of companies and propose some factors that cause companies to have failure.

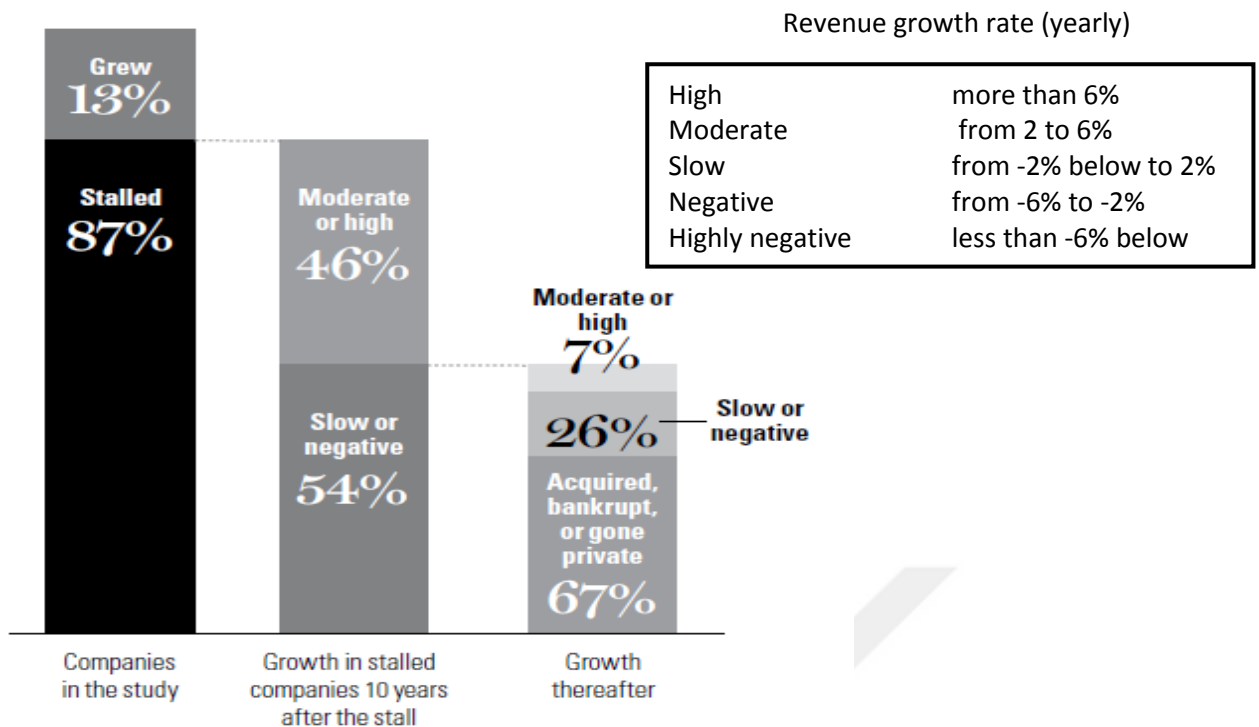
Moreover RHR International Company (2007), which operates on consultancy business and helps for development of executives to increase the effectiveness of both the company and the people, issued a paper named Top Management Failure: 7 Early Warning Signs, which actually published in 1982, for senior management level people about warning signs of failure related with top management of the companies. They

propose 7 specific early warning signs in order to avoiding the company from facing with serous failures.

Lastly, Olson and van Bever (2008) made a deep research and analysis about the leading companies and statistically figured out common business failure factors. The research is mainly based on all Fortune-100 (USA) firms (or similar size companies around the world) beginning from 1955, when the first record was published, till 2005. They proposed a method in order to analyze the companies and make statement over them. The detailed explanation of the method is given in their book (Olson and van Bever, 2008, pp.193-194) but briefly, their focus is the corporate revenue growth rates; in other words, within the purpose of the research, the significant decline in revenues of companies. Their reason to use this ratio is based on two things; they, firstly, think growth rate is the primary driver of the long term company performance and secondly; they believe there is a common sense tells that to make manipulation on the top-line over some period of time is really hard.

Focusing on the most significant difference between growth rates over some 20-year-period of time, they analyzed more than 500 companies' financial data, and they specified the most significant growth decline year as "*stall point*". As a result, they draw some conclusions such as; 87% of the Fortune-100 companies have come encounter declines in their growth rates, so have experienced failure. Almost half of these failed companies have made turnarounds and recovered themselves in the next ten years. Among the other half that could not recover immediately, 2/3 of the groups do not exist now, and only 7% recovered themselves until the year 2006. Another finding from the research is that it is not easy to realize that the decline in growth rate, specifically the stall point, is coming. They propose that financial data analysis or models to use for to measure the performance of the companies miss the most affective drivers (or factors) of stalls. The evidence of this proposition can be the following data; as on average among the companies analysed, the increase in growth rate one year before from the stall point is almost 14% and the average rate of that 2 years after decline is -1%.

The following figure expresses the statistics mentioned above;



(Source: Olson, Van Derek and Verry, 2008, p.12)

Figure 3.5: Growth Statistics of Fortune-100

After having those results, the authors have selected fifty ones as representative of the population that experienced failure from different industries and asked their executives and management about the reasons to have failure, searched deeper the published materials, case studies and etc and finally. They categorized what they have figured out as failure factors. Moreover they proposed some statistics on the factors that cause businesses fall into failure.

They mainly suggest two categories for those factors, such as uncontrollable ones that have 13% and out of management control so they are out of this study's scope [Regulatory actions (7%), Economic downturns (1%), Labour market inflexibility (1%), Geopolitical context (1%)]; and controllable one that have 87% and can somehow be controlled through managerial actions. The controllable factors that are related with business management divided into twelve main sub-groups.

All the mentioned factors that are reviewed in the literature are presented in the following tables according to dates they published.

Table 3-1: Business Failure Factors-1

<u>Ross and Kami, 1973</u>	<u>Argenti, 1976</u>	<u>Grinyers, Mayes and McKiernan, 1988</u>	<u>Clutterbuck and Kernaghan, 1990</u>
Slow reaction to technological changes in the market	One man rule (managing with autocratic leadership profile)	Competitive pressure	Inexperienced management
One man rule (managing with autocratic leadership profile)	Unbalanced top team (Not having enough range of skills and background for critical decisions)	Poor marketing	Lack of strategy
The inactive board (not taking enough responsibility)	Non-participating board (not taking enough responsibility)	Poor quality of product	Poor understanding of the market
Underestimating customer needs and preferences	Lack of management depth (not having enough middle management ability)	Poor management	Over-reliance on one kind of product or customer
Over centralization and lack of delegation (not giving enough responsibility)	Having the Chairman and CEO as the same person		Obsolete technology
Poor communication (throughout the company, downward and upward)	Improper respond to change in the market and industry (i.e. competitive trends, economic changes, change in the society or in technology)		
Refusing suggestion or ideas of others (especially from lower positions)	Over dependence on small number of customers		
Putting so much pressure on employees			
Over diversification of business (entering so many business at the same time)			
Lack of customer service (not providing good quality of service during or after sales)			
Ignoring the need for change in the structure of organization			

Table 3-2: Business Failure Factors-2

<u>Morris, 1997</u>	<u>Mellahi and Wilkinson, 2004</u>	<u>Ma and Karri, 2005</u>
Small size of company	Management long tenure and lack of successions	Ignorance: Firm's management can ignore the unique resources and drivers for the success of the company, so lack of knowledge of them may lead the firm open to threats of competitors.
Narrow concentration of ownership (dominant executive control, related with autocracy)	Management homogeneity	Negligence: The management may know the competitive advantages of the company and what is behind it, but they may not be careful enough to align them with emerging opportunities.
Lack of diversification (Engaging in one type of activity in the business)	Over-confidence and arrogance (based on past successes)	Arrogance: It may causes complacency and the company may have blind spots to the threats in the competitive market.
Inability to compete with rivals	Conservative behaviours of people	Over-confidence: Especially after getting some significant success, having a wrong sense of confidence that will result with less focus on strategy and future plans.
Slow reaction to changes in the economic environment		Self-aggrandizement: Exaggerating the results, specifically grand success, that will end with loss of focus and indecisive actions which manly cause failure.
Lack of investment and product innovation (due to lack of capital or interest, vision)		Trade-offs: Dismissing the current competitive advantage in order to have others.
Unsuccessful acquisitions strategy (wrong acquisitions based on wrong estimations)		Environmental shift: Changes such as in the society, technology or regulations.
Under trading (not maintaining the volume of sales)		
Over trading (growing too rapid that results in loss of control)		
Industry in decline (a general incident, i.e. recession, compete with firms based abroad)		
A major strike (due to reasons that are out of control of company)		

Table 3-3: Business Failure Factors-3

<u>Probst and Raisch, 2005</u>	<u>RHR International, 2007</u>	<u>Olson and van Bever, 2008</u>
Excessive Growth	Lack of clear direction (lack of overall mission and vision)	Premium Position Captivity (23%): Failure or inability to change methods to give response to a new coming low-cost competitor or changing customer choices
Uncontrolled Change	Failure to meet the challenges of growth (i.e. more professional teams, efficient use of resources)	Innovation Management Breakdown (13%): Failure to get the required returns from new products and services.
Autocratic Leadership	Complacency (i.e. asking fewer questions, being so proud of previous success, rejection on criticism)	Premature Core Abandonment (10%): Failing to take benefits of existing chances in core business.
Excessive Success Culture	Excessive change (often organizational changes, loss of control and identity)	Failed Acquisitions (7%)
Stagnating Growth	Living with poor performance (not having emotions for success)	Key Customer Dependency (6%)
Tentative Change	Lack of delegation (Lack of clarity about roles and responsibilities)	Conglomeration (5%): Overabundance of initiatives ending with undesired results
Weak Leadership	Poor communication (infrequent meetings, preventing people from declaring problems)	Adjacency Failures (4%): Failing to expand revenue by entering competitive adjacent markets
Lacking a Success Culture		Voluntary Growth Slowdown (2%): Management decision to slow top-line growth revenue growth, mainly based on shareholder pressure.
		Talent Bench Shortfall (9%): Lack of sufficient leaders and staff with required skills
		Board Inaction (4%): Passive board that don't lead CEO when required.
		Organization Design (2%): Structural design that cause slow response and limits strategic thinking ability.
		Incorrect Performance Metrics (2%): Focusing on wrong outcomes or indicators

3.4.1 Conclusion about business failure factors

The business failure factors based on business management presented in the tables are gathered from 10 different published resources. The reason why any other sources are not mentioned in the current research is based on the belief that sufficient number of resources has been investigated. As the resources are investigated other than the presented ones, it is observed that the business failure factors through business management are repeated. As a result, the author has the opinion that the factors faced with are sufficient.

As it is seen from the business failure factor tables; in different researches and case studies, the researchers figured out more than 70 factors that cause business failures somehow. Among them, some are out of control of management, such as regulatory issues, politic or general labour crisis, so in this research they are omitted. Some of them are the similar with different words used such as, unbalanced top team and management homogeneity. Besides, some others have interrelations that mean these factors, together, cause the business face with failure, such as over-diversification and adjacency failure

Based on these, the factors are reduced and categorized under 14 main different factors that cause companies encounter failure in their businesses. These interpreted factors are the following ones; Overconfidence and Complacency, Poor Innovation Management, Premature Abandonment of Core Business, Failed Acquisitions, Key Customer Dependency, Over-diversification and adjacency, Voluntary Growth Slowdown, Inability to access to proper talent, Board Inaction, Strict Organizational Design, Incorrect Performance Metrics, Lack of delegation, Poor communication, Poor customer service

Some categories of business failure factors are selected directly from the previous researches, because they are unique or include some other business failure causes. Some others are determined with changes in the names. As a result, the following factors are synthesised by interpretation according to the figured out factors in the previous chapter. They are mainly synthesised based on the categories that Olson and van Bever (2008) defined in their research and wrote in their book, *Stall Points*.

4. EMPIRICAL RESEARCH

This chapter will introduce the findings that are interpreted from literature review, and will present the questionnaire that is prepared through those findings. After making analysis of the questionnaire results, suggestions to deal with them will be provided based on the most significant failure factors, with feedback from experienced managerial people.

4.1 CATEGORIES of BUSINESS FAILURE FACTORS

In this study, the first research question is “What are the Business management factors behind business failure?”. These factors become visible after the management give wrong decisions or if they do not take any effective actions for some period of time (Ross and Kami, 1973; Mellahi and Wilkinson, 2004; Olson and van Bever, 2008). As they may have serious impacts on strategies of companies (Weitzel and Jonsson, 1989), in this study the failure factors related to business management are the main focus. In order to determine them, the findings from literature review will be used. The findings presented in the previous chapter consist of qualitative data and interpretative synthesis is a common way to use and analyse that kind of data (Rousseau, Manning and Denyer, 2008).

Previously mentioned in methodology part, data display and analysis method will be used to analyze the findings. Primarily, these factors will be reduced under main categories based on their relations in order to simplify the phenomena and have a better understanding. After checking their definitions and analysed related case studies in published resources; based on their meanings and researchers’ explanations, business failure factors are grouped under 14 different categories in this research.

The following definitions are presented to provide a better understanding while analysing the results of the questionnaire. The brief definitions are also proposed with the questionnaire to help respondents to understand the same thing while answering the questionnaire.

1. **Overconfidence and Complacency:** This can be summarized as the inability to recognize the need to change strategies in order to response to a sudden arrival of low-cost competitor or consumer choices changes. Especially after having some successful periods or completing some difficult and challenging projects with success; companies may encounter this, and they may make wrong assumptions about their success and situation by exaggerating the willing of customers to purchase their products and services as they tend to buy them “forever” because of loyalty for the company or by ignoring the new comers into the market and thinking the company is so strong by different aspect that the new ones will never be able to compete seriously (Ross and Kami, 1973; Argenti, 1976; Ma and Karri, 2005).
2. **Poor Innovation Management:** This factor can be defined as ineffective management of the new products, services or technology launch. When the activities behind innovation process are managed in wrong ways, this may affect the whole steps of new launches and related process. So, management decisions can weaken innovative advantages of the company. It can be results of different actions such as; cutting funding for R&D, over-decentralization of R&D that may provide over-allocation of resources, or paying too much attention on areas other than core one. (Morris, 1997; Olson and van Bever, 2008).
3. **Premature Abandonment of Core Business:** The factor actually can be defined as failing to seize the available or promising growth chances of ongoing business and instead going to non-core business. Business failure within this factor is generally caused by acquisitions or growth initiatives in different areas comparatively far from the current business by negligence for growth opportunities in the core business (Olson and van Bever, 2008).
4. **Failed Acquisitions:** This factor is shortly explained as failing to integrate the businesses or achieve synergies. The business failures encountered because of this factor, are generally based on wrong assumptions related to improper reports and market researches (Morris, 1997; Sirower, 1997; Probst and Raisch, 2005).
5. **Key Customer Dependency:** The factor is defined by inability to transform the revenue stream channels according to the new or potential changes in the market or depending on the strategies of specific customers. By doing this, the independence of the company goes to a very critical level and all the future can be

dependent on one or a few particular customers that is so risky (Argenti, 1976; Morris, 1997; Olson and van Bever, 2008).

6. **Over-diversification and adjacency**: This factor can be summarized as over-diversification; taking so many strategic initiatives with high efforts and getting weak results. The management take critical decisions to extend the business in different areas, close to the core business or a new industry. Even the competitive criteria are different in the new business, because these new dynamics are not analysed properly, the desired return of investment cannot be reached (Ross and Kami, 1973; Morris, 1997; Olson and van Bever, 2008).
7. **Voluntary Growth Slowdown**: This factor is executive team's serious choice to take a revenue growth time-out in order to pursue shareholder returns. It is mainly based on short-term performance pressures by shareholders in order to get the benefit of profits earned. The result is losing the competitive advantage and momentum of the company (Olson and van Bever, 2008).
8. **Inability to access to proper talent**: It can be defined as not having the required management people and staff with the necessary skills and competences to carry out the strategy properly. Even this is actually related with Human Resources Department, the management also has important affect. Depending on some particular people, not providing competitive benefits and salaries within the market, or having narrow experienced people are some reasons behind this failure factor. As a result, the company, even has the competitive technology and financial strength, because of not having talented people, will face the business falling into failed situation (Argenti, 1976; Morris, 1997; Ma and Karri, 2005; Olson and van Bever, 2008).
9. **Board Inaction**: It is the failure of board of directors to redirect or replace CEO when clear signs of improper growth strategies are present or at an initial stage. This is generally based on lack of expertise, interest and emotion for the subjects that are important to discuss in order to lead the CEO when required. When they don't participate properly, there will be lack of authority in the board (Ross and Kami, 1973; Argenti, 1976; Probst and Raisch, 2005; Olson and van Bever, 2008).

10. **Strict Organizational Design:** This factor can be expressed as having such an enterprise structure that inhibits competitiveness by delaying responses or restricting different (strategic) ideas. This may be based on over-decentralization that will result in late responding to a newly encountered situation or problem and/or complicated decision and suggestion making structures that will prevent to share ideas. (Ross and Kami, 1973; Morris, 1997; Olson and van Bever, 2008).
11. **Incorrect Performance Metrics:** It is defined by targeting wrong results (financial) and/or performance indicators in order to follow the growth plans. When the management fail to review or ,if required, even change the performance metrics, based on the market dynamics changes, this may cause to lose the competitive advantage and unneeded compete inside the company within the employees (Probst and Raisch, 2005; Olson and van Bever, 2008).
12. **Poor communication:** This can be expressed as poor communication based on several reasons, such as mistrust, lack of confidence or conflicts among employees. That is caused by the atmosphere lead by management such as promoting highly competitive performance metrics or uncomfortable working conditions. (Ross and Kami, 1973; Probst and Raisch, 2005)
13. **Poor customer service:** This factor can be defined as not providing enough support before or after sales and reducing reputation. As customers pay attention not only on the quality of the product or service they purchased, but also on the approach and behaviours they have met beginning with the contact with company and continue with the channels they are offered to give feedback or to complain. (Ross and Kami, 1973; Morris, 1997). As the usage of social media increases, the voice of mouth has stronger affect in the community on reputation of companies. So, ignoring or failing to manage this may result in failure of company.
14. **Lack of delegation:** This last factor is defined as not sharing required responsibilities between people and having lack of clarity about roles and responsibilities throughout company because of autocratic leadership. As this is based on delegating responsibility and roles, the management is totally behind it. When the decision-making procedure and approval of actions required re too strictly ruled, the responses needed to be taken in highly competitive market conditions are poorly given, so it results with employees who don't want to take

initiative and are without emotion for the job. This is the way leading to failure. (Ross and Kami, 1973; Argenti, 1976; Morris, 1997).

Even some of them have interrelated affects on business failure; each of the factors has their own unique effect and cause that push companies into different situations that result in failure. All of them can be observed in any company, when the management teams (not just top management but also middle management level) have given some deliberate decisions and/or don't make any action regarding to particular area; generally based on lack of information and knowledge. In the next section, among these failure factors the most affective ones will be figured out.

4.2 FURTHER DATA COLLECTION by QUESTIONNAIRE

Within the purpose of the study, the second research question is "What are the most significant ones among these factors?". So, in this part, the aim is to gather information about the most significant factors by obtaining feedback with scientific support in order to answer the current research question. The factors defined in the previous chapter and the ones selected in the previous section are interpreted by researchers and they are qualitative data. In order to determine the most significant ones, a questionnaire is asked to respondents.

This questionnaire is conducted under a descriptive approach as it is used to obtain information about what the most significant of the business failure factors are. It is, based on the personal and professional experience of managerial people who work in big corporations and their interpretations. It consists of both scale questions and free text section. The type of the questionnaire is chosen as self-administered and delivery and collection style. It is internet based as sending directly to personal e-mails can provide greater control as the respondents receive the questionnaire through commonly their personal computer and answer them individually (Jones, 1999).

Primarily, the factors are presented in the questionnaire with their definitions in order to provide the same meanings for all the respondents and they are asked to choose 5 factors that they think the most significant among them. The factors are presented as in the following table;

Table 4-1: Business failure factors used in the questionnaire

No	Factor	Definition
1	Overconfidence and Complacency	Inability to recognize the need to change strategies in order to response to a sudden arrival of low-cost competitor or consumer choices changes
2	Poor Innovation Management	Ineffective management of the new products, services or technology launch
3	Premature Abandonment of Core Business	Failing to seize the available or promising growth chances of ongoing business and instead going to non-core business
4	Failed Acquisitions	Failing to integrate the businesses or achieve synergies
5	Key Customer Dependency	Inability to transform the revenue stream channels according to the new or potential changes in the market or depending on the strategies of specific customers
6	Overdiversification and adjacency	Over-diversification; taking so many strategic initiatives with high efforts and getting weak results
7	Voluntary Growth Slowdown	Executive team's serious choice to take a revenue growth time-out in order to pursue shareholder returns
8	Inability to access to proper talent	Not having the required management people and staff with the necessary skills and competences to carry out the strategy properly
9	Board Inaction	Failure of Board of directors to redirect or replace CEO when clear signs of improper growth strategies are present or at an initial stage
10	Strict Organizational Design	Having such an enterprise structure that inhibits competitiveness by delaying responses or restricting different (strategic) ideas
11	Incorrect Performance Metrics	Targeting wrong results (financial) and/or performance indicators in order to follow the growth plans
12	Poor communication	Poor communication (based on several reasons, i.e., mistrust, lack of confidence among employees, conflicts)
13	Poor customer service	Not providing enough support before or after sales and reducing reputation
14	Lack of delegation	Not sharing required responsibilities between people and having lack of clarity about roles and responsibilities throughout company because of Autocratic Leadership

The purpose behind asking the top 5 significant factors is based on the previous research of Olson and van Bever (2008). In their research the 4 significant defined business failure factors correspond to 55 per cent among all and to 62 per cent among the factors controllable by management. So, in the current research, focusing on the most significant 5 one has two reasons; firstly, as narrowing our scope to the most affective factors and try to find ways to deal with them; and secondly; to see if the managerial people promote some of the factors than others. As a result, in this part, the respondents can only choose 5 ones among the whole 14 business failure factors.

The second question is about the industry or business they work in. It is *“What is your industry or business?”*. This would give some more feedback, such as if the most significant factors change based on the industry or not. As experience or thoughts of people in FMCG industry for end customers can be different than other industries such as finance and information technology.

The questionnaire ends with a free-text question for the respondents as they will feel free to add any other comments or information about business failure factors, based on their local experience and by focusing on specific conditions of the countries they work in or they live in. The exact question is *“What do you think for which reason(s) the companies generally fail in your country? Please, also specify your country. (Please give your personal opinion)”*

The original image of the questionnaire is presented in the following figure, and it can be also accessed through the following link;

https://docs.google.com/forms/d/1eFJl1_pRFjIz-hU6ZYx8t3EVO-RJn0XaPhic0y1OQSk/viewform







International Master in Industrial Management

MASTER THESIS QUESTIONNAIRE

Business Failure Factors through Business Management

Please choose 5 of the following factors, according to their significant effects on business failure?

Note: Just choose the 5 that you think are the most important.

***Required**

Business Failure Factors

- ☐ 1-Overconfidence and Complacency (Inability recognize the need to change strategies in order to response to a sudden arrival of low-cost competitor or consumer choices changes)
- ☐ 2-Poor Innovation Management (Ineffective management of the new products, services or technology launch)
- ☐ 3-Premature Abandonment of Core Business (Failing to seize the available or promising growth chances of ongoing business and instead going to non-core business)
- ☐ 4-Failed Acquisitions (Failing to integrate the businesses or achieve synergies)
- ☐ 5-Key Customer Dependency (Inability to transform the revenue stream channels according to the new or potential changes in the market or depending on the strategies of specific customers)
- ☐ 6-Overdiversification and adjacency (Overdiversification; taking so many strategic initiatives with high efforts and getting weak results)
- ☐ 7-Voluntary Growth Slowdown (Executive team's serious choice to take a revenue growth time-out in order to pursue shareholder returns)
- ☐ 8-Inability to access to proper talent (Not having the required management people and staff with the necessary skills and competences to carry out the strategy properly)
- ☐ 9-Board Inaction (Failure of Board of directors to redirect or replace CEO when clear signs of improper growth strategies are present or at an initial stage)
- ☐ 10-Strict Organizational Design (Having such an enterprise structure that inhibits competitiveness by delaying responses or restricting different (strategic) ideas)
- ☐ 11-Incorrect Performance Metrics (Targeting wrong results (financial) and/or performance indicators in order to follow the growth plans)
- ☐ 12-Poor communication (Poor communication (based on several reasons, i.e, mistrust, lack of confidence among employees, conflicts))
- ☐ 13-Poor customer service (Not providing enough support before or after sales and reducing reputation)
- ☐ 14-Lack of delegation (Not sharing required responsibilities between people and having lack of clarity about roles and responsibilities throughout company because of Autocratic Leadership)

2-What is your industry or business? *

3-What do you think for which reason(s) the companies generally fail in your country? Please, also specify your country.
(Please give your personal opinion)

Submit

Figure 4.1: Questionnaire live image

This questionnaire was sent to more than 100 professional people by e-mails who work in different managerial positions in big corporations and in governmental institutions that coordinate investments of private sector. The respondents were selected according to their companies and they were accessed by professional networks such as LinkedIn and Union of Chambers of Turkish Engineers and Architects. Moreover, as the author of the research has professional work experience, he has contacted his old colleagues and through them some other professionals, also. These people are from different industries (i.e. FMCG, Public Institutions, Chemistry, Information Technology (IT) etc.) and have different professions (i.e. Research and Development Manager, Project Manager, Procurement Director, Quality Director etc.) The list of the industries and professions are presented in details in Annex Section. The respondents were also asked to share this questionnaire with a few people that they know and work in managerial positions also.

As a total, the prediction for the number of people that the questionnaire reached is guessed 200 (on average, if each person shared it with 1 more person). According to Baruch (1999) the response rate around 35 per cent for academic studies related with management and organisation is quite acceptable. Moreover, Hogg, Tanis and Zimmerman (2015) say that in statistics when the number of responses is greater than 25 or 30, it is reasonable to make comments on. The number of responses for the questionnaire is 80 so the response rate is around 40 per cent. (80/200)

The leading industry among the respondents is FMCG with 37 answers (46%); the country where the people work mostly at is Turkey with 59 answers (74%). According to the responds the most significant 5 factor are Inability to access to proper talent, Poor communication, Lack of delegation, Poor Innovation Management and Overconfidence and Complacency.

Table 4-2: Business failure factors questionnaire results

	Business Failure Factors	Frequency	Selection %	Single %	Cumulative %
1	Inability to access to proper talent	54	67,5%	13,5%	13,5%
2	Poor communication	47	58,8%	11,8%	25,3%
3	Lack of delegation	45	56,3%	11,3%	36,5%
4	Poor Innovation Management	44	55,0%	11,0%	47,5%
5	Overconfidence and Complacency	41	51,3%	10,3%	57,8%
6	Poor customer service	34	42,5%	8,5%	66,3%
7	Strict Organizational Design	33	41,3%	8,3%	74,5%
8	Key Customer Dependency	25	31,3%	6,3%	80,8%
9	Incorrect Performance Metrics	19	23,8%	4,8%	85,5%
10	Overdiversification and adjacency	18	22,5%	4,5%	90,0%
11	Board Inaction	17	20,0%	4,0%	94,3%
12	Failed Acquisitions	16	21,3%	4,3%	98,3%
13	Premature Abandonment of Core Business	5	6,3%	1,3%	99,5%
14	Voluntary Growth Slowdown	2	2,5%	0,5%	100,00%
		80, Total responses		Over 400 choices	

Frequency: This value shows the number of respondents who express this factor in their answers to the questionnaire. (i.e. Poor communication is chosen by 47 respondents over 80.)

Selection %: The data expresses the percentage that tells how much the specific factor is chosen by overall respondents. (i.e. Poor innovation management is chosen by 55 per cent of the whole respondents)

Single %: This value presents the percentage which expresses how much the specific factor is chosen among the overall options which is 400 for 80 responses, as each of them consists of 5 different factors. (i.e. Lack of delegation is chosen 11,3 by per cent among the whole 400 options selected by 80 respondents)

Cumulative %: The data show the cumulative percentage of the factors (i.e. The sum of percentage of the first 5 factor chosen are 57,8 per cent)

4.3 ANALYSIS

In this chapter some detailed analysis with the findings from the previous part and feedbacks related to the questionnaire are presented. Then the last question of the research “How can we detect these factors and what are the appropriate ways or strategies to deal with them?” will be answered with some suggestions.

4.3.1 Analysis

In the questionnaire, to select the 5 most significant factors were asked to the respondents. As it can be seen from Table 4.2, there are five different factors that are chosen by the more than half of the participants (57,8%). Besides, these 5 factors also have the single percentages more than 10% in the overall responds. So, these five factors are selected to focus on in order to recommend indicators to observe to detect the failure factors and to give suggestions and strategies for how to deal with them. The results will be displayed by Pareto Analysis Charts.

Before going into details of these 5 factors, it would be better to show the reliability of the questionnaire. As the responds from Turkey (with 74%) on country based and from FMCG Industry (46%) on industry based have significant affects on the results, the results without these responds will be compared with the total results in order to see if the chosen factors are different without these dominant participant answers.

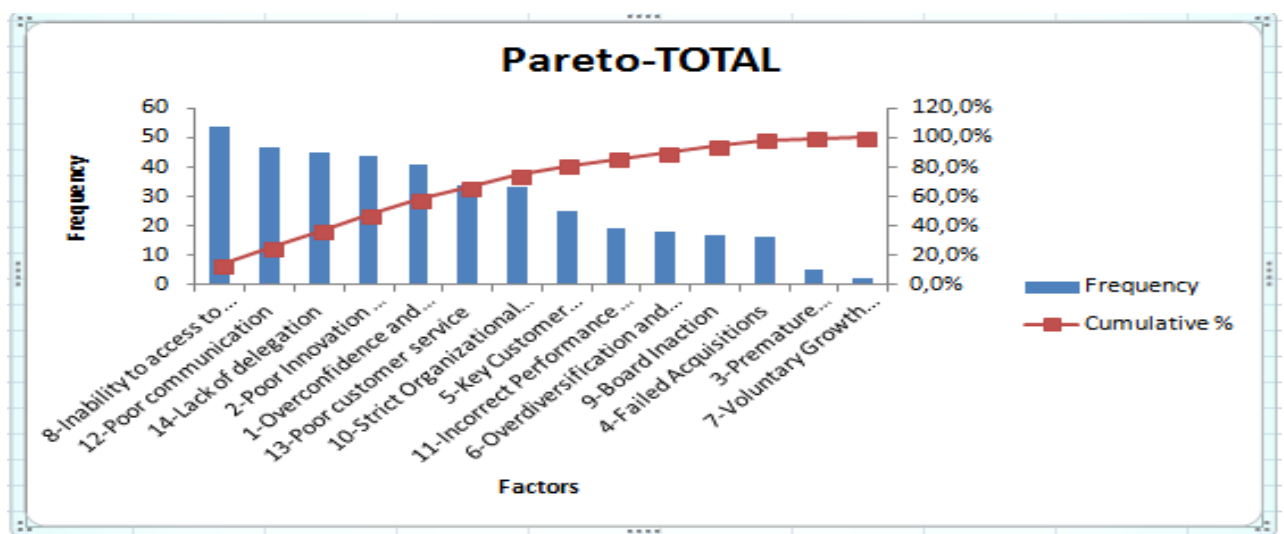


Figure 4.2 Questionnaire Results in Pareto Chart (Total Results- 80 responds)

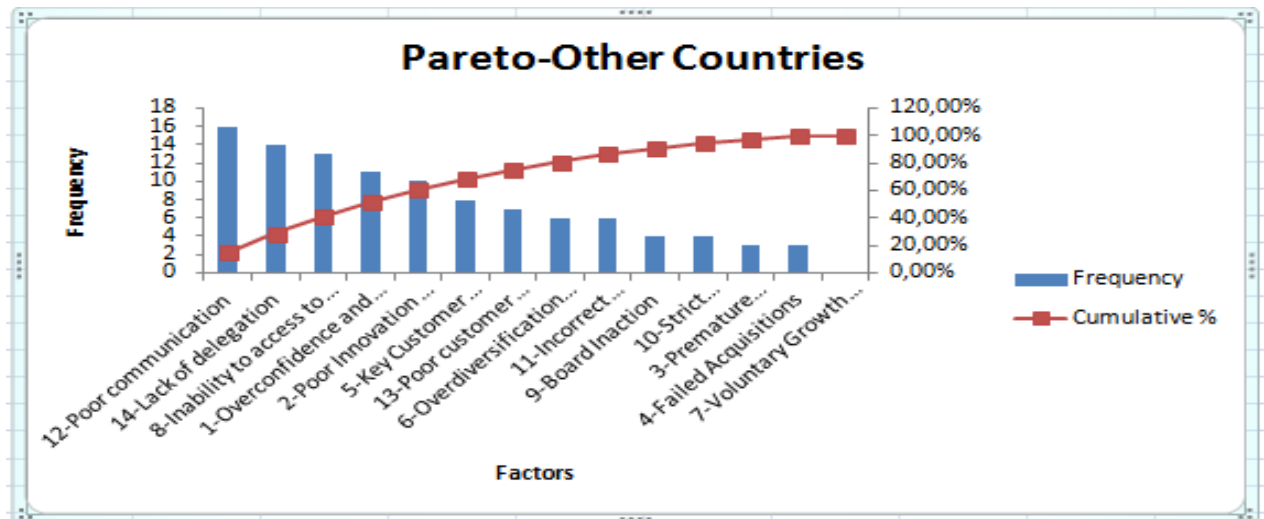


Figure 4.3 Questionnaire Results in Pareto Chart (Without Turkey-21 responds)

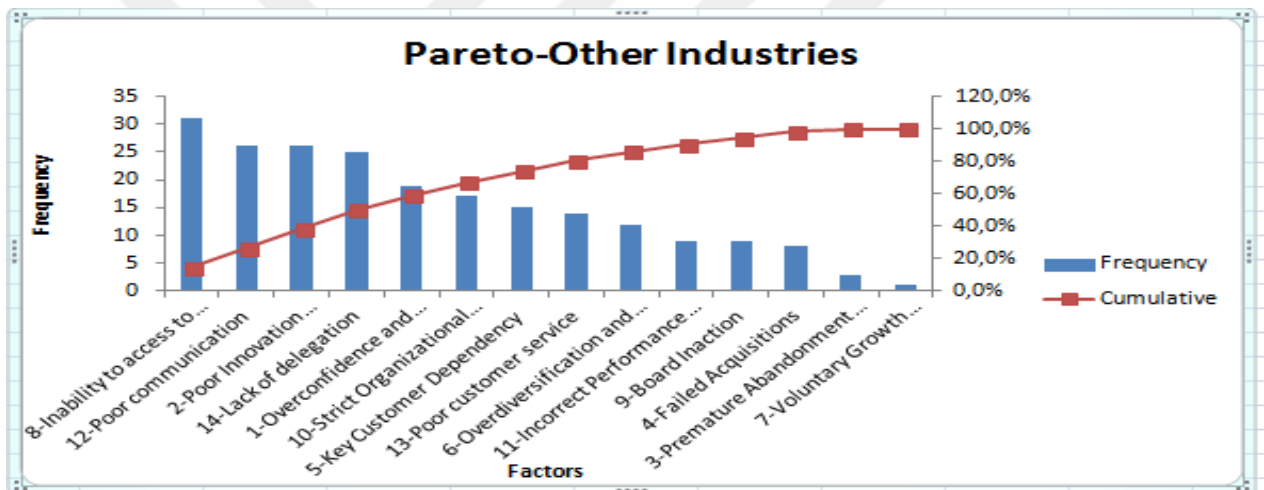


Figure 4.4 Questionnaire Results in Pareto Chart (Without FMCG Industry-43 responds)

From the Pareto charts, it is observed that the common top five business failure factors are the same with different percentages (Inability to access to proper talent, Poor communication, Lack of delegation, Poor Innovation Management and Overconfidence and Complacency). This shows that even without the dominant respondents such from Turkey and FMCG Industry

The numerical values are also presented in the following tables to increase the understanding for the comparison.

Table 4-3: Questionnaire results for failure factors (Total- 80 responds)

Business Failure Factors	Frequency	Selection %	Single %	Cumulative %
8-Inability to access to proper talent	54	67,5%	13,5%	13,5%
12-Poor communication	47	58,8%	11,8%	25,3%
14-Lack of delegation	45	56,3%	11,3%	36,5%
2-Poor Innovation Management	44	55,0%	11,0%	47,5%
1-Overconfidence and Complacency	41	51,3%	10,3%	57,8%
13-Poor customer service	34	42,5%	8,5%	66,3%
10-Strict Organizational Design	33	41,3%	8,3%	74,5%
5-Key Customer Dependency	25	31,3%	6,3%	80,8%
11-Incorrect Performance Metrics	19	23,8%	4,8%	85,5%
6-Overdiversification and adjacency	18	22,5%	4,5%	90,0%
9-Board Inaction	17	20,0%	4,0%	94,3%
4-Failed Acquisitions	16	21,3%	4,3%	98,3%
3-Premature Abandonment of Core Business	5	6,3%	1,3%	99,5%
7-Voluntary Growth Slowdown	2	2,5%	0,5%	100,00%

Table 4-4: Questionnaire results for failure factors (Without Turkey-21 responds)

	Frequency	Selection %	Single %	Cumulative %
12-Poor communication	16	76,2%	15,2%	15,24%
14-Lack of delegation	14	66,7%	13,3%	28,57%
8-Inability to access to proper talent	13	61,9%	12,4%	40,95%
1-Overconfidence and Complacency	11	52,4%	10,5%	51,43%
2-Poor Innovation Management	10	47,6%	9,5%	60,95%
5-Key Customer Dependency	8	38,1%	7,6%	68,57%
13-Poor customer service	7	33,3%	6,7%	75,24%
6-Overdiversification and adjacency	6	28,6%	5,7%	80,95%
11-Incorrect Performance Metrics	6	28,6%	5,7%	86,67%
9-Board Inaction	4	19,0%	3,8%	90,48%
10-Strict Organizational Design	4	19,0%	3,8%	94,29%
3-Premature Abandonment of Core Business	3	14,3%	2,9%	97,14%
4-Failed Acquisitions	3	14,3%	2,9%	100,00%
7-Voluntary Growth Slowdown	0	0,0%	0,0%	100,00%

Table 4-5: Questionnaire results for failure factors (Without FMCG Industry-43 responds)

	Frequency	Selection %	Single %	Cumulative %
8-Inability to access to proper talent	31	72,1%	14,4%	14,4%
12-Poor communication	26	60,5%	12,1%	26,5%
2-Poor Innovation Management	26	60,5%	12,1%	38,6%
14-Lack of delegation	25	58,1%	11,6%	50,2%
1-Overconfidence and Complacency	19	44,2%	8,8%	59,07%
10-Strict Organizational Design	17	39,5%	7,9%	67,0%
5-Key Customer Dependency	15	34,9%	7,0%	74,0%
13-Poor customer service	14	32,6%	6,5%	80,5%
6-Overdiversification and adjacency	12	27,9%	5,6%	86,0%
11-Incorrect Performance Metrics	9	20,9%	4,2%	90,2%
9-Board Inaction	9	20,9%	4,2%	94,4%
4-Failed Acquisitions	8	18,6%	3,7%	98,1%
3-Premature Abandonment of Core Business	3	7,0%	1,4%	99,5%
7-Voluntary Growth Slowdown	1	2,3%	0,5%	100,0%

With the results of the questionnaire, it can be claimed that the questionnaire is reliable, so the chosen top 5 business failure factors are the most significant ones among the whole 14 factors according to the people who work in managerial positions in different industrial big corporations and public institutions. And to increase validity the factors gathered from 8 different research based sources, and asked to people in managerial positions from 15 different industries and 7 different countries. And lastly, even the main purpose is not to make a generalisation under the used approach (Collis and Hussey, 2014), the author of this research suggests that the results should be compared with business failures of SMEs also in order to confirm its generalisability.

4.3.2 Conclusions from Questionnaire Analysis

With the responses obtained from different industries and countries the most significant business failure factors are determined. Now the last question “How can we detect these factors and what are the appropriate ways or strategies to deal with them” can be answered with some personal experience and observations.

Each business failure factor, for sure, has some indicators (or symptoms) that can be detected if the factor is analysis deeply. These symptoms can be different from company to company. In the following table some of them declared in the following table are obtained by personal professional experience and through some short discussions with thesis tutor, some expats, and colleagues in different master programs, besides, taken from literature review (Olson and van Bever, 2008; Morris, 1997; Ross & Kami,1973). Based on these symptoms, some activities and strategies are suggested for the management teams; as they are the main part of the causes by taking wrong decisions or without taking any actions related with these factors. By applying these strategies and activities, the management teams can decrease or even eliminate the causes of the failure factors; as a result, they can pull the company's direction from falling into a failure process and will help the company to continue to operate their business in a proper and safe way. These suggestions are the combination of discussions with master thesis tutor and colleagues, besides author's professional experience in industrial companies and literature review (Olson and van Bever, 2008; Collins and Porras, 2002; Slatter and Lovett, 1999; Ross & Kami,1973). The common recommendation in each suggestion related to different business failure factors is to keep an eye on the market and to track the trends that are coming to the industry and market (Olson and van Bever, 2008).

Primarily, the symptoms for the factor, inability to access to proper talent, are the long periods to find the desired employee, high turnover ratio for newcomers and overload of key functions on specific people (Olson and van Bever, 2008; Slatter and Lovett, 1999). In order to deal with this failure factor, cooperation within the industry, with academic world and government authorities may be helpful in the long-run. Besides, providing competitive working conditions and development programmes may also help.

Furthermore, absenteeism and unwillingness to be at the company physically and not giving their best can be the symptoms of poor communication (Ross & Kami, 1973). Some strategies to eliminate or avoid these may be providing programs to have better atmosphere and memories regarding to the company, reviewing the performance measurement systems and getting support from external professionals like consultancy agencies (Olson and van Bever, 2008; Collins and Porras, 2002).

Moreover, for poor innovation management, the symptoms may be given such as; low financial gains from new products or services, postponing the launches often and the working of R&D units without collaboration (Olson and van Bever, 2008; Ross & Kami, 1973). In order manage the innovation process, providing a system for R&D teams to keep in touch with other departments and customers interactively and forming special heterogeneous coordination teams to provide the collaboration for the innovation processes within the organization (Collins and Porras, 2002 Slatter and Lovett, 1999).

Likewise, the symptoms for lack of delegation are mainly based on managers such as; they have tendency to give the decisions themselves, the employees wait for a sign for even a small action, and they don't give their best due to the inconvenience to take approval all the time (Ross & Kami, 1973). The suggestions to deal with those are based on changing the dominant culture in the company with personal development programs, having support from experienced professionals and applying a coaching system throughout the company (Collins and Porras, 2002; Slatter and Lovett, 1999).

Finally, for overconfidence and complacency factor, the symptoms can be proposed such as; not analysing market trends properly, only focusing on the results rather than the process and root causes and not bench-marking competitors' products, services or activities (Olson and van Bever, 2008; Ross & Kami, 1973). To handle this important failure factor; getting reflections from the market regularly and making

meetings to discuss these reflections in a routine period may be helpful. Besides, promoting employees to give new ideas and suggestions with an award system may increase the willingness to make contributions to the business. (Olson and van Bever, 2008; Collins and Porras, 2002).

Table 4.6: Symptoms of most significant factors and related suggestions for the management

Factors	Symptoms	Suggestions for Management
Inability to access to proper talent	Hiring for specific positions takes long time, sometimes Human Resource Department cannot find for months, even year(s)	Take initiative to have educated people in the society by collaborating with universities, institutions and; with cooperation with the other companies in the industry, request government to provide the required facilities and educational infrastructure for the needed people for the industry.
	People leave the company; turnover ratio of newcomers is higher than competitors	Provide competitive salaries and other benefits. Attract people with development programmes and social organizations, both within the company and for society.
	Some functions on different specialities are given to the same person	
Poor communication	People quit their job often or absenteeism is too often	Provide social events and psychological relaxations programs for employees.
	They come to and leave the company exactly on time, high unwillingness to make overtime and stay when required for special conditions.	Analyze and review the performance metrics of the company and measurement methods.
	People don't provide their best efforts, instead, they do the minimum that is required	Form teams and commissions within the company, and even more, get support from external professionals (i.e. consultancy) in order to discover and understand demands of employees
Poor Innovation Management	Low financial returns from new launches	Provide an informative system for R&D teams to keep in touch with other departments and customers interactively
	Postponing product/service launches often	Form special heterogeneous coordination teams to provide the collaboration for the innovation processes within the organization.
	Not collaboration between different R&D teams	
Lack of delegation	Managers are the bottle-neck; they want to give all decisions themselves.	Take action to eliminate behavioural bias and even to change the culture if it is common.
	People wait for a sign from top to take any small action, even if they know what and how to do it.	Provide personal development programs for management team.
	People don't give their best effort to the job because even if they spent their full energy, they'll have to take the decision approval primarily	Collaborate with experienced professionals for best practise samples
		Start coaching system for all levels
Overconfidence and Complacency	Not analyzing market changes (i.e. customer preferences, competitor strategies).	Get the reflections from the market regularly, form a team responsible for this.
	Focus on only results of completed projects, rather than the process and causes behind.	Promote or make regular meetings to discuss these reflections
	Not doing bench-markings with competitors	Promote new ideas and suggestions with award systems.

4.3.3 Feedback taken from expats for the suggestions

After offering the actions in the previous section, these suggestions were asked again to managerial people in different large companies in order to increase the reliability, validity and generalisation of the suggestions that can be used to deal with these factors. At this time, because of the time pressure for the master thesis submit deadline, they were sent to 20 people and the number responses were 8 among them. This ratio (40%, 8/20) is again reasonable as mentioned in the previous section that the response rate for studies related to management should be over 35 per cent (Baruch, 1999).

Mainly feedbacks taken from these managers are positive for the ideas and/or strategies that are suggested to deal with business failure factors and their symptoms. Besides, some alternative, or can also be said supplement, methods and strategies are proposed by them in order to avoid or eliminate these failure factors, whereas, for two factors any other alternative suggestions other than the author's are not proposed. Thus, regarding to these results the author thinks, it can be expressed that the suggestions to struggle against these factors and their indicators are reliable, valid and general.

These new suggestions taken from the professionals in managerial positions are expressed in the following table with the comparison and combination of author's proposed suggestions.

Table 4-7: Comparison of author's and managers' suggestions related to the most significant factors

Factors	Symptoms (from previous table)	Auhtor's Suggestions (from previous table)	New Suggestions for Management
Inability to access to proper talent	Hiring for specific positions takes long time, sometimes Human Resource Department cannot find for months, even year(s)	Take initiative to have educated people in the society by collaborating with universities, institutions and; with cooperation with the other companies in the industry, request government to provide the required facilities and educational infrastructure for the needed people for the industry.	Try to educate your own employees, especially for key positions, so form internal-education services.
	People leave the company; turnover ratio of newcomers is higher than competitors	Provide competitive salaries and other benefits. Attract people with development programmes and social organizations, both within the company and for society.	Provide atmosphere that people feel confident and happy to work.
	Some functions on different specialities are given to the same person		
Poor communication	People quit their job often or absenteeism is too often	Provide social events and psychological relaxations programs for employees.	Offer flexible working conditions such as early/late come and leave and working from home at defined times.
	They come to and leave the company exactly on time, high unwillingness to make overtime and stay when required for special conditions.	Analyze and review the performance metrics of the company and measurement methods.	
	People don't provide their best efforts, instead, they do the minimum that is required	Form teams and commissions within the company, and even more, get support from external professionals (i.e. consultancy) in order to discover and understand demands of employees	
Poor Innovation Management	Low financial returns from new launches	Provide an informative system for R&D teams to keep in touch with other departments and customers interactively	Try to make return of investment analysis as detailed as possible before going forward.
	Postponing product/service launches often	Form special heterogeneous coordination teams to provide the collaboration for the innovation processes within the organization.	
	Not collaboration between different R&D teams		
Lack of delegation	Managers are the bottle-neck; they want to give all decisions themselves.	Take action to eliminate behavioural bias and even to change the culture if it is common.	No new or alternative suggestions.
	People wait for a sign from top to take any small action, even if they know what and how to do it.	Provide personal development programs for management team.	
	People don't give their best effort to the job because even if they spent their full energy, they'll have to take the decision approval primarily	Collaborate with experienced professionals for best practise samples Start coaching system for all levels	
Overconfidence and Complacency	Not analyzing market changes (i.e. customer preferences, competitor strategies).	Get the reflections from the market regularly, form a team responsible for this.	No new or alternative suggestions.
	Focus on only results of completed projects, rather than the process and causes behind.	Promote or make regular meetings to discuss these reflections	
	Not doing bench-markings with competitors	Promote new ideas and suggestions with award systems.	

5. CONCLUSION

This chapter provides a summary for the findings in the conducted study regarding with the research questions. Afterwards, the chapter mentions the contributions to the academia and industry. Finally it summarizes the limitations of the research and will give suggestions for the probable future researches in the particular area.

5.1 Findings of the Research

Regarding to the discussion for the reasons behind the business failure, other than the financial factors, the concern for the factors related with business management activities and decisions are also important and quite number of researches have been conducted as mentioned in literature review chapter.

Within the present study, in order to have a better understanding for the business failure through business management, three research questions are expressed in the introduction chapter, which are; “What are the factors related with Business management behind business failure?”, What are the most significant ones among these factors?” and lastly, “How can we detect these factors and what are the appropriate ways or strategies to deal with them?”

Primarily for the first question, the literature review made in order to find the factors that cause business failure through management. The decisions given and initiatives taken by the management teams mainly cause the company fall into failure process and reach poor financial results. Throughout the case studies, observations, interviews made by researchers especially in the last 4 decades provide a quite number of different factors are the main causes of business failures. In the study, by interpretation, it is observed that they are categorized under 14 main factors which are expressed in details in Section 4.1 and presented in Table 4.1.

Afterwards, with the second question, the interest for the most significant factors is questioned, and by carrying out a descriptive questionnaire with 80 managerial people from 15 different industries and 7 countries; the most significant ones are found out among them such as; are Inability to access to proper talent, Poor communication,

Lack of delegation, Poor Innovation Management and Overconfidence and Complacency.

Finally, for the last question, the symptoms that may be helpful to detect each business failure factor are expressed and related to these symptoms, some strategies and activities are suggested in order to deal with these factors. Afterwards, to increase the reliability, validity and generalisability of the suggestions, they are asked to some managers to take their opinions and the suggestions that are presented in table 4.6 are confirmed by their feedback.

5.2 Thesis Contributions to Academia and Industry

Primarily, the master thesis study is a review of the business failure literature conducted until today and the business factors through business management. Although the existing literature presents the factors that cause companies face with different failures, these are fragmented in the literature, so the current research can be defined as a comprehensive study for the business failure factors through business management. Taking into consideration the proposed failure factors can be helpful for the management teams to take precautions before encountering failure or even to avoid it.

Another contribution is the findings from the questionnaire that may be important for the big corporations to focus on the most significant 5 business failure factors that will cause most of the failure of the companies (almost 58% of the failures encountered). Although there are other factors, focusing on these 5 may help the managerial people to save time and energy while determining the strategies and/or managing the operations of the company.

Furthermore, the confirmed symptoms of the business failure factors proposed and the strategies and methods suggested to apply in order to deal with encountering failure can be used as a guideline by the management teams and researchers while searching ways for taking actions against, or even eliminate, business failure factors.

5.2 Suggestions for the Future Research

The findings of the master thesis have different significant contributions in order to have a better understanding for the practitioners and academicians about the related topic; however, it has different limitation, also. Actually these limitations are the future suggestions for the people who tend to carry out the next probable studies about business failure through business management.

Primarily, as the research focuses on the failures and their causes for the big corporations instead of SMEs, the factors proposed can be tested against the SME failures. Secondly, in the analysis, the most significant ones are considered, so the rest of the factors can be analysed in details in order to provide a comprehensive guideline for the management teams to handle business failure. Another suggestion will be the analysis of interrelations between these business failure factors. As some of the factors may affect interchangeably to cause failure, it might be interesting to figure out these relations. Lastly, as the business failure studies have two main tracks, financial and managerial approaches; future studies may compare and combine the factors belong to each category, and propose some combined models in order to provide a better understanding on how to deal with business failures.

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7. ANNEX

7.1 Details of Responds to the Questionnaire

A	B	C	D	E	F	G	H	I
No	Date	Business Failure Factors				2-What is your industry or business	Country	
1	15.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	5-Key Customer Dependency	8-Inability to access to proper talent	12-Poor communication	Food Safety Audit-Training	Turkey
2	15.4.2015	2-Poor Innovation Management	4-Failed Acquisitions	5-Key Customer Dependency	11-Incorrect Performance Metrics	13-Poor customer service	FMCG	Turkey
3	15.4.2015	1-Overconfidence and Complacency	6-Overdiversification and adjacency	8-Inability to access to proper talent	12-Poor communication	14-Lack of delegation	FMCG	UK
4	15.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	8-Inability to access to proper talent	10-Strict Organizational Design	14-Lack of delegation	FMCG	Turkey
5	16.4.2015	1-Overconfidence and Complacency	6-Overdiversification and adjacency	8-Inability to access to proper talent	12-Poor communication	14-Lack of delegation	FMCG	UK
6	16.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	3-Premature Abandonment of Core	4-Failed Acquisitions	8-Inability to access to proper talent	Service	Turkey
7	16.4.2015	1-Overconfidence and Complacency	4-Failed Acquisitions	8-Inability to access to proper talent	9-Board Inaction	13-Poor customer service	FMCG	UK
8	16.4.2015	4-Failed Acquisitions	5-Key Customer Dependency	11-Incorrect Performance Metrics	12-Poor communication	14-Lack of delegation	FMCG	UK
9	16.4.2015	5-Key Customer Dependency	8-Inability to access to proper talent	12-Poor communication	13-Poor customer service	14-Lack of delegation	Food Safety Audit-Training	UK
10	17.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	8-Inability to access to proper talent	12-Poor communication	13-Poor customer service	Finance	Turkey
11	17.4.2015	2-Poor Innovation Management	5-Key Customer Dependency	8-Inability to access to proper talent	10-Strict Organizational Design	11-Incorrect Performance Metrics	Medical Machinery	Turkey
12	17.4.2015	2-Poor Innovation Management	4-Failed Acquisitions	8-Inability to access to proper talent	9-Board Inaction	14-Lack of delegation	Medical Machinery	Turkey
13	17.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	12-Poor communication	13-Poor customer service	14-Lack of delegation	FMCG	Turkey
14	17.4.2015	1-Overconfidence and Complacency	8-Inability to access to proper talent	10-Strict Organizational Design	13-Poor customer service	14-Lack of delegation	Construction	Turkey
15	17.4.2015	2-Poor Innovation Management	4-Failed Acquisitions	6-Overdiversification and adjacency	12-Poor communication	13-Poor customer service	Medical Machinery	Turkey
16	17.4.2015	5-Key Customer Dependency	8-Inability to access to proper talent	9-Board Inaction	12-Poor communication	14-Lack of delegation	Public Institution	Turkey
17	17.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	5-Key Customer Dependency	6-Overdiversification and adjacency	14-Lack of delegation	Public Institution	Turkey
18	18.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	6-Overdiversification and adjacency	10-Strict Organizational Design	12-Poor communication	Telecommunication	Spain
19	18.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	8-Inability to access to proper talent	10-Strict Organizational Design	14-Lack of delegation	Chemistry	Turkey
20	19.4.2015	1-Overconfidence and Complacency	5-Key Customer Dependency	11-Incorrect Performance Metrics	12-Poor communication	13-Poor customer service	FMCG	Netherlands
21	19.4.2015	1-Overconfidence and Complacency	5-Key Customer Dependency	12-Poor communication	13-Poor customer service	14-Lack of delegation	Engineering	Turkey
22	19.4.2015	2-Poor Innovation Management	5-Key Customer Dependency	12-Poor communication	13-Poor customer service	14-Lack of delegation	FMCG	Germany
23	20.4.2015	4-Failed Acquisitions	5-Key Customer Dependency	6-Overdiversification and adjacency	13-Poor customer service	14-Lack of delegation	IT	UK
24	20.4.2015	1-Overconfidence and Complacency	5-Key Customer Dependency	10-Strict Organizational Design	13-Poor customer service	14-Lack of delegation	Higher Education	Spain
25	20.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	8-Inability to access to proper talent	10-Strict Organizational Design	13-Poor customer service	FMCG	Turkey
26	20.4.2015	1-Overconfidence and Complacency	8-Inability to access to proper talent	9-Board Inaction	12-Poor communication	14-Lack of delegation	FMCG	Turkey
27	20.4.2015	5-Key Customer Dependency	6-Overdiversification and adjacency	8-Inability to access to proper talent	12-Poor communication	13-Poor customer service	Consultancy	Turkey
28	20.4.2015	2-Poor Innovation Management	6-Overdiversification and adjacency	8-Inability to access to proper talent	12-Poor communication	14-Lack of delegation	Engineering	Spain
29	20.4.2015	4-Failed Acquisitions	8-Inability to access to proper talent	9-Board Inaction	12-Poor communication	13-Poor customer service	FMCG	Turkey
30	20.4.2015	2-Poor Innovation Management	8-Inability to access to proper talent	10-Strict Organizational Design	13-Poor customer service	14-Lack of delegation	FMCG	Germany
31	20.4.2015	2-Poor Innovation Management	5-Key Customer Dependency	11-Incorrect Performance Metrics	13-Poor customer service	14-Lack of delegation	FMCG	Turkey
32	21.4.2015	2-Poor Innovation Management	8-Inability to access to proper talent	9-Board Inaction	10-Strict Organizational Design	11-Incorrect Performance Metrics	Public Institution	Turkey
33	21.4.2015	6-Overdiversification and adjacency	8-Inability to access to proper talent	10-Strict Organizational Design	12-Poor communication	14-Lack of delegation	FMCG	Turkey
34	21.4.2015	1-Overconfidence and Complacency	5-Key Customer Dependency	9-Board Inaction	12-Poor communication	14-Lack of delegation	IT	Turkey
35	22.4.2015	2-Poor Innovation Management	4-Failed Acquisitions	6-Overdiversification and adjacency	8-Inability to access to proper talent	12-Poor communication	Chemistry	Turkey

Detection of Business Failure through Business Management

36	22.4.2015	3-Premature Abandonment of Core B	5-Key Customer Dependency	9-Board Inaction	12-Poor communication	14-Lack of delegation	FMCG	UK
37	24.4.2015	8-Inability to access to proper talent	10-Strict Organizational Design	12-Poor communication	13-Poor customer service	14-Lack of delegation	Service	Turkey
38	26.4.2015	4-Failed Acquisitions	8-Inability to access to proper talent	9-Board Inaction	10-Strict Organizational Design	12-Poor communication	Finance	Turkey
39	27.4.2015	2-Poor Innovation Management	4-Failed Acquisitions	10-Strict Organizational Design	12-Poor communication	13-Poor customer service	FMCG	Turkey
40	27.4.2015	2-Poor Innovation Management	8-Inability to access to proper talent	9-Board Inaction	11-Incorrect Performance Metrics	12-Poor communication	FMCG	UK
41	27.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	5-Key Customer Dependency	8-Inability to access to proper talent	14-Lack of delegation	Service	Turkey
42	27.4.2015	2-Poor Innovation Management	11-Incorrect Performance Metrics	12-Poor communication	10-Strict Organizational Design	14-Lack of delegation	IT	Turkey
43	27.4.2015	2-Poor Innovation Management	8-Inability to access to proper talent	10-Strict Organizational Design	12-Poor communication	14-Lack of delegation	Public Institution	Turkey
44	28.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	10-Strict Organizational Design	12-Poor communication	14-Lack of delegation	Public Institution	Turkey
45	28.4.2015	1-Overconfidence and Complacency	5-Key Customer Dependency	8-Inability to access to proper talent	12-Poor communication	14-Lack of delegation	FMCG	UK
46	28.4.2015	5-Key Customer Dependency	8-Inability to access to proper talent	9-Board Inaction	11-Incorrect Performance Metrics	14-Lack of delegation	Construction	Turkey
47	28.4.2015	1-Overconfidence and Complacency	5-Key Customer Dependency	6-Overdiversification and adjacency	10-Strict Organizational Design	11-Incorrect Performance Metrics	Chemistry	Turkey
48	28.4.2015	5-Key Customer Dependency	8-Inability to access to proper talent	10-Strict Organizational Design	12-Poor communication	13-Poor customer service	Chemistry	Turkey
49	28.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	8-Inability to access to proper talent	12-Poor communication	14-Lack of delegation	Chemistry	Turkey
50	28.4.2015	8-Inability to access to proper talent	11-Incorrect Performance Metrics	12-Poor communication	13-Poor customer service	14-Lack of delegation	Finance	Turkey
51	28.4.2015	8-Inability to access to proper talent	11-Incorrect Performance Metrics	12-Poor communication	13-Poor customer service	14-Lack of delegation	FMCG	Turkey
52	28.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	7-Voluntary Growth Slowdown	8-Inability to access to proper talent	14-Lack of delegation	Telecommunication	Turkey
53	28.4.2015	2-Poor Innovation Management	5-Key Customer Dependency	8-Inability to access to proper talent	9-Board Inaction	13-Poor customer service	Service	Turkey
54	28.4.2015	2-Poor Innovation Management	5-Key Customer Dependency	6-Overdiversification and adjacency	9-Board Inaction	13-Poor customer service	FMCG	Turkey
55	28.4.2015	1-Overconfidence and Complacency	4-Failed Acquisitions	6-Overdiversification and adjacency	8-Inability to access to proper talent	9-Board Inaction	FMCG	Turkey
56	29.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	8-Inability to access to proper talent	10-Strict Organizational Design	14-Lack of delegation	FMCG	Turkey
57	29.4.2015	2-Poor Innovation Management	4-Failed Acquisitions	6-Overdiversification and adjacency	8-Inability to access to proper talent	10-Strict Organizational Design	Public Institution	Turkey
58	29.4.2015	1-Overconfidence and Complacency	8-Inability to access to proper talent	10-Strict Organizational Design	11-Incorrect Performance Metrics	12-Poor communication	FMCG	Turkey
59	29.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	8-Inability to access to proper talent	10-Strict Organizational Design	13-Poor customer service	FMCG	Turkey
60	29.4.2015	8-Inability to access to proper talent	10-Strict Organizational Design	12-Poor communication	13-Poor customer service	14-Lack of delegation	FMCG	Turkey
61	29.4.2015	3-Premature Abandonment of Core B	4-Failed Acquisitions	11-Incorrect Performance Metrics	12-Poor communication	13-Poor customer service	FMCG	Turkey
62	29.4.2015	1-Overconfidence and Complacency	5-Key Customer Dependency	8-Inability to access to proper talent	10-Strict Organizational Design	13-Poor customer service	FMCG	Turkey
63	29.4.2015	2-Poor Innovation Management	8-Inability to access to proper talent	10-Strict Organizational Design	13-Poor customer service	14-Lack of delegation	FMCG	Turkey
64	29.4.2015	1-Overconfidence and Complacency	4-Failed Acquisitions	10-Strict Organizational Design	11-Incorrect Performance Metrics	13-Poor customer service	FMCG	Turkey
65	29.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	8-Inability to access to proper talent	10-Strict Organizational Design	12-Poor communication	IT	Germany
66	30.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	10-Strict Organizational Design	12-Poor communication	14-Lack of delegation	FMCG	Turkey
67	30.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	8-Inability to access to proper talent	10-Strict Organizational Design	13-Poor customer service	FMCG	Turkey
68	30.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	10-Strict Organizational Design	12-Poor communication	14-Lack of delegation	FMCG	Turkey
69	30.4.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	5-Key Customer Dependency	8-Inability to access to proper talent	12-Poor communication	FMCG	Turkey
70	1.5.2015	2-Poor Innovation Management	3-Premature Abandonment of Core B	6-Overdiversification and adjacency	9-Board Inaction	12-Poor communication	IT	Germany
71	2.5.2015	6-Overdiversification and adjacency	9-Board Inaction	11-Incorrect Performance Metrics	12-Poor communication	14-Lack of delegation	Finance	Turkey
72	3.5.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	8-Inability to access to proper talent	11-Incorrect Performance Metrics	12-Poor communication	Consultancy	Spain
73	4.5.2015	1-Overconfidence and Complacency	8-Inability to access to proper talent	12-Poor communication	13-Poor customer service	14-Lack of delegation	FMCG	Turkey
74	4.5.2015	3-Premature Abandonment of Core B	8-Inability to access to proper talent	11-Incorrect Performance Metrics	12-Poor communication	14-Lack of delegation	Chemistry	USA
75	4.5.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	8-Inability to access to proper talent	12-Poor communication	14-Lack of delegation	Utilities	UAE
76	5.5.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	8-Inability to access to proper talent	11-Incorrect Performance Metrics	14-Lack of delegation	FMCG	UK
77	6.5.2015	1-Overconfidence and Complacency	2-Poor Innovation Management	4-Failed Acquisitions	6-Overdiversification and adjacency	8-Inability to access to proper talent	Engineering	Turkey
78	6.5.2015	8-Inability to access to proper talent	10-Strict Organizational Design	12-Poor communication	13-Poor customer service	14-Lack of delegation	Biotechnology	Turkey
79	7.5.2015	2-Poor Innovation Management	8-Inability to access to proper talent	10-Strict Organizational Design	13-Poor customer service	14-Lack of delegation	Construction	Turkey
80	11.5.2015	1-Overconfidence and Complacency	4-Failed Acquisitions	6-Overdiversification and adjacency	7-Voluntary Growth Slowdown	10-Strict Organizational Design	FMCG	Turkey

Responds (industry based)

Industry	Number of Responds	%
FMCG	37	46,3%
Public Institution	6	7,5%
Chemistry	6	7,5%
IT	5	6,3%
Finance	4	5,0%
Service	4	5,0%
Medical Machinery	3	3,8%
Food Safety Audit-Training	2	2,5%
Construction	3	3,8%
Telecommunication	2	2,5%
Engineering	3	3,8%
Consultancy	2	2,5%
Higher Education	1	1,3%
Utilities	1	1,3%
Biotechnology	1	1,3%
Total	80	100%

Responds (country based)

Country	Number of Responds	%
Turkey	59	73,8%
UK	10	12,5%
Spain	4	5,0%
Germany	4	5,0%
Netherlands	1	1,3%
USA	1	1,3%
UAE	1	1,3%
Total	80	100%

Professions of Respondents (personally known ones)

Accounting Manager	Packaging Development Manager
Business Analyst Manager	Plant Manager
Business Development Manager	Procurement Director
Commercial Banking Department Head	Product Manager
Credit Manager	Production Manager
Customer Relations Manager	Project Manager
ERP Systems Manager	Public Relations Manager
Financial Executive	Quality Assurance Executive
Food Safety Trainer-Consultant	Quality Assurance Manager
Foreign Trade Inspector	Quality Manager
IT Manager	Regulatory Affairs Director
Logistics and Planning Manager	Research & Development Manager
Maintenance Manager	Research & Development Director
Management Professor	Sales Manager