CHAPTER 5
FINDINGS AND ANALYSIS

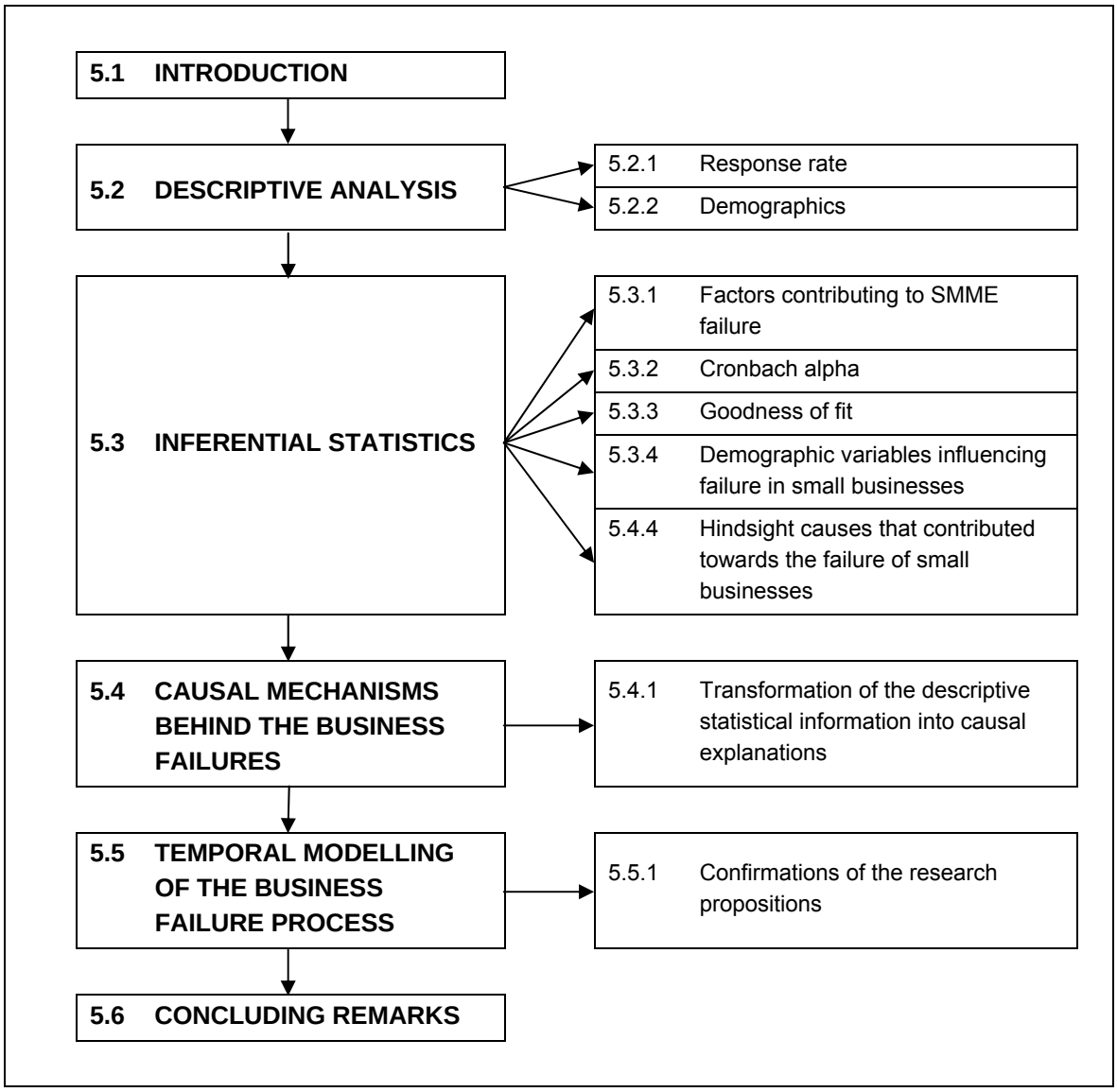


Figure 5.1: Layout of Chapter 5

CHAPTER 5

FINDINGS AND ANALYSIS

5.1 INTRODUCTION

> The goal of any research endeavour remains to find answers to questions (Graziano & Raulin 2000:369).

This chapter reports the findings under two sections. Section 5.2 deals mainly with the descriptive analysis, whilst Section 5.3 focuses on inferential statistics as well as the explanatory or causal modelling process explaining the causes of the business failures. The analysis is presented in Section 5.4 and Section 5.5. Section 5.6 concludes the chapter.

5.2 DESCRIPTIVE ANALYSIS

This section deals with the description of and findings on the demographics of the sample.

5.2.1 Response rate

Interviewing the respondents (the owner-managers of the failed small businesses) face-to-face enhanced the response rate and accuracy of the research. The researcher had ample opportunity to clarify any possible misunderstandings which could otherwise have skewed the answers and resulted in potential response bias. The response rate was high (100 %) since the respondents had agreed to be interviewed and a firm appointment was set up for each interview. As discussed in the sample design (Section 4.5.1), the random systematic sampling method and the snowball method were used to identify respondents. All 254 respondents were available, willing, and managed to complete the questionnaire as presented to them.

5.2.2 Demographics

In order to profile the respondents, demographic information was obtained as a backdrop for the research. The parameters probed involved venture ownership; years before venture failure; business ownership and experience held before the venture failed; the nature of the business; exposure to a role model (mentor); frequency of business planning, and frequency of conducting cash-flow budgeting. These data were deemed useful in the appropriateness of a future training programme for directing it to the relevant trainers. The type of venture ownership and management is given in Table 5.1.

Table 5.1: Type of venture ownership and management

Ownership	Frequency (n)	Percentage (%)
Owner	8	3.15
Manager	4	1.57
Both	242	95.28
Total	**254**	**100.00**

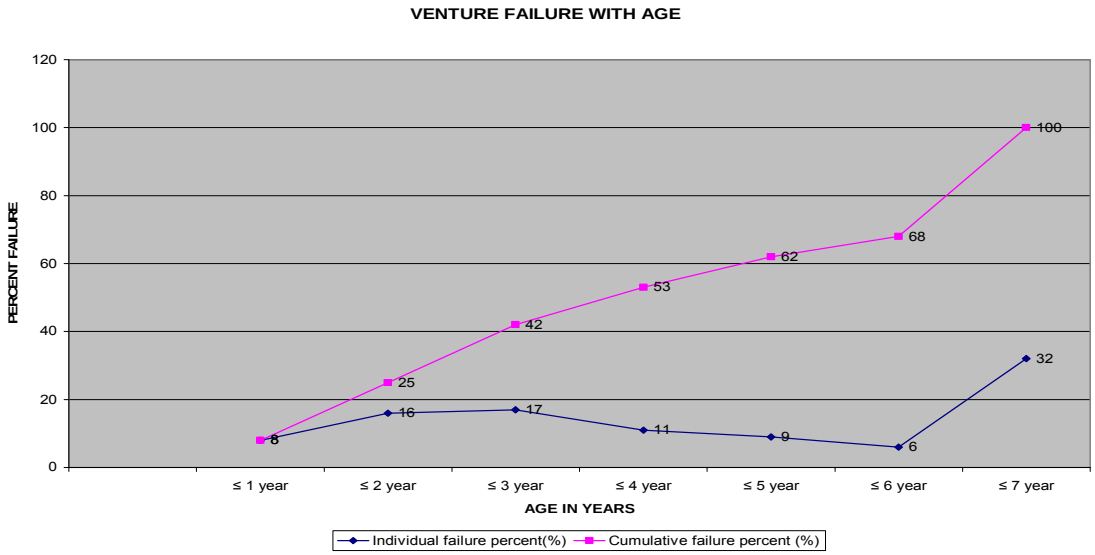
The above information was to find out who owned and operated the small business before it failed.

Table 5.2 shows how long the respondent had been operating the small business before it ceased to exist.

Table 5.2: Years before venture failed

Years before failure	Individual frequency (n)	Cumulative frequency (n)	Individual failure percentage (%)	Cumulative failure percentage (%)
≤ 1 year	22	22	8.66	8.66
≤ 2 years	41	63	16.14	24.80
≤ 3 years	43	106	16.93	41.73
≤ 4 years	28	134	11.02	52.75
≤ 5 years	23	157	9.06	61.81
≤ 6 years	16	173	6.30	68.11
≤ 7 years	81	254	31.89	100.00
Total	**254**	**254**	**100.00**	**100.00**

It is interesting to note (Table 5.2) that 32 % of the sampled small businesses failed in the first seven years of operation. The evidence is illustrated graphically in Figure 5.2.



Source: Own compilation based on Table 5.2.

Figure 5.2: Inividual and cumulative percent scores versus years before failure

Figure 5.2 shows that cumulative failure increases with years, as expected.

The results are contrary to the situation in developed countries as observed by Cressy (2006:103) who notes that chances of failure first rise steeply and then tail off gradually to converge on a small, long-run failure rate. As a result, Cressy asserts: “most firms die young”. However, in South Africa, the government – together with financiers – offers grants to SMMEs to reduce failure at birth, so they survive for the first three years and then start to fail in larger numbers due to liability of adolescence (Table 1.3, Section 1.3, Table 2.3, Table 2.5, Section 2.5.2.2, Figure 2.7 and Figure 2.8).

The next issue that was examined related to business ownership and management experience before failure (Table 5.3).

Table 5.3: Business ownership experience before failure

Business ownership experience	Frequency (n)	Percentage (%)
Yes	72	28.35
No	182	71.65
Total	**254**	**100.00**

Table 5.3 indicates that those respondents without prior business ownership experience represent 71.65 % of the failed sample.

The sectoral distribution of the failed small businesses is presented in Table 5.4.

Table 5.4: The nature of the business (business sector)

Business sector	Frequency (n)	Percentage (%)
Retail and wholesale industry	117	46.06
Transport industry	2	0.79
Service industry	43	16.93
Tourism industry	92	36.22
Total	**254**	**100.00**

Table 5.4 indicates that the highest failure rate (46.06 %) occurred in the retail sector. The second-highest failure rate (36.22 %) was in the tourism industry, with the third-highest failure rate (16.93 %) in the service industry. These results have important implications for SMME training and development policy formulation.

The extent to which the respondents were exposed to role models or mentors to assist them to manage and grow their businesses was another important variable that was considered in the research (Table 5.5).

Table 5.5: Exposure to a role model/mentor by the respondents

Exposure to role model/ mentor	Frequency (n)	Percent (%)
Yes	71	27.95
No	183	72.05
Total	**254**	**100.00**

From Table 5.5, 72.05 % of respondents had not been exposed to a successful small business management role model (mentor).

Business management issues – such as business planning and cash-flow budgeting – are critical in the successes and failures of firms. Tables 5.6 and 5.7 exposit these dimensions.

Table 5.6: Business management and planning by respondents

Undertook monthly business planning	Frequency (n)	Percentage (%)
Not done at all	115	45.28
Did on ad hoc basis	139	54.72
Total	**254**	**100.00**

Table 5.6 indicates that only 54.72 % of the respondents attempted ad hoc business management and planning, whilst 45.28 % did no management and planning whatever.

The frequency of income, product sales and cash-flow monitoring was another demographic probed (Table 5.7).

Table 5.7: Frequency of income, product sales and cash-flow monitoring by respondents

Undertook monthly cash-flow budgeting	Frequency (n)	Percentage (%)
Not done at all	131	51.57
Did on ad hoc basis	123	48.43
Total	**254**	**100.00**

Table 5.7 indicates that 51.57 % of respondents did income, product sales and cash-flow monitoring, whilst 48.43 % did so on an ad hoc basis.

Table 5.8 shows the annual business turnover, which indicates that 95.67 % of respondents, made an annual turnover of less than R150 000 whilst 4.33 % made turnover greater than R150 000 per annum.

Table 5.8: Annual business turnover

Annual Turnover	Frequency (n)	Percentage (%)
<R150 000	243	95.67
>R150 000	11	4.33
Total	**254**	**100.00**

Table 5.9 shows the number of employees in the failed buiness and indicates that 92.52 % of respondents had less than 10 employees, whilst 7.48 % had more than 10 employees.

Table 5.9: Number of employees in the failed business

Number of employees	Frequency (n)	Percentage (%)
Less than 10	235	95.52
Greater than 10	19	7.48
Total	**254**	**100.00**

Having presented the demographics and a descriptive analysis of the sample of failed small businesses, attention now turns to a discussion of the inferential statistics of the causal factors researched.

5.3 INFERENTIAL STATISTICS

Inferential statistics make judgements about the accuracy of a given sample in reflecting characteristics of the population from which it was drawn. The interviews with the respondents produced a number of reponse variables largely related to business management principles that were not adhered to. The information presented below thus focuses on causality issues, commencing with a discussion on factor analysis. Table 5.10 provides information about the nature of the variables concerned.

5.3.1 Factors contributing to small business failure

Factor analysis is a statistical technique for determining the extent to which variables that are related can be grouped together with minimal loss of information so that they can be treated as one combined variable or factor (component) rather than as a series of separate variables. It is an interdependence technique, whose primary purpose is to define the underlying structure among variables in the analysis (Hair *et al* 2006:104).

Four factors were extracted through "screen testing" and factor analysis using the BMDP4M Factor Analysis Program[2]. On processing the collected data using the statistical software program, the variables were initially reduced from 51 to 42 by removing the non loadings and the double loadings. The following extracted four factors represent all the variables:

- Monitoring and control (factor 1);
- Experience and planning in finance and marketing (factor 2);
- Income constraints (factor 3); and
- Cash control (factor 4).

The output from the BMDP4M program gave for all factors Cronbach alpha values ranging from 0.80 to 0.98 which served as evidence that the instrument was reliable and valid (Section 4.3.1.1). The factor loadings are reported in Table 5.10.

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[2] BMDP 4M Statistical Software, Inc.
12121 Wilshire Blvd, Suite 300
Los Angeles, CA 90025 USA
Phone: (310) 207-8800
Fax: (310) 207-8844
Release: 7.1 (IBM/CMS)
Manual: BMDP Manual Volumes 1, 2, and 3.

BMDP Statistical Software
Cork Technology Park, Model Farm Rd
Cork, Ireland
Phone: 353 21 542722
Fax: +353 21 542822
DATE: 16 MAR 2006 AT 13:58:32
Digest: BMDP User's Digest.

Table 5.10: Rotated factor loadings and Cronbach alpha calculated by the BMDP4M program

(**Note**: Factor loadings less than 0.250 are reported as 0.000)

Question		Factor loadings			
		1	2	3	4
V45.	Continual monitoring of cash payment (disbursement) books would have forewarned me of possible misappropriation/mismanagement of funds before venture failed.	**0.980**	0.000	0.000	0.000
V43.	Accurate record keeping would have helped us to take immediate corrective actions.	**0.954**	0.000	0.000	0.000
V46.	Monitoring of monthly financial statements (results versus budgets) would have helped arrest decline in venture's profits.	**0.952**	0.000	0.000	0.000
V47.	Managing weekly cash-flow projections/forecasting records would have stopped venture from running out of cash.	**0.946**	0.000	0.000	0.000
V42.	Monitoring of inventory records would have helped improve sales of slow-moving stocks before stock became redundant.	**0.937**	0.000	0.000	0.000
V48.	Monitoring of stock levels (daily records) would have aided me in identifying redundant/slow-moving stocks.	**0.935**	0.000	0.000	0.000
V49.	Monitoring of stock losses/shrinkage records would have helped to stamp out theft before venture failed.	**0.935**	0.000	0.000	0.000
V44.	Regular monitoring of cash receipt books would have halted venture failure.	**0.933**	0.000	0.000	0.000
V41.	Better response to sales records could have contributed to better cash flow in the venture.	**0.929**	0.000	0.000	0.000

Question		Factor loadings			
		1	2	3	4
V14.	More experience of the industry would have halted failure of the venture.	0.000	**0.838**	0.000	0.000
V13.	More venture start-up experience would have halted failure of the venture.	0.000	**0.724**	0.000	0.000
V15.	More business planning in finance and marketing would have halted failure of the venture.	0.000	**0.682**	0.000	0.000
V17.	Previous experience as an owner-manager would have halted failure of the venture.	0.000	**0.484**	0.000	0.000
V57.	Acquiring more assets to offset declining sales accelerated venture failure.	0.000	**0.454**	0.000	0.000
V53.	Undercapitalisation was one of the fatal reasons for failure.	0.000	**0.440**	0.000	0.000
V21.	Declining customer traffic is an important reason for the failure that was experienced.	0.000	**0.390**	0.000	0.000
V56.	High uncontrolled running costs contributed to venture failure.	0.000	**0.383**	0.000	0.000
V19.	Managing venture under the guidance of a successful mentor would have helped me steer the venture to success.	0.000	**0.368**	0.000	0.000
V52.	Incorrect costing was responsible for poor profits.	0.000	**0.348**	0.000	0.000
V33.	Inadequate initial financing contributed heavily to failure.	0.000	**0.329**	0.000	0.000
V20.	Obtaining expert advice would have saved the venture from failure.	0.000	**0.307**	0.000	0.000
V28.	Regular cash shortages were typical of the venture before failure.	0.000	**0.303**	0.000	0.000
V55.	Too high expenditure overwhelmed the venture.	0.000	**0.298**	0.000	0.000

Question		Factor loadings			
		1	2	3	4
V51.	Too high prices of goods led to lower sales.	0.000	0.000	**0.635**	0.000
V24	Ignoring customers' complaints substantially influenced the venture's failure.	0.000	0.000	**0.609**	0.000
V23	Comparatively too expensive prices of goods contributed to failure.	0.000	0.000	**0.589**	0.000
V60	Evading tax payment was one of the business practices of the venture before failure.	0.000	0.000	**0.584**	0.000
V58	Financing the venture's assets using high-interest-bearing, short-term debt is one of the reasons the venture failed.	0.000	0.000	**0.536**	0.000
V27	Regular cash shortages were typical of the venture before failure.	0.000	0.000	**0.530**	0.000
V61.	Over-reliance on only one large customer was one of the reasons the venture failed.	0.000	0.000	**0.469**	0.000
V59.	Inability to pay interest on debt was typical of the venture before failure.	0.000	0.000	**0.461**	0.000
V26.	Bypassing newly constructed toll road diverted consumer traffic from the failed venture.	0.000	0.000	**0.460**	0.000
V63.	Frequent reprocessing due to inferior product quality contributed to failure.	0.000	0.000	**0.445**	0.000
V54.	Excessive use of credit contributed heavily to failure.	0.000	0.000	**0.391**	0.000
V35	"Dipping of fingers" into company cash registers was one of the contributory factors to failure.	0.000	0.000	**0.359**	0.000
V62.	Overstocking of products contributed to failure.	0.000	0.000	**0.357**	0.000
V40.	Failing to pay government company taxes was typical of the failed venture.	0.000	0.000	**0.352**	0.000

Question	Factor loadings			
	1	2	3	4
V30. Slow-paying customers contributed to the venture not being able to pay its monthly bills.	0.000	0.000	0.000	**0.960**
V31. Bad debts resulted in the venture running out of cash before failure.	0.000	0.000	0.000	**0.910**
V37. Delays in debt collection reduced the venture cash levels before failure.	0.000	0.000	0.000	**0.895**
V38. Difficulties in paying monthly bills were typical of the venture before failure.	0.000	0.000	0.000	**0.352**
V25. Lack of product advertising fuelled venture failure.	0.000	0.000	0.000	**0.330**
Eigenvalue	**9.41**	**4.67**	**4.37**	**2.23**
Proportion of variance explained	**20.95**	**8.89**	**8.57**	**6.22**
Cumulative variance explained	**20.95**	**29.84**	**38.41**	**44.63**
Cronbach alpha	**0.98**	**0.82**	**0.80**	**0.82**
Canonical correlation	**0.99**	**0.96**	**0.93**	**0.90**

In Table 5.10 the variables are grouped together (in terms of shading) by the factor analysis programme. The findings from Table 5.10 thus constitute an important aspect of this research.

On the basis of the variable loadings the four factors have been named:

5.3.1.1 "MONITORING AND CONTROL" (FACTOR 1)

This factor was named after the following high factor loading, venture "monitoring and control" variables:

- Continual monitoring of cash payment (disbursement) books;
- Accurate record keeping;
- Monitoring of monthly financial statements (results versus budgets); and
- Managing weekly cash-flow projections/forecasting records.

5.3.1.2 "EXPERIENCE AND PLANNING IN FINANCE AND MARKETING" (FACTOR 2)

The factor was named after the following high factor loading, "experience and planning in finance and marketing" variables:

- More experience of the industry would have halted failure in the venture;
- More venture start-up experience would have halted failure in the venture; and
- More business planning in finance and marketing would have halted venture failure.

5.3.1.3 "INCOME CONSTRAINTS" (FACTOR 3)

The factor was named after the following high factor loading, "income constraints" variables:

- Too high prices of goods led to lower sales;
- Ignoring customers' complaints substantially influenced the failure of the venture;
- Comparatively too expensive prices of goods contributed to failure;

- Evading tax payment was one of the business practices of the venture before failure; and
- Financing of venture's assets using high-interest-bearing, short-term debt, is one of the reasons the venture failed.

5.3.1.4 "CASH CONTROL" (FACTOR 4)

The factor was named after the following high factor loading, "cash control" variables:

- Slow-paying customers contributed to the venture not being able to pay its monthly bills;
- Bad debts resulted in the venture running out of cash before failure;
- Delays in debt collection reduced the venture cash levels before failure; and
- Difficulties in paying monthly bills were typical of the venture before failure.

5.3.2 Cronbach alpha

The high Cronbach alpha values (0.80 to 0.98) (Table 5.10) are evidence that the measuring instrument is reliable and valid. Additionally, reliability implies validity, although the opposite does not necessarily hold true.

5.3.3 Goodness of fit

The data collected for this research yielded a chi-squared distribution (χ^2) = 2317.189 with p-value = 0.000. The "goodness of fit" obtained for this research can therefore be interpreted as follows: a chi-squared distribution (χ^2) > 0 and a p-value of 0.000 for an $\alpha = 0.05$ level of significance. This is a highly significant statistical difference which indicates that the model being tested has the best fit to the test scores, that is, any significant difference is not by chance (sampling error or methodological design error), but is due to experimental treatment of the independent variables. In this case, the independent variables being referred to are the causes of failure in the small businesses researched.

5.3.4 Demographic variables influencing failure in small businesses

The ANOVA technique used a SAS GLM procedure to conduct the analyses of variation. ANOVA generally refers to one dependent variable being examined at a time. The aim of the ANOVA is to determine which demographics account for a large proportion of the overall variance in the factors (Cramer 2003:146). The ANOVA is based on the assumption that populations from which the samples are drawn have a normal distribution and equal or homogeneous variances (Cooper & Schindler 2001:509, 2008:289). The four factors extracted using the BMDP4M Factor Analysis Program were thus subsequently subjected to a variance analysis to find out if within each of the factors the mean scores of the demographic groups differed significantly.

5.3.4.1 ANALYSIS OF VARIANCE FOR "MONITORING AND CONTROL" (FACTOR 1) AS A CAUSE OF FAILURE IN SMALL BUSINESSES

The ANOVA for all the factors was conducted in a sequence involving three steps and these were (an example is provided below for factor 1):

- Is there a statistically significant difference between the venture "monitoring and control" (factor 1) mean scores for different demographic groups or demographic class levels, that is, is the p-value of "monitoring and control" (factor 1) less than the levels of significance, $\alpha = 0.05$ (Table 5.11)?;
- Which demographic groups or class levels show statistically significant differences, that is, have a p-value which is less than $\alpha = 0.05$ (Table 5.11)?;
- How do the "monitoring and control" (factor 1) mean scores differ between the statistically significant groups, for example, the difference in mean scores for the statistically significant group (cash-flow budgeting) (Table 5.11)?

Table 5.11: Analysis of variance for "monitoring and control" (factor 1) as a cause of failure of small businesses

Source	DF	Sum of squares	Mean square	F-value	Pr > F
Model	9	10.7623	1.1958	2.08	0.0333
Error	200	115.2287	0.5761		
Corrected total	**209**	**125.9910**			

Table 5.11 indicates that "monitoring and control" (factor 1) varies depending on some demographic factors as shown by its F-value of 2.08 which is greater than unity, and p-value of 0.0333 for an $\alpha = 0.05$ level of significance. There is a statistically significant difference between the "monitoring and control" (factor 1) mean scores for different demographic groups.

Table 5.12 indicates which demographics were responsible for the statistically significant difference. The categories which support the overall statistically significant difference of "monitoring and control" (factor 1) are underpinned by frequency of cash-flow budgeting (Table 5.12).

Table 5.12: Demographic variables influencing "monitoring and control" (factor 1) as a cause of failure of small businesses

Independent variable	Monitoring and control (factor 1)				
	DF	Type III SS	Mean square	F-value	Pr > F
Duration of business ownership	2	1.4815	0.7408	1.29	0.2787
Business management experience	1	0.3569	0.3569	0.62	0.4321
Type of business	3	1.7662	0.5887	1.02	0.3840
Influence by a role model / mentor	1	0.3905	0.3905	0.68	0.4113
Level of planning	1	0.5360	0.5360	0.93	0.3359
Frequency of cash-flow budgeting	1	4.6960	4.6960	8.15	0.0048

Table 5.12 shows that frequency of cash-flow budgeting (with an F-value of 8.15 and p-value of 0.0048) statistically and significantly contributed to "monitoring and control" (factor 1) as a cause of small business failure. Taking the matter further, the mean score for frequency of cash-flow budgeting illustrated that the statistically significant difference in "monitoring and control" (factor 1) was the cause of small business failure.

In Table 5.13, the mean score for those who never did cash-flow budgeting before their small businesses failed was 3.8419. This mean score is higher than 3.4983 for those who did cash-flow budgeting before their ventures failed. This means that those who never practised cash-flow budgeting before their small businesses failed believed more that "monitoring and control" (factor 1) influenced the failure of their businesses. This is higher than the mean 2.5.

Table 5.13: Mean scores for frequency of cash-flow budgeting in "monitoring and control" (factor 1) as a cause of failure of small businesses

Demographic variable	Never	Done	p < 0.05
Frequency for cash-flow budgeting mean scores	3.8419	3.4983	0.0048

5.3.4.2 ANALYSIS OF VARIANCE FOR "EXPERIENCE AND PLANNING IN FINANCE AND MARKETING" (FACTOR 2) AS A CAUSE OF FAILURE IN SMALL BUSINESSES

The ANOVA for "experience and planning in finance and marketing" (factor 2) as a cause of failure in small businesses is presented in Table 5.14.

Table 5.14: Analysis of variance for "experience and planning in finance and marketing" (factor 2) as a cause of failure of small businesses

Source	DF	Sum of squares	Mean square	F-value	Pr > F
Model	9	2.1797	0.2422	1.38	0.1991
Error	200	35.1008	0.1755		
Corrected total	**209**	**37.2805**			

Table 5.14 indicates that in terms of "experience and planning in finance and marketing" (factor 2) there was no statistically significant difference for its F-value of 1.38 and p-value of 0.1991.

The instrument also measured whether "experience and planning in finance and marketing" (factor 2) had any influence on the failure of small businesses. The outcomes of the measured perceptions are reported in Table 5.15 which contains demographic information on the variables influencing "experience and planning in finance and marketing" (factor 2).

Table 5.15: Demographic variables influencing "experience and planning in finance and marketing" (factor 2) as a cause of failure of small businesses

Independent variable	Experience and planning in finance and marketing (factor 2)				
	DF	Type III SS	Mean square	F-value	Pr > F
Duration of business ownership	2	0.3002	0.1501	0.86	0.4267
Business management experience	1	0.2568	0.2568	1.46	0.2278
Type of business	3	0.7850	0.2617	1.49	0.2182
Influence by a role model / mentor	1	0.0312	0.0312	0.18	0.6735
Level of planning	1	0.3024	0.3024	1.72	0.1908
Frequency of cash-flow budgeting	1	0.0892	0.0892	0.51	0.4765

Table 5.15 confirms that no statistically significant differences were found for the demographic variables influencing "experience and planning in finance and marketing" (factor 2). This means that the mean scores of the different demographic groups were not statistically significantly different.

5.3.4.3 ANALYSIS OF VARIANCE FOR "INCOME CONSTRAINTS" (FACTOR 3) AS A CAUSE OF FAILURE IN SMALL BUSINESSES

The instrument was also used to measure the perceptions of the respondents on the contribution that "income constraints" (factor 3) might have had on the failure. The ANOVA for the measured perceptions appear in Table 5.16.

Table 5.16: Analysis of variance for "income constraints" (factor 3) as a cause of failure of small businesses

Source	DF	Sum of squares	Mean square	F-value	Pr > F
Model	9	6.9696	0.7744	1.70	0.0915
Error	201	91.6817	0.4561		
Corrected total	**210**	**98.6513**			

Table 5.16 indicates that for "income constraints" (factor 3) there was no statistically significant difference for the F-value of 1.70 and the corresponding p-value of 0.0915.

To substantiate that there was no significant difference, the instrument also measured the perceptions of the respondents on what demographic variables contributed to "income constraints" (factor 3) resulting in the small business failure. The measured perceptions appear in Table 5.17.

Table 5.17: Demographic variables influencing "income constraints" (factor 3) as a cause of failure of small businesses

Independent variable	Income constraints (factor 3)				
	DF	Type III SS	Mean square	F-value	Pr > F
Duration of venture ownership	2	1.3923	0.6962	1.53	0.2198
Business management experience	1	1.0385	1.0385	2.28	0.1329
Type of business	3	3.0149	1.0050	2.20	0.0889
Influence by a role model / mentor	1	0.0013	0.0013	0.00	0.9567
Level of planning	1	0.0499	0.0499	0.11	0.7411
Frequency of cash-flow budgeting	1	0.2988	0.2988	0.66	0.4192

Table 5.17 indicates no statistically significant differences were found between the mean scores of the demographic variables influencing "income constraints" (factor 3).

5.3.4.4 ANALYSIS OF VARIANCE FOR "CASH CONTROL" (FACTOR 4) AS A CAUSE OF FAILURE IN SMALL BUSINESSES

The perceptions of the respondents were also measured by the influence of "cash control" (factor 4) on small business failure, for which the ANOVA is presented in Table 5.18.

Table 5.18: Analysis of variance for "cash control" (factor 4) as a cause of failure of small businesses

Source	DF	Sum of squares	Mean square	F-value	Pr > F
Model	9	14.4239	1.6027	2.71	0.0053
Error	201	118.7335	0.5907		
Corrected total	**210**	**133.1574**			

Table 5.18 indicates that "cash control" (factor 4) varies depending on some demographic factors as shown by its F-value of 2.71 and p-value of 0.0053. There was a highly significant statistical difference between the "cash control" (factor 4) mean scores for different demographic groups.

Table 5.19 shows which demographic categories influenced the statistically significant difference. The categories which support the overall statistically significant difference of "cash control" (factor 4) are: business management experience (with an F-value of 7.64 and a corresponding p-value of 0.0062) as well as frequency of planning (with an F-value of 8.60 and a corresponding p-value of 0.0038).

Table 5.19: Demographic variables influencing "cash control" (factor 4) as a cause of failure of small businesses

Independent variable	Cash control (factor 4)				
	DF	Type III SS	Mean squares	F-value	Pr>F
Duration of business ownership	2	2.9266	1.4633	2.48	0.0865
Business management experience	1	4.5151	4.5151	7.64	**0.0062**
Type of business	3	2.2538	0.7513	1.27	0.2852
Influence by a role model / mentor	1	1.6696	1.6696	2.83	0.0943
Level of planning	1	5.0778	5.0778	8.60	**0.0038**
Frequency of cash-flow budgeting	1	0.8810	0.8810	1.49	0.2234

Table 5.19 indicates that frequency of planning and business management experience statistically significantly influenced "cash control" (factor 4) as a cause of failure in small businesses.

Table 5.20 indicates that the mean score for respondents who had no business management experience before the failure of their small business was higher at 3.52 than for respondents who had business management experience (mean score 3.30). The difference in the means indicates that respondents who had no previous business management experience before failure of their ventures believed that receiving more hands-on training on "cash control" (factor 4) could have made a difference.

Table 5.20: Mean scores for "cash control" (factor 4) as influenced by business management experience as a cause of failure of small businesses

Demographic variable	Never	Done	p < 0.05
Business management experience	3.52	3.30	0.0062

Table 5.21 indicates that the mean score for respondents who lacked frequency of planning before the failure of their small businesses was lower at 3.30 than for respondents who had frequency in planning before the failure of their small businesses (mean score 3.57).

Table 5.21: Mean scores for frequency of planning in influencing "cash control" (factor 4) as a cause of failure of small businesses

Demographic variable	Never	Done	$p < 0.05$
Frequency of planning	3.30	3.57	0.0038

The difference in the means (Table 5.21) indicates that respondents who had frequency of planning before the failure of their ventures believe that "cash control" (factor 4) contributes to the failure in their small businesses.

Table 5.21 supports the finding ($p = 0.0038$), that respondents who never did planning believed that a lower frequency in planning contributed to "cash control" (factor 4) as a factor of small business failure.

In summary, both demographic groups – which were: business management and lack of frequency of planning – believed that "cash control" (factor 4) contributed significantly to small businesses failure. The findings above support researchers such as Chittenden *et al* (1999:5) who note that studies of the reasons for small business failure inevitably show poor or careless financial management to be the most important cause.

5.3.5 Hindsight causes that contributed towards the failure of small businesses

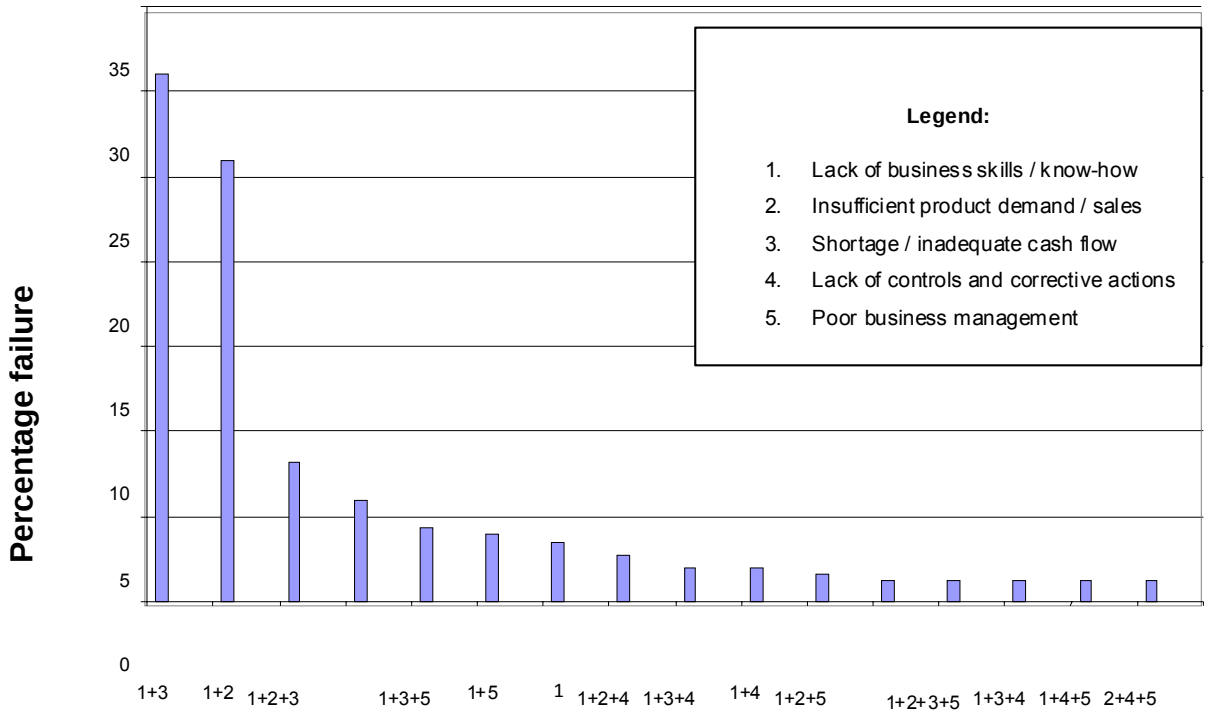
In addition to the structured research questions posed to the respondents, the last question (Question 16) was an unstructured open-ended question about combined issues perceived by the respondents as being the processes or events which operated to close down the businesses. The issues that emerged from the respondents' hindsight in the open-ended questionnaire were:

- The meanings/interpretations which the respondents had for the causes of the business' failure (how the owners perceived the causes of failure;
- The coping mechanisms used by the respondents to survive initially;
- How the businesses finally failed; and
- The psychological effects of the failures.

These issues were rated in terms of their links with the failure of the small businesses. Table 5.22 lists the combined hindsight causes of the failures and serves as a legend for Figure 5.3 and Table 5.23.

Table 5.22: Summary of hindsight causes that contributed to the failure of small businesses

Cause number	Category	Description of variable
1	Resources	Lack of business skills / know-how
2	Opportunity	Insufficient product demand / sales
3	Resources	Shortage/inadequate cash flow
4	Resources	Lack of controls and corrective actions
5	Resources	Poor business management



Source: Own compilation of combined hindsight causes of small business failure.

Figure 5.3: Percentage small business failure versus combined hindsight causes of failure

Figure 5.3 and Table 5.23 indicate the individual respondents' stated combined causes that contributed to the failure of their ventures. Combined causes of failures below 4.0 % were excluded as they were too low for any meaningful discussions.

Table 5.23: Combined hindsight causes of failure of small businesses

Combined causes of small business failure	Meaning of the combined causes of small business failure
Combined failure cause (1+3)	Represents a lack of business skills and shortage of cash: **Reported by 31.0 % of the respondents as causing failure**.
Combined failure cause (1+2)	Represents a lack of business skills and insufficient product demand/sales: **Reported by 25.9 % of the respondents as causing failure**.
Combined failure cause (1+2+3)	Represents a lack of business skills and insufficient product demand/sales and shortage of cash: **Reported by 8.2 % of the respondents as causing failure**.
Combined failure cause (1+2+3+4+5)	Represents a lack of business skills and insufficient product/demand and inadequate cash flow and lack of controls and poor business management: **Reported by 5.9 %* of the respondents as causing failure**.
Combined failure cause (1+3+4+5)	Represents a lack of business skills, inadequate cash flow, and poor business management: **Reported by 4.3 %* of the respondents as causing failure**.
*These figures are added together to make 10.2 % in Sections 5.5.1.1.4 and 5.5.1.4.4.	

Attention is now turned to the explanatory analysis or causal mechanism behind the business failures.

5.4 CAUSAL MECHANISMS BEHIND BUSINESS FAILURES

5.4.1 Transformation of the descriptive statistical information into causal explanations

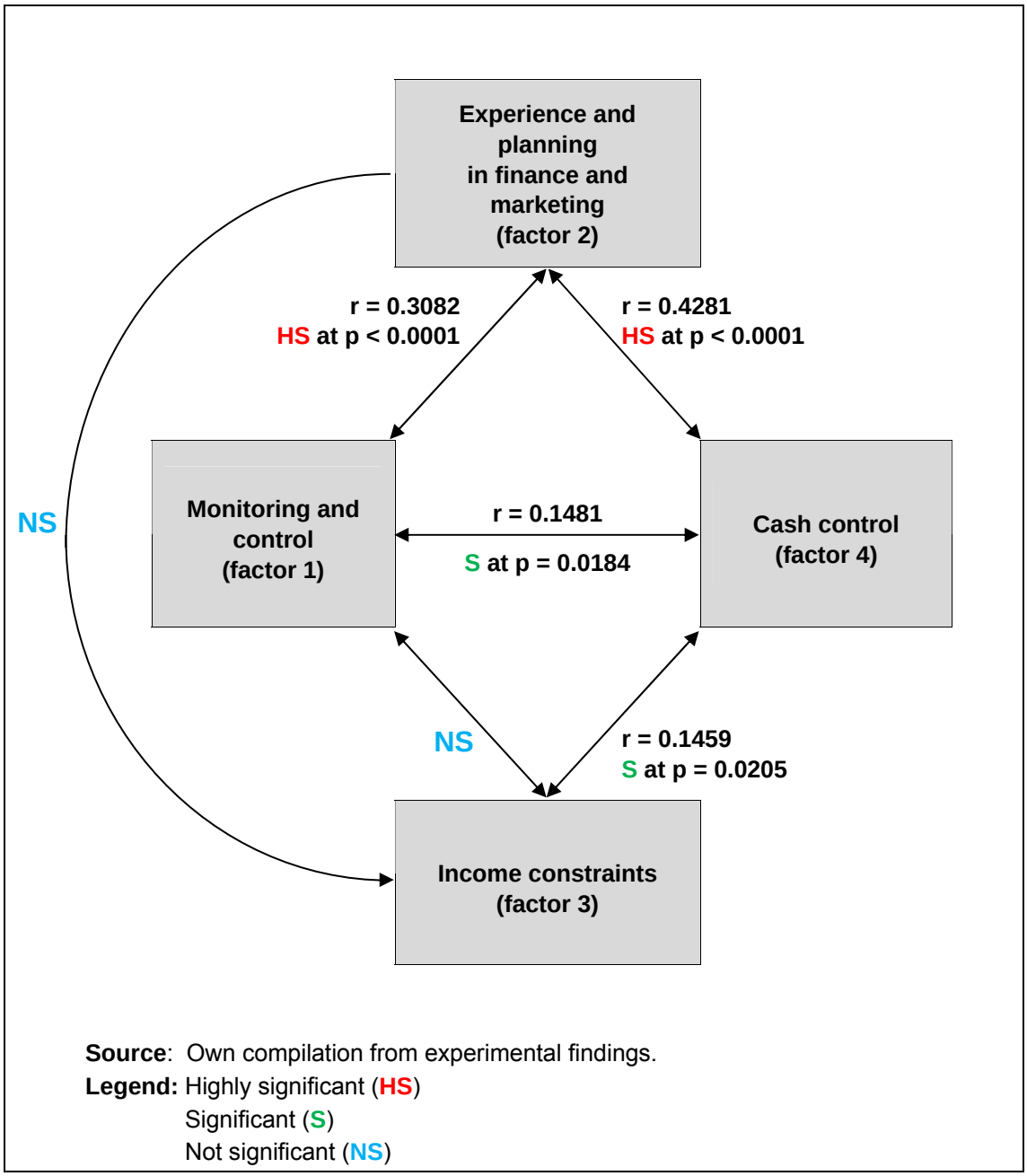
So far, the research has demonstrated the statistical relations inherent in the four factors which have been abstracted from the 51 variables. The four factors were also found to be related as shown in Table 5.24.

Table 5.24 indicates that venture "monitoring and control" (factor 1) was highly significantly correlated ($p < 0.0001$) with "experience and planning in finance and marketing" (factor 2). "Monitoring and control" (factor 1) was significantly correlated ($p = 0.0184$) with "cash control" (factor 4) for an $\alpha = 0.05$ level of significance. "Experience and planning in finance and marketing" (factor 2) and "cash control" (factor 4) were highly significantly correlated ($p < 0.0001$). Lastly, "income constraints" (factor 3) and "cash control" (factor 4) were statistically significantly correlated ($p = 0.0205$) for an $\alpha = 0.05$ level of significance. Figure 5.4 illustrates the statistically significant associations between the four factors.

Table 5.24: Factor correlation matrix

		Pearson Correlation Coefficients			
		Prob > |r| under H_0: Rho=0			
		Number of observations			
		Monitoring and control (factor 1)	Experience and planning in finance and marketing (factor 2)	Income constraints (factor 3)	Cash control (factor 4)
Monitoring and control (factor 1)	Correlations	1			
	p-values				
Experience and planning in finance and marketing (factor 2)	Correlations	0.3082	1		
	p-values	**<0.0001**			
Income constraints (factor 3)	Correlations	0.0912	**0.0381**	1	
	p-values	0.1496	0.5476		
Cash control (factor 4)	Correlations	0.1481	0.4281	0.1459	1
	p-values	**0.0184**	**<0.0001**	**0.0205**	

Source: Based on the GLM factor analysis tool.



Source: Own compilation from experimental findings.
Legend: Highly significant (**HS**)
Significant (**S**)
Not significant (**NS**)

Figure 5.4: The associations of the four causes of small business failure

Figure 5.4 indicates that the four factors were interlinked, presenting statistical associations. These *associations do not, however, imply causality* (Mouton 1994:79, 2002:194; Cooper & Schindler 2001:155, 2008:517). Statistical associations represent only one of the conditions for developing causal models. As

can be observed in Table 5.24 there are significant statistical relations between the four factors which suggest the need to explore the possibility of finding actual causal relations. That the four factors are significantly related statistically is grounds for further investigation (Mouton 1994:79, 2002:194; Cooper & Schindler 2001:155, 2008:517). This concern stems from the fact that one key objective of this research is to find the causes which have operated to close down the businesses in the research area.

As mentioned in Chapter 4, five expanded and more complete causality procedures/principles or steps follow in Table 5.25, as compared with the original three steps identified by Cooper & Schindler (2001:151, 2008:153) and Hair *et al* (2006:706) (described by points 1 to 3 in Table 5.25).

The aforementioned five expanded steps were introduced to obtain the statistical associations between the variables used in this research for a deeper understanding (or mechanism) of the failure of small businesses.

Table 5.25: The five expanded causality criteria

Criterion	Details
1	The variables must show that they are empirically associated (covariance or significantly correlated)
2	Replicable time sequence
3	There are no cases of spuriousness (eliminated or controlled for extraneous variables)
4	Concerned with explaining the concept of mechanism in the research (how and why failure happened), using the critical realist approach
5	This criterion is about the context of the research

- With reference to **Criterion 1**, the statistical relationships or correlations above have helped to establish the condition of co-variance or associations. Figure 5.4 indicates the relationships between the four factors.
- With reference to **Criterion 2**, it was found from the retrospective field research with the respondents concerned that failure occurred after the causes had emerged.

- With reference to **Criterion 3**, efforts were made to ensure that the variables selected satisfied the condition of non-spuriousness barring external factors, that is, that there was no other extraneous observed factor influencing the failure of the small businesses by obtaining testimony about failure from respondents.
- With reference to **Criterion 4**, that is, identifying the mechanism, the realist approach was applied to the four factors as **socially** and **ideally** real objects. "Socially real" and "ideally real" objects are clarified below before an explanation of **Criterion 5**.

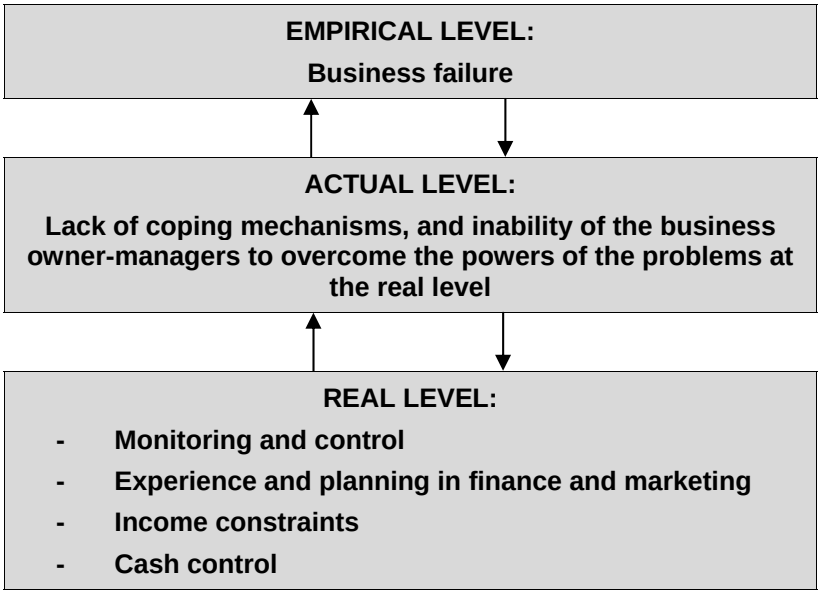
5.4.1.1 SOCIALLY REAL BUSINESS FAILURE MECHANISM AS THE CONTEXT

This involved conceptualising the business management principles which should have been followed as guidelines or rules known by the owner-managers of the failed small businesses but which were wrongly interpreted or applied, thus leading to the failure of the businesses. In Chapter 2, these principles were clearly brought out as consisting of concrete business capital resources and opportunities comprising capital and human infrastructural resources and other necessities or conditions which were not applied or used correctly by the owner-managers of the failed small businesses, thus leading to failure (Figure 5.5).

5.4.1.2 IDEALLY REAL BUSINESS FAILURE MECHANISM

This concept in Figure 5.5, in contrast, applied to the beliefs, opinions and fears of the owner-managers of the failed small businesses towards the four business failure factors. This has been previously referred to in Chapter 3 as the ideally real aspect of the realist conceptualisation process and is presented schematically in Figure 5.5. The owner-managers of the failed small businesses were observed to have seen the four problems as having binding constraints on their ventures. They saw the four causes as structures which operate as a group with causal powers to close down businesses necessarily (Fleetwood & Ackroyd 2004:46). From the perspective of the owner-managers of the failed small businesses, the four factors were formidable enough to close down their businesses. They therefore saw them as natural outcomes of logically interlinked processes over which they thought they had no control (Layder 1993:160; Singh *et al* 2007:334). The foregoing answers one of the problem statements which can be restated as: "What

documented theories are being blamed as being the causes of the failure of SMMEs?"; "What lessons could be learnt from such theories?" and "How relevant are such theories to the situation in South Africa?".



Source: Own compilation based on the literature review.

Figure 5.5: A realist stratification model of the negative perceptions the owner-managers of the failed small businesses had towards the powers of their business problems that lead to their closures

Figure 5.5 indicates that the owner-managers of the failed small businesses had become socialised in particular contexts to the four causes, seeing them as formidable problems over which they had little power. The precepts which the owner-managers of the failed small businesses had of themselves, of what was appropriate, right and fitting, of what their abilities and capacities were, of what they had to value – all of these ideas which comprised the images they had of their businesses – were a function of their belief systems.

The lack of effective coping mechanisms (Bouchard *et al* 2004:221; Singh *et al* 2007:334), and poor performance monitoring processes were found to be critical in the closure of the businesses. The owner-managers of the failed small businesses had poor consultation arrangements; lacked mentors; had little knowledge about

the possible assistance they could have obtained from institutions (such as Khula and Seda), and lacked contingency plans to sustain them in times of crisis. Under these conditions, their business had to close down (Fleetwood & Ackroyd 2004:29).

One theme in this business failure research thus relates to the idea of how people can succumb to the powers of their problems resulting in the closure of their businesses (Sayer 2000:15; Fleetwood & Ackroyd 2004:40; Singh *et al* 2007:334). This theme is closely related to the issue of power struggle between the business success and failure factors which was touched upon in Chapters 1, 2, and 3. The owner-managers of the failed small businesses managed (steered) their businesses apparently in the direction of failure. The failure outcomes at the empirical level were then unfortunately allowed to become conditions for their future decision-making processes at the actual level. Overwhelming causal powers were thus ascribed to the four failure causes. The four factors were accepted as somehow natural and finally determined the ultimate fate of the ventures (Layder 1993:164; Leca & Naccache 2006:627). What the owner-managers of the failed small businesses chose to do about their business problems, and how they chose to tackle them were thus properties of their interpretations (hermeneutics) of what the four failure causes meant to them (McKenzie & Sud 2008:129).

- With reference to **Criterion 5**, regarding the context, the findings of the sample are exclusively for the sampled area or geography and its socio-economic context. However, because of the high Cronbach alpha (0.80 to 0.98) and the goodness of fit ($\chi^2 = 2317.189$), the results of the research may be generalised to the rest of the Republic of South Africa. These steps are the hallmark of the causality in the critical realist approach. Furthermore, realist theory in business management stresses, however, that business success or failure today is no guarantee of success or failure tomorrow since the powers of the opposing forces could be changed at any time (Layder 1993:160; David 2003:300). Successful businessmen should therefore not be lulled into complacency by their success. The owner-managers of small businesses also need to be encouraged to believe in the statement that change is permanent. The perceptions of the owner-managers of small businesses (at the actual level) towards the business management principles and problems (at the real level) must therefore determine what they do today. This is one way of

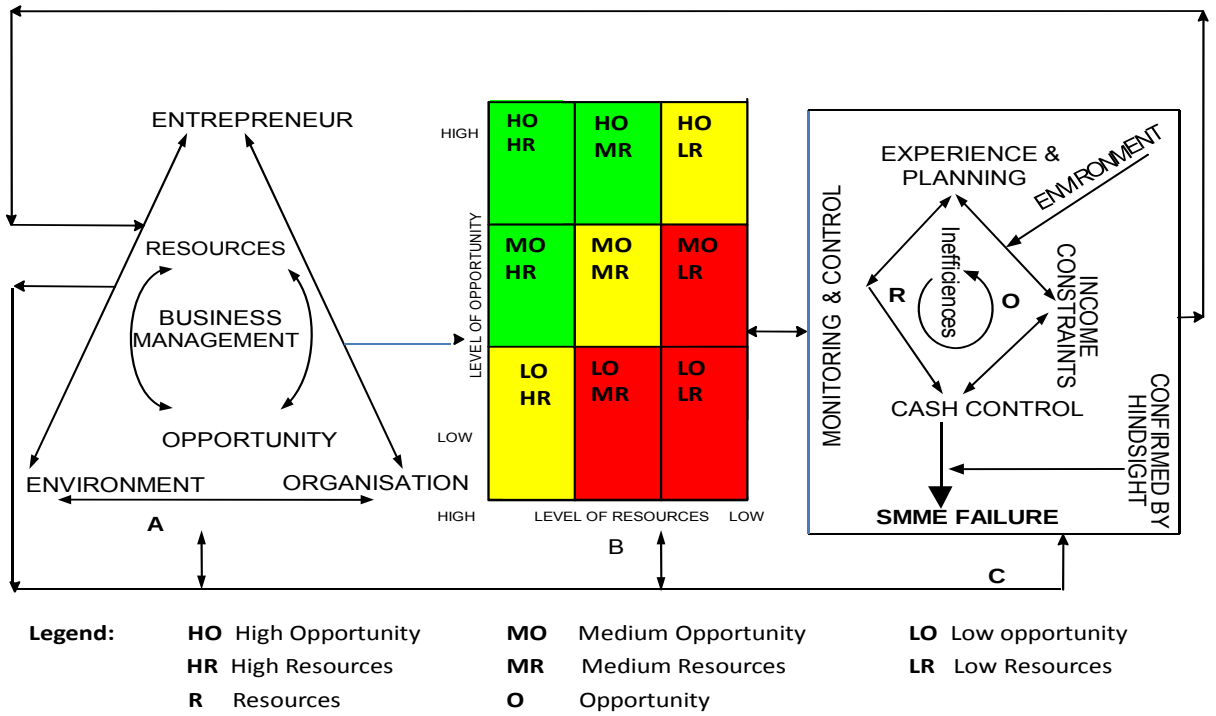
linking the future of their businesses to their mindsets in a positive way. Critical realist researchers can operate as important instruments in the form of mentors, advisors and social workers for producing the desired changes for the benefit of the owners-managers of small businesses.

This section of the findings thus introduces an important element in confirming the central approach of this research – namely, that the processes operating in the real level need not be seen by the owner-managers of small businesses as externally located objects which operate from the outside to impose their will on owner-managers of small businesses, but as objects that need to be internalised, interpreted and acted upon to serve the interests, goals and meanings of the owner-managers concerned.

5.5 TEMPORAL MODELLING OF THE FAILURE OF THE BUSINESSES STUDIED

An important perspective of the business failures can be outlined in the form of the sequence of events which led to their closures, as outlined in Figure 5.6. This represents the process of their failure involving resources and opportunities configurations and deployment. In Figure 5.6, the sequence of events leading to the business failures is: Steps A, B and C.

- **Step A**: Starting in the multiple origin triangle A, inefficiencies resulted from the entrepreneur's [human] poor business management, leading to the organisation's internal failures which were impacted upon by the environmental uncertainties. Poor business management reduced the optimal combinations of resources (R) and opportunities (O).
- **Step B**: When combinations in resource-opportunity levels reached unacceptable levels (signified in **red**), that is, the lower the resources and the lower the opportunities remaining fused together, the more predisposed the venture was to propel itself towards failure. **Yellow** indicates the survival prospects of the small business and was a mixture of low resources and high opportunity, medium resources and medium opportunity, or high resources and low opportunity. Optimal combinations are signified in **green** and propelled the venture towards sustainability. Thus failure and success was seen as opposite ends of the same continuum.



Source: Own compilation based on literature review and empirical evidence.

Figure 5.6: Proposed small business failure process model

- **Step C**: occurred when the interactions and associations of the four causal factors were influenced by the external environment as well as by the hindsight factors. The combined mass of C lead to the ultimate failure of the small business, partly due to inefficiencies as the venture become cash-strapped. As already noted, cash is the lifeblood of any business. The finding supports Abouzeedan & Busler (2004:158) and Ooghe & De Prijcker (2008:228) who mention that inefficient firms decline and exit while efficient firms survive and grow. Importantly, Jones' (1991:63) contention some 20 years ago about the absence of cash is still valid:

  > Cash might be described as the lubrication which is needed to make every major decision. Without it, just like an engine without oil, the business seizes up.

In conclusion, Figure 5.6 summarises the key features of the small business failure processes. The process of failure was such that in the beginning (Step A) the owner-manager's poor business management resulted in inefficiencies due to improper resource and opportunity combining in Step B, and empirically manifested as four causal factors in Step C. In the presence of the environmental uncertainties, as well as the hindsight causes, the causal factors predisposed the ailing venture to failure.

5.5.1 Confirmations of the research propositions

The confirmations of the research propositions developed in Chapter 3 are now analysed as statistical hypotheses (Leedy & Ormrod 2005:270). According to these researchers (p.270) the term "hypothesis" has two different meanings in research literature. The first meaning relates to a research hypothesis or proposition which refers to a tentative guess/conjecture needing to be tested using empirical evidence. The second relates to a statistical hypothesis associated with a sample needed for inference back to the population. As reported in the previous sections on the ANOVA, there were four factors that were extracted from the collected data.

The confirmations for each of the four propositions follow next, starting with the first proposition which is:

5.5.1.1 P_1: MONITORING AND CONTROL CONTRIBUTE TO FAILURE IN SMALL BUSINESSES

5.5.1.1.1 Analysis of variance

The application of the ANOVA indicates that "monitoring and control" (factor 1), with an F-value of 2.08 and $p = 0.0333$ for an $\alpha = 0.05$ level of significance, contributes a statistically significant difference to failure in small businesses.

5.5.1.1.2 Variable mean scores over some demographics

It is understood that for an F-test an F-value of unity implies that there is similar relations, that is, the null hypothesis holds, but any value above unity with p-value less than $\alpha = 0.05$ means that there is strong sample evidence to reject the null hypothesis and accept the alternative relationship. Scores that are greater than the mean score of 2.5 confirm that "monitoring and control" (factor 1) contribute to the small business' failure. Specifically, the cash-flow demographic mean scores influencing "monitoring and control" (factor 1) had an F-value of 2.08 which is much greater than unity, and corresponding p-value of 0.0048 which is highly statistically significantly different, serving as further support that "monitoring and control" (factor 1) contribute to failure in small businesses.

5.5.1.1.3 The role of combined factors in the failure of small businesses

When causes combine there seems to be more certainty that failure can result compared to when causes are only individually observed in the reaction mechanism. That is, when combined they seem to become more potent in predisposing the small businesses to failure than when they exist as individual causes of failure. The factor correlation matrix in Table 5.24, as well as the associations in Figure 5.4 and the failure process in Figure 5.6 support that the associations between "monitoring and control" (factor 1), "experience and planning in finance and marketing" (factor 2) and "cash control" (factor 4) were overwhelming combined causes to the small business owner-managers. These associations therefore contributed to the small business failure.

5.5.1.1.4 Hindsight causes supporting "monitoring and control" (factor 1)

The hindsight causes in Table 5.22 support "monitoring and control" (factor 1) as a total of 10.2 % (Table 5.23) of respondents say that their small businesses failed because of "monitoring and control" problems. This then serves to confirm that "monitoring and control" contribute to failure in small businesses. These hindsights support Brigham & Gapenski (2008:1075) who stress: "most business failures occur because a number of factors combine to make the business unsustainable".

Constituting part of the hindsight causes for the small business failures, the following anecdotal evidence was provided by the respondents:

- "poor credit control often constrained our cash-flow levels"
- "withdrawals of business money for personal use – such as school fees and family groceries – was often a problem"
- "poor debt collection affected cash flow"
- "we experienced stock theft and were unable to contain the problem because we lacked record-keeping skills"
- "poor marketing resulted in a low customer base" and
- "overstocking resulted in goods expiring and wastages".

5.5.1.1.5 Literature supported by "monitoring and control" (factor 1)

"Monitoring and control" (factor 1) as a cause contributing to small business failure is supported by Al-Shaikh (1998:81), Monk (2000:12), Tushabomwe-Kazooba (2006:30), Khan (2006:2), Okpara & Wynn (2007:27) and Crutzen & van Caillie (2007:20).

Based on the evidence above it can therefore be concluded that "monitoring and control" (factor 1) contributes to failure in small businesses.

The second proposition follows next as:

5.5.1.2 P_2: EXPERIENCE AND PLANNING IN FINANCE AND MARKETING CONTRIBUTE TO FAILURE IN SMALL BUSINESSES

5.1.1.2.1 Analysis of variance

The application of the ANOVA, with an F-value of 1.38 and p = 0.1991, indicates that the demographic variables did not differ, that is, there is no statistically significant difference between the "experience and planning in finance and marketing" (factor 2) mean scores of different demographic groups.

5.1.1.2.2. Variable mean scores over some demographics

Collected data indicate that "experience and planning in finance and marketing" (factor 2) did differ over demographic variables. However, there was no statistically significant difference found between the different demographic groups influencing "experience and planning in finance and marketing" (factor 2) contributing to the failure in small businesses.

5.1.1.2.3 The role of combined factors in the failure of small businesses

When "experience and planning in finance and marketing" (factor 2), "cash control" (factor 4), and "monitoring and control" (factor 1) combine, there seems to be more certainty that failure can result compared to when individual factors are observed in the reaction mechanism.

5.1.1.2.4 Hindsight causes supporting "experience and planning in finance and marketing" (factor 2)

The hindsight causes in Table 5.22 support "experience and planning in finance and marketing" (factor 2) as a cause of small business failure as 31.0 % (Table 5.23) of respondents say that their small businesses failed because of a lack of experience, coupled with a shortage of cash or inadequate cash-flow planning.

Constituting part of the hindsight causes for the small business failures, the following anecdotal evidence was provided by the respondents:

- "we were not trained in business management... simply, we did not know how to run the business"

- "we had no knowledge how to deal with competition, for example, newly erected shopping malls, and from foreigners such as Nigerians, Pakistanis and Somalis, who have superior business skills"
- "we did not know how to manage people"
- "we lacked knowledge of how to price goods, that is the price structure was often dictated by our customers"
- "we did minimal planning, for example, we lacked resources such as a building to do business from or a van to distribute goods to customers"
- "we had no time to supervise the business".

5.5.1.2.5 Literature supported by "experience and planning in finance and marketing" (factor 2)

"Experience and planning in finance and marketing" (factor 2) as a contributing factor towards failure in small businesses is supported by Wright (1995:48), Holland (1998:2), Al-Shaikh (1998:81), van Aardt *et al* (2000:250), Monk (2000:12), Perry (2001:201), Okpara & Wynn (2007:27) and Okpara & Kabongo (2009:7).

However, based on the evidence from this research it can therefore be concluded that "experience and planning in finance and marketing" (factor 2) does not contribute to failure in small businesses. The lack of statistical difference could possibly be due to ignorance about the importance of the variables on the part of the owner-managers of the failed small businesses.

The third proposition follows next as:

5.5.1.3 P_3: INCOME CONSTRAINTS CONTRIBUTE TO FAILURE IN SMALL BUSINESSES

5.5.1.3.1 Analysis of variance

The application of the ANOVA, with an F-value of 1.70 and p = 0.0915, indicates there is no statistically significant difference between the "income constraints" (factor 3) mean scores of the different demographic groups influencing "income constraints" (factor 3) as a cause of failure in small businesses.

5.5.1.3.2 Variable mean scores over some demographics

There was no statistically significant difference found between the different demographic groups influencing "income constraints" (factor 3) as a cause contributing to failure in the small businesses.

5.5.1.3.3 The role of combined factors in the failure of small businesses

When "income constraints" (factor 3) and "cash control" (factor 4) combine, they become more potent in predisposing small businesses towards failure than when they are only observed individually in the reaction mechanism.

5.5.1.3.4 Hindsight causes supporting "income constraints" (factor 3)

The hindsight causes in Table 5.22 support "income constraints" (factor 3) as a cause of small business failure from respondents who say that the combined "experience and planning in finance and marketing", "income constraints"/sales, inadequate cash flow, insufficient business controls, and poor business management, contributed a sum total of 44.3 % (Table 5.23) to the failure of the small businesses.

Constituting part of the hindsight causes for the small business failures, the following anecdotal evidence was provided by the respondents:

- "we lost sales to low-price undercutting competitors"
- "we often suffered 'out of stocks'"
- "we were faced with not enough demand and this impacted on the income levels"
- "we were not collecting cash fast enough"
- "the location of our business was not ideal and this resulted in low customer traffic"
- "excessive running costs reduced cash levels".

5.5.1.3.5 Literature supported by "income constraints" (factor 3)

"Income constraints" (factor 3) as a contributing factor towards the failure of small businesses is supported by Watson *et al* (1998:229) and Rwigema (2005d:159).

Based on the evidence above it can therefore be concluded that "income constraints" (factor 3) contributes weakly to failure in small businesses.

The fourth proposition follows next as:

5.5.1.4 P_4: CASH CONTROL CONTRIBUTES TO FAILURE IN SMALL BUSINESSES

5.5.1.4.1 Analysis of variance

The application of the ANOVA for "cash control" (factor 4), with an F-value of 8.60 $p = 0.0038$ for an $\alpha = 0.05$ level of significance, indicates that there is a highly significant statistical difference between the "cash control" (factor 4) mean scores for different demographic groups.

5.5.1.4.2 Variable mean scores over some demographics

The demographic variables which were found to be influencing "cash control" (factor 4) as a cause of failure in small businesses are:

- Business management experience (with an F-value of 7.64 and $p = 0.0062$); and
- Frequency of planning (with an F-value of 8.60 and $p = 0.0038$).

Both the above demographic groups showed a highly significant statistical difference in influencing "cash control" (factor 4) as a cause of failure in small businesses.

5.5.1.4.3 The role of combined factors in the failure of small businesses

When "cash control" (factor 4), "experience and planning in finance and marketing" (factor 2) and "income constraints" (factor 3) combine, they predispose the small business to failure more than when they react individually in the mechanism that explains failure.

5.5.1.4.4 Hindsight causes supporting "cash control" (factor 4)

The hindsight causes in Table 5.22 support "cash control" (factor 4) as a cause of failure as the respondents stated that their small businesses failed because of

multiple causes in “experience and planning in finance and marketing”, “income constraints”, “monitoring and control” as well as business management.

The causes of failure in which “cash control” is a factor had a total contribution to failure of 10.2 % (Table 5.23).

Constituting part of the hindsight causes for the small business failures, the following anecdotal evidence was provided by the respondents:

- “we often ran out of cash”
- “our costs were higher than income, for example, we experienced high rentals and could not afford to pay the bills”
- “we could not afford to pay our employees”
- “we had no cash to stock enough goods”
- “we often used high-interest debt from a ‘mashonisa’ [loan shark]”
- “we experienced a lack of capital or cash injection into the business”.

5.5.1.4.5 Literature supported by “cash control” (factor 4)

“Cash control” (factor 4) as a cause contributing to small business failure is supported by Stancill (1987:38), Wright (1995:48), Wiseman & Bromiley 1996:530, the European Federation of Accountants (FEE 2004:11), Mudambi & Treichel (2005:552), Tushabomwe-Kazooba (2006:30) and Longenecker *et al* (2007:148).

Based on the evidence above it can therefore be concluded that “cash control” (factor 4) contributes to failure in small businesses.

By way of summary, the confirmations for the propositions follow in the next section.

5.5.1.5 SUMMARY OF CONFIRMATIONS OF THE PROPOSITIONS

A summary of the confirmations of the propositions of this research follows in Table 5.26.

Table 5.26: Summary of confirmations of the propositions

Proposition		Confirmation
P_1	Monitoring and control contributes to failure in small businesses	Proposition is supported
P_2	Experience and planning in finance and marketing contributes to failure in small businesses	Proposition is not supported
P_3	Income constraints contribute to failure in small businesses	Proposition is not supported
P_4	Cash control contributes to failure in small businesses	Proposition is supported

Not all propositions are supported by the statistical hypotheses to give clear insights into the roles of the four factors in closing down the businesses. The exercises were undertaken to indicate the robustness of the statistical technique used in the analysis of the data which were collected from the respondents.

5.6 CONCLUDING REMARKS

This chapter presented the findings of this research in terms of the factors which have closed down the businesses. It began with the identification of the set of variables which the respondents cited as having caused their businesses to fail. This was followed by the statistical descriptions of the relations between the variables which the respondents identified as having caused the failure of their small businesses. It was argued that the statistical associations did not provide any insights as to the causes of the business failures. Resort was, therefore, made to the concept of causal modelling in terms of a realist research approach to offer explanations via the critical realist causality principles.

Considering the grounded theory, the four factors that were abstracted were conceptualised as the mechanism behind the business failures. The mechanism was described as a particular combination of a specific set of causes, a structured

bond of relations, to demonstrate an historically specific way by which the businesses were closed down.

As far as grounded theory is concerned, the four derived causes can therefore be described as variable categories contributing to the theory behind the closure of the businesses. As stated succinctly by Neuman (2006:61),

> theory develops from the ground up as the researchers gather and analyse the data. Theory emerges slowly, concept by concept, and proposition by proposition, in a specific area.

The findings and theories in this research thus apply specifically to the particular context of the respondents.

As was indicated in this chapter, the respondents (that is, the owner-managers of the failed small businesses) need to be reminded that behind empirical events are hidden mechanisms which need to be disclosed to them. In this research it has been illustrated that the wrong meanings reflected in the anecdotal evidence which the business owner-managers attributed to their management principles and the failure problems ultimately led to the demise of their ventures.

In the next chapter, dealing with the conclusions and recommendations, attention is paid to how this situation could be addressed.