ABSTRACT

This paper develops a deeper conceptualisation of venture failure from a learning perspective. The researcher seek to develop a richer picture of the impact and outcomes of failure and the learning processes by which entrepreneurs actively grieve for, and recover from, the loss of a business. Engaging developing literature on entrepreneurial learning with theories of failure, the researcher suggest distinctive higher-level learning processes generated by failure that prove fundamental in personal and business terms. the objective of the study is to discussing the business failures and business plans and causes for business failure. In this study the need and importance of the research is to recovering the business failed entrepreneurs to become succeed.

Keywords: Entrepreneurial, business failure, recovery, business plans, cause.

INTRODUCTION

Entrepreneurship has traditionally been defined as the process of designing, launching and running a new business, which typically begins as a small business, such as a startup company, offering a product, process or service for sale or hire, and the people who do so are called 'entrepreneurs'. It has been defined as the "capacity and willingness to develop, organize, and manage a business venture along with any of its risks in order to make a profit." While definitions of entrepreneurship typically focus on the launching and running of businesses, due to the high risks involved in launching a start-up, a significant proportion of businesses have to close, due to a "lack of funding, bad business decisions, an economic crisis or a combination of all of these" or due to lack of market demand. In the 2000s, the definition of "entrepreneurship" has been expanded to explain how and why some individuals or teams identify opportunities, evaluate them as viable, and then decide to exploit them, whereas others do not and in turn, how entrepreneurs use these opportunities to develop new products or services, launch new firms or even new industries and create wealth. Recent advances stress the fundamentally uncertain nature of the entrepreneurial process, because although opportunities exist their existence cannot be discovered or identified prior to their actualization into profits. What appears as a real opportunity ex ante might actually be a non-
opportunity or one that cannot be actualized by entrepreneurs lacking the necessary business skills, financial or social capital.

REVIEW OF LITERATURE

Whilst failure is a painful and damaging experience for entrepreneurs (Whiley, 1998), extant theorising points to the substantial information, learning and knowledge contained within this experience (Cardon and McGrath, 1999; Shepherd, 2003). Although commonly heralded as a significant learning process many writings on learning from failure draw few of their propositions from meticulous and academically rigorous observations (Baumard and Starbuck, 2005). This view of failure is often espoused in popular management literature, which relies heavily on anecdotal evidence and thus 'our understanding of the conditions under which it occurs is limited' (Cannon and Edmundson, 2001: 161). I observe that learning from venture failure needs to be examined more closely to appreciate the specific forms of learning and associated outcomes that this “critical episode” can engender (Cope and Watts, 2000).

In defining failure, it is vital not to conflate failure with business closure (Headd, 2003), which may involve the voluntary termination of a venture for reasons such as retirement or the pursuit of other activities, including more lucrative or interesting entrepreneurial ventures (Stokes and Blackburn, 2002). I align myself with theorists who propose an intuitively appealing conception of failure as the termination of a business that has fallen short of its goals (McGrath, 1999; Politis and Gabrielson, 2009), thereby failing to satisfy principal shareholder expectations (Beaver and Jennings, 1996). Moving beyond relatively narrow conceptions of failure as bankruptcy or liquidation, failure involves the loss of capital and an inability to “make a go of it” (Cochran, 1981). Hence, an unexpected fall in revenues and/or rise in expenses means that the venture cannot continue to operate under its current ownership and management (Shepherd et al., 2000; Shepherd, 2003).

Commentators emphasise that the process of learning from failure has not been clearly described (McGrath, 1999). Whilst conceptual clarity regarding failure is being achieved, there remains a paucity of qualitative studies that have sought to articulate failure at the level of “lived experience” (Blackburn and Kovalainen, 2008), to tell the entrepreneur's story (Zacharakis et al., 1999) and ground theoretical discussions of failure in rich narrative accounts (Fincham, 2002; Stokes and Blackburn, 2002). In response, I provide a novel interpretative phenomenological analysis of the process and content dimensions of learning from failure. As part of an on-going failure research programme involving the UK and the USA, this paper is based on a qualitative sample of eight entrepreneurs, four of whom are from the UK, whilst the remainder are from Silicon Valley, California.

The paper makes a number of important contributions. First, in advancing the learning from failure literature the research illustrates that experiencing and managing failure radically heightens levels of emotional and financial exposure. Whilst such assertions are not revolutionary, I provide vital qualitative evidence that enriches contemporary theoretical discussions of the costs of failure (Shepherd, 2009; Shepherd et al., 2009, 2008). This paper augments Shepherd’s (2003) learning theory of grief recovery by illustrating additional impacts of failure, including an emphasis on social and professional consequences. Such a focus builds on the growing acknowledgement that entrepreneurial learning is an inherently relational activity (Clarke et al., 2006; Devins and Gold, 2002; Gibb, 1997; Rae, 2004; Taylor and Thorpe, 2004). The aim is to contribute towards “streams of research that can explain, at least in part, why some more successfully recover from the negative emotional reaction to the loss of a failed business than others” (Shepherd, 2009: 82).

Second, in building further on Shepherd’s (2003) work I continue to conceptualise grief recovery as a learning process with particular facets, triggering higher-order learning reminiscent of an entrepreneurial learning cycle (Politis, 2005). I seek to reconcile Shepherd's more recent work on grief orientation dynamics with adult learning theory to propose two distinct forms of “restoration orientation” (Shepherd, 2009). A learning model of grief recovery is proposed that forms an integral part of a higher-level, developmental learning theory of failure that this paper seeks to build (Cope,
Shepherd's (2003) model begins with the failure event and moves on to the subsequent negative emotional reaction to loss. I extend the conceptual boundaries of grief recovery as a learning process by taking a broader perspective, capturing learning across the “failure continuum” (Holmberg and Morgan, 2003) that occurs both during, and after, the grief recovery process. The overall contribution is the creation of an inductive theoretical framework that augments our appreciation of failure as a “learning journey” (Cardon and McGrath, 1999), identifying characteristic learning timeframes that include, but are not limited to, grief recovery. In this way, the research complements existing qualitatively-based process models of failure (Venkataraman et al., 1990).

Third, it is acknowledged that failure represents a very special domain in which to examine entrepreneurial learning (Politis, 2005). Failure is arguably the most traumatic yet significant trial and error entrepreneurial learning experience. Much previous research has examined the entrepreneurial learning process (Corbett, 2005; Minniti and Bygrave, 2001; Politis, 2005; Ravasi and Turati, 2005), including the process of learning from venture failure (Shepherd, 2003; 2009). Nevertheless, I maintain that greater contextual specificity can enable important contributions to be made to the rapidly emerging literature on entrepreneurial learning. There is currently scant empirical evidence of the content dimensions of entrepreneurial learning and the significant “learning task” outcomes associated with distinctive aspects of the entrepreneurial process (Cope, 2005a). In recognising failure as just one of many critical entrepreneurial learning contexts/processes this paper sets the stage for further research that aims to understand what it is that entrepreneurs learn as well as how they learn it.

Fourth, I move beyond the confines of the entrepreneurship field and draw on wider adult and management learning literature to inform analysis and conceptualisation. This interdisciplinary stance reflects repeated calls by entrepreneurship scholars (Blackburn and Kovalainen, 2008; Zahra, 2007) and my concern that entrepreneurial learning theory comes full circle and contributes back to wider managerial learning discussions, particularly those related to failure (Sitkin, 1992). After all, entrepreneurial learning remains a “special” form of management learning (Cope, 2003).

The paper begins by critiquing much extant research that focuses on the causes of venture failure, highlighting the need to move beyond the question of why businesses fail to appreciating the developmental significance of failure. The importance of failure from a learning perspective is then established. I proceed to articulate an in-depth phenomenological study conducted with eight entrepreneurs who have directly experienced failure. This is followed by a series of analytical data sections that provide an empirical analysis of failure as a learning journey, exploring the immediate negative impact of failure and moving on to more positive learning outcomes. This enables the inductive development of two theoretical models of learning from failure, the first of which illustrates the learning processes associated with grief recovery, whilst the second demonstrates the distinctive learning timeframes of failure. The paper continues by examining the theoretical implications of the study and proposing a number of areas for further research, including a more explicit focus on the relational dynamics of learning from failure. Finally, I contemplate the use of action learning as a peer-to-peer learning mechanism that may be useful in facilitating a more participative approach to learning from failure.

**OBJECTIVES OF THE STUDY**

1. To study the common business causes of business failure
2. To Taking steps to avoid mistakes frequently made by new entrepreneurs is a part of this process
3. To find the Signs of Doing All the Wrong Things as an Entrepreneur
4. To Discussing about business plan.
CAUSES OF SMALL BUSINESS FAILURE

No Business Plan

One of the biggest mistakes made by Small Business Owners is Lack of Planning. You don’t need a business plan just for outside funding. Business Planning Process forces you to go through all areas which require careful thinking. Your plan must always be based on realistic assumptions with careful analysis of future scenarios.

Undercapitalization

Lack of Operating Funds is one of the most common causes of business failure. New Business Owners tend to underestimate costs. At other times, their expectation of business revenues tends to be overly optimistic. Simply put plan for extra cash you will need it.

Underestimating the Importance of Strategic Planning

Business can face competition from many areas. Business Owners need to have a clear understanding of the Industry, its direction, various market segments and the niche that can represent profitable opportunity. The business must understand all aspects of competition and its offering must score over other alternatives for the Target Segment. Many business owners fail to do this hard work to their peril.

Lack of Financial Analysis & System of Review

Small Business Owners tend to do many things. Financial Analysis and a regular system of review happens to be one of the most neglected areas. Importance of Systems and Processes keeps increasing with business growth.

Lack of Expertise in Critical Areas

No individual, however capable, can have expertise in all areas. To compete effectively, Business, on the other hand, needs expertise in Marketing, Selling, Finance, Purchasing, Production, Hiring, Motivating and Managing. Small Business Owners, unfortunately, fail to recognize the need for outside help.

Incorrect Choice of Business Location

Location, as they say is everything. For many businesses, location is the difference between success and failure. Customer Convenience, Subsidies, Taxation, Manpower Availability, Cost of Raw Material, Customer Traffic, Ease of Parking, Availability of Electricity, Water, Transportation are all dependent on where your business location is.

Business Expansion without Putting Systems, Processes & Resources in Place

Business expansion is - unfortunately one of the common causes of business failure. Expansion puts a huge amount of additional stress on SMEs. Apart from Financial & Manpower Resources, the need for Systems & Processes is greatly enhanced when an SME goes on business expansion overdrive.

Lack of Professionally Designed Website

Many opportunities are lost simply because a number of businesses have still not realized the need for a professionally designed website. Websites, perhaps, have now become one of the most important part of customer acquisition process. A carefully designed website can now automate many tasks relating to routine interactions with Prospects, Customers, Suppliers as well as prospective employees. You must take immediate steps if your existing website is not providing you customer leads and is not designed for Smart Phones & Tablets.

A big part of starting a business is having a plan then having the discipline to act on it. Being part of a startup isn’t always glamorous, and often requires simply submitting yourself to the process.
In his book *The Lean Startup*, Eric Ries makes this point better: “I have learned from both my own successes and failures and those of many others that it’s the boring stuff that matters the most. Startup success is not a consequence of good genes or being in the right place at the right time. Startup success can be engineered by following the right process, which means it can be learned, which means it can be taught.”

**COMMON MISTAKES**

Here are nine mistakes to be avoided when starting a new business:

**Not spending enough money or spending too much money**

As a new entrepreneur, money is likely to be one of your biggest concerns. Pre-launch cash flow is likely to be close to nil, so making and saving money will usually take priority over everything else.

**Major Financial Blunders**

There are two mindsets I tend to see among new entrepreneurs: Either “You have to spend money to make money” or “I’ll spend the bare minimum until I have some decent cash flow.”

Both of these attitudes, when taken to the extreme, can be harmful. Spend your startup cash wisely, but don’t be afraid to invest in good people and quality products. This will bode well for you in the long term.

**Thinking no direct competition**

The excitement about a new product or business can often lead new entrepreneurs to think they really have no direct competition, or that their product is so head-and-shoulders above those of their rivals that they’re in a category of their own.

In reality, it’s extremely rare to have no direct competitors. Unless you’ve invented a completely new product, there will be someone who already has market share in your niche. Do your due diligence to find out what these companies are and how you can differentiate your business.

**Making hiring decisions based on cost**

This is closely tied to number one, but is so important it deserves to be mentioned separately. When funds are tight, it’s tempting to skimp on the cost of new hires. The problem with this strategy, however, is that you’ll end up paying in the long run.

Low-cost employees and consultants are usually low-cost for a reason—they are more likely to be inexperienced, unskilled or unreliable (or all three).

**Not setting attainable goals**

New entrepreneurs can be so enraptured by their “big idea,” they work without a solid plan. But the reality is you *must* set realistic and attainable goals in order to succeed.

Make a point of setting both short- and long-term goals, and make sure they’re specific. Don’t just say, “I want to make $1 million this year.” Set a reasonable goal, and then determine what specific steps you need to take to reach it.

**Not thinking about marketing**

“If you build it, they will come.” This is a common belief (sometimes conscious, sometimes not) among new entrepreneurs. They think that their products are so revolutionary that they can just rely on free PR and word of mouth.

In reality, the vast majority of startups will need to invest heavily in marketing. This may include SEO, content marketing, PR and paid advertising. Take a look at where your competitors are spending their marketing dollars, and ask yourself how you can compete and differentiate yourself.
INDICATORS OF FAILURES

Having too small margins

Having a healthy profit margin will be critical to your success. Setting it too low now will make life infinitely more difficult for you in the future. Your customers likely won’t be thrilled when you need to raise your prices later on.

Take a look at your production and operating costs, and determine how much flexibility there is. Can you reduce these costs in the future if necessary? If not, choose a higher profit margin now to accommodate these costs.

Thinking you can do it all yourself

In the beginning, it’s common to think that no one can do the job as well as you can. You know your products inside out, and are the only one who truly has the passion to make the business succeed.

But this is not only a recipe for burnout, it can actually significantly impede your success. Having a knowledgeable, experienced consultant or mentor can give you much-needed objective perspective on your business and market.

Being incapacitated by fear of “what if’s.”

Robert F. Kennedy said, “Only those who dare to fail greatly can ever achieve greatly.” Starting a new business is scary, and isn’t for the faint-hearted. Being scared of failure and rejection is understandable, but letting yourself become incapacitated by this fear can significantly hinder your progress.

Recognizing common fears is a great first step, as it reassures you others have been where you are now. Here are 5 Fears You’ll Need to Conquer Before Starting a Business.

Putting product first and people last

When creating your product and determining your business model, it’s critical that you have a customer-first mentality. Yet many new entrepreneurs are so concerned about making money (understandably) that they forget the key to having a sustainable business having satisfied, loyal customers who will buy over the long term.

It’s not easy being a new entrepreneur, and mistakes will be an inevitable part of the process. But that doesn’t mean you need to repeat everybody else’s!

AN INTRODUCTION TO BUSINESS PLANS

Why is a business plan so vital to the health of your business? Read the first section of our tutorial on How to Build a Business Plan to find out.

A business plan is a written description of your business’s future. That’s all there is to it, a document that describes what you plan to do and how you plan to do it. If you jot down a paragraph on the back of an envelope describing your business strategy, you’ve written a plan, or at least the germ of a plan.

Business plans can help perform a number of tasks for those who write and read them. They’re used by investment-seeking entrepreneurs to convey their vision to potential investors. They may also be used by firms that are trying to attract key employees, prospect for new business, deal with suppliers or simply to understand how to manage their companies better.

So what's included in a business plan, and how do you put one together? Simply stated, a business plan conveys your business goals, the strategies you'll use to meet them, potential problems that may confront your business and ways to solve them, the organizational structure of your business (including titles and responsibilities), and finally, the amount of capital required to finance your venture and keep it going until it breaks even.
A business plan consists of seven key components:

1. Executive summary
2. Business description
3. Market strategies
4. Competitive analysis
5. Design and development plan
6. Operations and management plan
7. Financial factors

In addition to these sections, a business plan should also have a cover, title page and table of contents.

**LENGTH OF BUSINESS PLAN**

Much will depend on the nature of your business. If you have a simple concept, you may be able to express it in very few words. On the other hand, if you're proposing a new kind of business or even a new industry, it may require quite a bit of explanation to get the message across.

The purpose of your plan also determines its length. If you want to use your plan to seek millions of dollars in seed capital to start a risky venture, you may have to do a lot of explaining and convincing. If you're just going to use your plan for internal purposes to manage an ongoing business, a much more abbreviated version should be fine.

**FINDING THE RIGHT PLAN**

Business plans tend to have a lot of elements in common, like cash flow projections and marketing plans. And many of them share certain objectives as well, such as raising money or persuading a partner to join the firm. But business plans are not all the same any more than all businesses are.

Depending on your business and what you intend to use your plan for, you may need a very different type of business plan from another entrepreneur. Plans differ widely in their length, their appearance, the detail of their contents, and the varying emphases they place on different aspects of the business.

The reason that plan selection is so important is that it has a powerful effect on the overall impact of your plan. You want your plan to present you and your business in the best, most accurate light. That's true no matter what you intend to use your plan for, whether it's destined for presentation at a venture capital conference, or will never leave your own office or be seen outside internal strategy sessions.

When you select clothing for an important occasion, odds are you try to pick items that will play up your best features. Think about your plan the same way. You want to reveal any positives that your business may have and make sure they receive due consideration.

**CONCLUSION**

The current global economic climate means that venture failure is a very real and threatening feature of entrepreneurial life. In seeking to understand the beneficial aspects of this practice the researcher have sought to provide conceptual weight to extant discussions of learning from failure, providing further conceptualisation of its process and content dimensions. I conclude that entrepreneurs who have experienced failure are arguably more prepared for the trials and problems of entrepreneurship than those who have only enjoyed success or prospective entrepreneurs who have yet to experience the often harsh realities and “pressure points” of the entrepreneurial process. The powerful and positive lessons derived from failure can give entrepreneurs revitalised confidence in their abilities and a broader, more sophisticated awareness and knowledge base. This is something that must be recognised and celebrated by policy-makers when devising programmes of support for entrepreneurial activity. Ultimately, I conclude that failure warrants a much more noticeable position in discussions of
entrepreneurship at academic, policy-maker and advisor levels.

REFERENCES