

Business Failure of Small and Medium Enterprises - A Review

B.E.A. Jayasekara¹, P.N.D. Fernando², R.P.C.Ranjani³

Small and Medium enterprises are back born of developed and developing economies around the world. However the sector has not provided desired level of contribution and suffers from high failure rate in worldwide. The main purpose of this study is to critically evaluate the causes of failure of SMEs based on literature. The objectives of this study is to determine the causes of failure of SMEs, critically evaluate the literature on small and medium business failure theories as well as lessons that could be learnt from the existing literature and to determine the methods of improving the business success to achieve sustainable economic development. The methodology used this study to review literature systematically using sample of 95 studies selected from most relevant articles published from 1968-2016 and critically appraised and synthesized findings qualitatively. The Small and Medium business can be failed due to an inability to achieve certain goals due to activating opposition forces, tensions between assets against liabilities, limited access to finance, unbeatable competition, isolation, inadequate staff, wrong pricing, lack of co-operation, technical insolvency, inability to satisfy principal stakeholder's aspirations, losses to creditors, cessation of operations, termination due to under performance, involuntary change in both the ownership and management of the business owing to poor performance, unable to meet liabilities, not made profit for the previous three years, sale of the firm or personal decision by the owner to accept employment with another firm, fall in revenue, rise in expenses becomes insolvent ,unable to attract new debt or equity funding, cannot continue to operate under the current ownership and management, exiting the economy or not meeting the "performance threshold" of the market, owner's personalized management style, end state, liabilities exceeds the value of the company's available assets, decline and deterioration of financial performance, revenue does not sufficiently exceed costs, decline performance, deviation from goals, continuous performance lapses, inability of a business to meet its financial obligations, economic failure, venture failure, outcomes less than the expectations, poor management practices, overtrading, lack of additional resources, resource insufficiency, unbalance of the resources and opportunities in the organizational life stages, lack the necessary skills or versatility, entrepreneurs lack of strategic management knowledge, entrepreneur's lack of vision, threat rigidity, strategic persistence, lack of will, lack of turnaround strategies and inability to respond effectively and make necessary adjustments to reverse the downward spiral of decline triggered by external factors. The literature recommend, failures can be mitigate through improving business management skill of the entrepreneurs, continuous concentration on cost reduction, quality improvements, service / product innovation; breakdown organizational barriers between departments; create close relationship with customers and suppliers, eliminating layers of management ,creating flatter organizational hierarchies, transform to advanced latest technology, global focus and enhancing human resource skills and obtain decisions based on the group discussions. The findings of the study useful in identifying practices to be avoided and in aiding educators, consultants, and SME business support agencies in meeting the needs of the business community.

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¹ University of Kelaniya, Sri Lanka, *erangajayasekara@hotmail.com*

² Dept. of Finance, University of Kelaniya, Sri Lanka

³ Dept. of Finance, University of Kelaniya, Sri Lanka