

The Causes of Tunisian SME Failure

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Abstract

Failures that affect different-sized firms in different sectors are on a constant rise. Many endogenous and exogenous factors led to this situation. The aim of this research is to study the various elements of the internal and external environment that may affect the financial situation of the Tunisian companies. The study is conducted through an overview of the existing literature as well as on the basis of a field investigation. The achieved results led us to conclude that the company's internal factors, such as the management quality, the characteristics of the management team as well as the company's resources, affect its existence more than its external items do.

Keywords: Company failure; Internal factors; External factors; ANOVA

Introduction

The economic, social and legal environment differs from one country to another. Being established in a developed country is not the same as in a developing one, regarding the available resources, the regulations and even the culture of the host country. While, firms in the same country work almost under the same conditions and face the same economic conditions. However, among the companies operating in the same country and under the same conditions there are those which survive and manage to overcome almost all the problems they face while, others go bankrupt and disappear from the economic scene at the embryonic stage.

In Tunisia, the dramatic consequences of involuntary companies' disappearance on their different stakeholders (holders of cash, creditors, employees, customers, etc.) explain the abundance of academic research that focus on this topic. Most of these studies focused on the prediction of failure without seriously being interested in its origins. In fact, the shortage of studies focusing on the real causes of the failure of the Tunisian small and medium enterprises as well as the ambiguity that persists on this subject have led us to deal with this issue.

In this article, we try to identify the most important factors that contribute to the bankruptcy of the Tunisian company through a questionnaire administered to accounting experts whose customers went through bankruptcy. For this purpose, our contribution is structured as follows. Section one includes a definition of the failure concept as well as a theoretical study for its origins. Then, the second section is devoted to the presentation of the sample and the prepared questionnaire. Finally, the third section presents the results and their interpretations.

A Theoretical Overview of the Business Bankruptcy and Its Origins

Industrial fabrics throughout the world are characterized by increased vulnerability due to the turbulence of the national and international economic environment. To be able to survive, companies have to adapt to the continuing evolution of the variables that constitute their environment. However, companies that do not succeed in adapting to changes in their economic environment become troubled businesses and enter into a process of failure that can take them to bankruptcy.

Business failure is a serious phenomenon that characterizes the situation of a company in difficulty or even in financial distress. This company can be declared bankrupt in the absence of serious correction

tests. The degree of seriousness of the phenomenon makes it a topic of several theoretical and empirical debates in the financial literature. According to Beaver [1], the company is considered failing if it has a payment default. However, Refait [2] postulates that most of the authors consider failure as the opening of legal proceedings. Pompe and Bilderbeek [3], Pindado and Rodrigues [4], Atiya [5] and Varetto [6] linked the concept of failure to credit risk because they believe that it is actually the banks that hinder the survival of businesses and located behind their insolvency by denying them new lending. Other researchers, such as Liang et al. [7], argue that a company fails if the cash flow it generates does not allow it to meet its commitments to financial and non-financial partners. In the same vein, Crutzen and Van Caillie [8] provide that failure is a process of a progressive deterioration of resources which, in the absence of corrective actions, may lead the company's bankruptcy. At examining the definitions of failure, Pretorios [9] proposed the following universal definition of this phenomenon: a company goes bankrupt if it is unintentionally unable to acquire new debt or equity, and cannot continue to operating and managing its daily activities. This painful reality is expensive for all the firm's partners: the owners lose their invested funds, the leader loses his reputation, the employees lose their jobs, the banks lose their claims and where the interest to understand the failure as well as the measures necessary to avoid it. Argenti [10] postulates that only a reflection on the causes of failure leads to sustainable recovery of the firm's situation. Therefore, to better understand and prevent business failure and take corrective measures to prevent this, it is necessary to study its origins. There are several academic studies that dealt with the causes of failure and came up with different results. However, all the studies that tried to analyze the reasons behind the business failure agree on the existence of external and internal causes of failure. It should be noted that, for some studied, there is a complex mixture of internal and external causes that contribute to failure. These studies include: Arasti [11], Oparanma et al. [12], Ahmad and Seet [13], Crutzen and Van Caillie [14], Liefhooghe [15], Burns [16], Baldwin [17], Berryman [18].

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The external causes of failure

The failure factors caused by the external company's environment, which are typically beyond its control, also known as macro-economic factors, can be linked to the firm's general or competitive environment. Above all, these factors can be accidental, such as natural disasters, fires, burglaries, the leader's sudden death and fraud.

Let's start with the general environment where the company operates who is in constant movement and whose evolution can influence on the company and its continuity. Liefhooghe [15] as other researchers see as failure factors linked to this subset may be classified into 4 groups: political (legal), economic, social and technological factors. Firstly, the policy implemented by the government as well as the change of some acts such as the evolution of the bankruptcy law, influence in a remarkable manner the company's position on the market. This applies to several Tunisian companies that are highly affected by the revolution and the political changes that followed it. Secondly, the economic conditions significantly affect the company's survival. During economic crises, the commercial activity shrinks and the companies' sales drop. In these adverse circumstances, some companies can resist but some others, including the most vulnerable ones, are unable to resist the crisis pressure. As a result, the drop of the turnover as well as the resulting cash problems deepens these companies' vulnerability and leads them to cease payments. It should be noted that, beside the unfavorable economic conditions, there are other economic factors that can cause firms' failure, for example the high tax burden, the reduction of access to credit. Thirdly, some changes in the society, in general, such as the lifestyle change and the customers' preferences, can affect the firm's survival or even cause its disappearance. Fourthly, the technological transformations and the scientific development can result in the failure of the companies if they cannot adapt to them.

Let us now turn to the competitive environment. To talk about this environment and its role in the creation of the company's failure factors, Porter's five forces model is the most effective tool (Figure 1).

Threat of substitution products or services

Firstly, within the same sector of activity, the competitors struggle to strengthen or maintain their position otherwise they may find themselves bankrupt. In fact, competition changes in line with the development of the sector, the development of its activities, the importance of the fixed fees, the capacity of each competitor to achieve economies of scale. Secondly, the arrival of new entrants can cause the deterioration of the company's situation and then makes it go bankrupt. It is about either new companies or firms which intend to diversify.

These new competitors, against whom the company must fight, are usually characterized by the use of a new technology and the supply of a better quality at lower costs. Thirdly, regarding the negotiating power with the customers, it is worth mentioning that this dimension may cause the company's bankruptcy if the latter is very closely related to its customers. Properly selecting and diversifying the customers is crucial because one should avoid being in a state of dependence on them. It should be noted that a company's failure can be caused by the failure of one or several key customers, by the difficulty in getting paid, by the general decline in the demand. Fourthly, if the company's relationship with its suppliers is not well studied, it may lead to its failure. The causes of failure related to suppliers can be explained by the failure of one key supplier and the deterioration of the relations with the suppliers. Fifthly, the company's failure can be caused by the emergence of an alternative product which may be the result of the evolution of the technological state or of innovation. The following Table 1 summarizes the external causes of business failure.

The internal causes of failure

If the factors out of the company's control undoubtedly play a crucial role, many bankruptcies find their roots in the internal factors which can be issue of three origins. First, it should be noted that the management is a crucial factor in the success or failure of any business. In this sense, Liefhooghe [15] assume that the impact of the managerial environmental on the company's failure is greater than that of the external environment. The failure factors related to the managerial environment may be caused by the lack of motivation. This is the case, for example, where the leader is opportunistic and unable to distinguish between the purely personal financial interests and those of the company, or also the case of the dissatisfaction with the remuneration level or the existence of a poor social climate and bad relations between the working team. Moreover, the qualification of the company's manager is a necessary condition for its survival. Therefore, the lack of training of the management contractor (in financial, commercial, operational,

External causes		
General environment	Competitive environment	Accidental factors
<ul style="list-style-type: none"> • Political and legal factors • Economic factors • Social factors • Technological factors 	<ul style="list-style-type: none"> • Intense competition • The emergence of substitute products • The quality of relationships with suppliers • The quality of relationships with customers • New entrants 	<ul style="list-style-type: none"> • Natural disaster • Fires • Fraud

Table 1: External causes of failure.

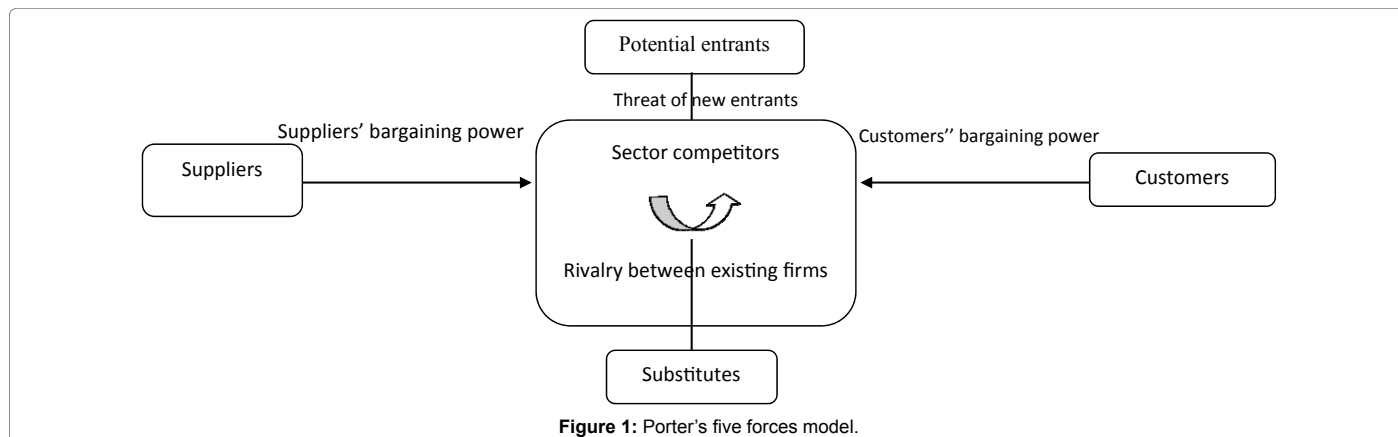


Figure 1: Porter's five forces model.

strategic, human resources, activities), the shortage of the activity technical skills, as well as the absence of prior experience, are all factors of failure frequently quoted in the financial literature. In their study of corporate failures in Canada, Baldwin [17] believe that companies go bankrupt because they do not have the basic characteristics and skills essential for success and that the managers of these companies have several deficiencies that make them ineffective.

Secondly, it is worth noting that, based on the idea that the company is a limited portfolio of financial, human, technical and intangible resources, the role of these resources appears a driving element in the determination of its future. It is noteworthy that the lack or the inadequacy of these resources is closely linked to the choices of the management team. Actually, the manager can allocate the inadequate or inappropriate resources to the company. For this reason, he may, in some cases, underestimate (overestimate) the investments therefore he will prepare a budget lower (greater) than the project requirements. Besides, due to his bad decisions concerning financial resources, the manager can lead the company to a lack of cash flow situation. Parallel to this, he cannot give great importance to the training of the personnel, as it may invest in the recruitment of persons not qualified or the purchase of tools and not sufficiently specialized equipment.

Thirdly, it is worth noting that after studying the role of the management, of the company's resources and external environment in the failure outbreak, it is possible to develop a synthesis vision which combines the effects of all these factors. In fact, due to the external environment and in terms of available resource, the management team has to decide how they will allocate these resources and set effective policies in order to improve the enterprise's strategic position. This is the company's management. The study of the role of the management quality in the company's success requires the use of the Balanced Score Card (BSC) model of Kaplan and Norton [19] based on a new vision of the absolute (non) performance that eliminates the traditional boundaries of purely financial and accounting performance. In fact, Kaplan and Norton [19] talk about the absolute (non) performance as a result of the interaction between the company's management, resources, and external environment. The BSC focuses on four key management dimensions, namely: innovation and learning policy, operational policy, trade policy and financial policy. Thereby a company with mismanagement that may cause its bankruptcy if the management body is not sufficiently interested in these four dimensions and therefore an imbalance becomes apparent between the company's various policies. The following Table 2 summarizes the various internal factors that may cause the company's failure.

Most of the research on enterprise bankruptcy, which showed significant differences between countries regarding the firms' failure rate, was conducted in developed countries; however, there is little information about the causes of companies' failure in other countries with different economic, political, social and cultural conditions,

such as Tunisia. The lack of information about this subject made us carry out a field study of the causes of Tunisian's company failure. Many researchers in the domain showed that the causes of business failure are manifold. For this reason, it is difficult, if not impossible, to study all the possible causes of this failure. We will therefore try, in the next part, to identify the most recurrent causes. However, before dealing with the subject, it is necessary to point out that, due to the multiplicity of aspects identified in the financial literature about a failing firm, we have chosen to define it as the company which knows the initiation of insolvency proceedings occurs when the company is in a situation of payment suspension, according to several previous studies [20,21].

Research Methodology

The data were collected through a questionnaire distributed to accountants and business advisers who responded favorably. In what follows, we will, firstly, present the aspects of the questionnaire formulation, then the sample of experts and advisors of the contacted enterprises and finally the data processing methodology.

The questionnaire

The work of preparing the questionnaire was preceded by an exhaustive literature review including articles about the conceptual failure frameworks [20,22,23] and studies empirically assessing the failure factors [17,23]. After several changes to the questionnaire in order to ensure its good formulation and its comprehensibility among our interlocutors, the final version consisted of three main parts. The company's general characteristics are the subject of the first part, which contains eight questions. Through this section, we try to identify the common features between the failing businesses. Secondly, the study of the leader's personal features contains five questions. In this section, we try to find out the nearest leader who may lead the company to bankruptcy. Thirdly, the causes of failure are dealt with. The structure of this part is consistent with that of the theoretical study of the failure origins. First, external causes are the subject of the first question which focuses on the role of the general environment, the business environment as well as the impact of incidental factors and the unexpected circumstances. Then, the internal causes are investigated through 27 questions grouped as follows: the managerial environment is treated in 11 questions; the company's resources were dealt with through 11 questions and the quality of management of the enterprise (innovation and learning policy, trade policy, operational policy and the financial and accounting policy) through 15 questions.

We still have to point out at this level that the questions retained for this study are of three types: there are closed questions, which give accurate information when it comes to choosing a response among those we proposed. The respondents also had the opportunity to respond freely to a second group of questions, such as the firm's turnover, the creation date, the number of employees. A five-point

The internal factors		
The managerial environment	The company resources	The quality of the management
<ul style="list-style-type: none"> ● Lack of motivation; ● The personal qualities of the leader; ● The leader's career (lack of skills). 	<ul style="list-style-type: none"> • Insufficient financial, human, technical, intangible resources; • Improper allocation of resources. 	<ul style="list-style-type: none"> • The innovation and learning policy: strategic issues (bad innovation policy, bad investment policy), problems of framing the enterprise key skills, governance issues; • Trade policy: no advertising or its failure, demotivated sales team; • Operational policy: poor location, poor management of human resources, poor daily management (purchasing, production, stock); • The financial and accounting policy: deficient accounting, financial mismanagement (failure budget anticipation, impairment in cost and cost price control), poor financial structure (insufficient working capital).

Table 2: The internal factors of business failure.

Likert scale ranging from 1 and 5 is also used as a response to the judgment of the extent of the factor influence in the outbreak of the company’s difficulties and its failure. Answer 1 means that the factor has no effect on the company’s failure whereas response 5 indicates that it has an important effect.

The survey sample

The elaborated questionnaire was distributed to accountants and business advisers who were expected to make a list of the main causes of the failure. In fact, the choice of this sample can be justified by its ability to give reliable information on the basis of the experience and the privileged relations of the accountants and advisers with the companies and their leaders. The accountants are quite qualified to objectively and neutrally give information about the most interesting and the most frequent causes of failure. In order to get relevant information that could be widened to include all the insolvent companies on the Tunisian territory, we tried to expand our sample by contacting experts in the various Tunisian governorates. For this purpose, our sample was finally composed of 69 accounting experts, a manager in the Company’s Development and Investment of the South (SODIS SICAR) and an official from the investment bank of small and medium enterprises that had a personal experience with failure with their client firms over the 2000/2014 period. The following Table 3 gives the distribution of this sample according to the region.

The copies of the completed questionnaires were processed and analyzed using the SPSS software.

Testing the validity and reliability of the questionnaire

To test the questionnaire validity, we submitted it to a sample composed of 10 accounting experts to assess its comprehensibility. These experts have all approved of its content.

Regarding the reliability test, we resorted to the calculation of Cronbach’s alpha. Indeed, Cronbach’s alpha, or simply called coefficient alpha (α), is a statistics used to measure the internal consistency of the questions in a questionnaire. Its value varies between zero and one. If it is greater than or equal to 0.7, then α is considered significant and the questionnaire is reliable. For our study, calculating Cronbach’s α gives us a result equal to 0.787. This means that our questions on the causes of business failure are homogeneous and therefore our questionnaire is reliable.

Results and Interpretation

Analysis of the general characteristics of the Tunisian failing companies

Failing companies which compose our study sample show

Region	Number of accountants	Number of adviser
Tunis	31	0
Ariana	6	0
Ben Arous	4	0
Beja	1	0
Seliana	1	0
Monastir	1	0
Sousse	4	0
Sidi Bouzid	1	0
Sfax	19	0
Mednin	1	2
Total	69	2

Table 3: Distribution of the final sample by region.

remarkable common characteristics: 76.06% of them are family-owned businesses, more than 50% owned by one person or one family. Indeed, this result is not surprising because the family character is one of the main characteristics of the Tunisian companies. However, this authority structure can reduce the sources of funding that are available to companies. Their leaders resort particularly to indebtedness, to no distributed profits and to personal funds [17] without thinking, in no case, of the capital increase by a new intake and the resort to foreign investors because they are always looking to grab the property of the company and are likely to see a foreigner take the ownership of their entity. Actually, this situation is not without drawbacks but involves, on the one hand, the orientation of the leader’s behavior towards the preservation of his heritage rather than to the expansion and enlargement research. On the other hand, the concentration of the capital in the leader’s hands and his family leads to the company’s dependence on the banking system and the excessive use of indebtedness to cover the funding requirements, which makes them more vulnerable to bankruptcy [10].

Moreover, in most of these companies (45.05%), the leader is himself the owner, which makes him an important factor that leads the company to success or failure. The following Table 4 summarizes the characteristics of the studied companies, their distribution by the activity sector, legal form, number of staff and age at the time of opening of insolvency proceedings.

The statistics presented make us conclude that in Tunisia; in general, the failing enterprises are commercial enterprises with limited liability and less than 3 years old in which the number of staff, most cases, is under than 300 people. These are SMEs 70,42% of which enter insolvency proceedings at an age not higher than 3 years.

The actual causes of the Tunisian companies’ failure

Analysis of the external causes: The treatment of the failure external factors is carried out on the basis a Likert scale. Therefore, we will use the non-parametric method of the variance analysis (ANOVA) of Friedman to analyze it. This method of analysis gives us significant results in the order of 1%. The following Table 5 presents the classification of external causes of failure depending on their degree of influence.

This result shows that the Tunisian companies in general are affected by the intensity of both external and internal competition the effect of which has become stronger with the economic crisis that Tunisia had following the January 14, 2011 revolution. This can be justified by the fact that the recent years have been marked by the loss of the Tunisian State

Distribution by the activity sector				
Sector	Indust	Trade	Agriculture	Service
Companies number	13	38	9	11
Distribution by the legal form				
Legal form	SA	SARL	Other	
Companies number	12	54	5	
Distribution by staff number				
Staff number	Less than 300		300 or more	
Companies number	65		6	
Distribution by the age at the time of opening of insolvency proceedings				
Age	Less than 3 years	[3 years, 5 years]	More than 5 years	
Companies number	50	14	7	

Table 4: Characteristics of studied companies.

of several projects for the benefit of other neighboring countries such as Morocco. Actually, most Tunisian companies lost several suppliers and foreign customers after the revolution. This new economic context, which is increasingly weakened by the political and social instability of the country, made several Tunisian companies, which cannot adapt to the new situation, incapable of resisting the growing and continuing competition, which made them lose a great deal of their reputation and subsequently several markets mainly on the international level. Besides these factors, which are beyond the firms' control, there are many other internal factors that contributed to the worsening of their economic and financial situation.

Internal cause analysis

Role of the managerial environment in failure: In accordance with the organizational and managerial failure approach, the manager affects the existence of his entity through its level of management efficiency and personal qualities. In fact, besides the variables age, educational level and earlier experience, there are more subjective variables, such as communication, confidence in others, the delegation capacity, the quality of its relational network are integrated in the analysis.

The manager's age: Starting with the leader's age, it was found that 57.75% of insolvent companies are run by managers aged between 25 and 45 years (at an average=2.54 and a standard deviation=0.55) knowing that 78.87% are men. This average age can be explained by the high educational level of the Tunisian entrepreneurs who spend many years in graduate studies before accessing the labor market. Moreover, it is common in Tunisia to have young leaders because Tunisian companies are in most cases family-owned businesses. Therefore, the leader holds position through inheritance and not because he deserves it due to his professional career.

The leader's experience: The leaders' experience in the company and their experience in the activity sector are key factors that guarantee the survival of the company. The following Table 6 presents the distribution of the management team's experience before and after the company's creation.

It should be noted, first, that 76.64% of executives of failing companies have worked in their companies for a short period (less than 5 years). Moreover, 53.6% of these executives have less than 5 years' experience in the activity sector of the bankrupt company, which makes them unable to cope with their competitors who have a better mastering of the market. This result was confirmed by Koenig [24] who postulates that new business leaders are likely to take their entities to death before those who are part of this activity sector for a

long time since the commercial, financial, strategic and technological uncertainties decrease with the learning effect over time. Finally, 60.6% of them have an experience in management which does not exceed 5 years. Thanks to this situation, the leaders who do not have enough experience in the field of the staff management or even in the field of the day-to-day company's management find themselves unable to build up a solid relational network with their subordinates. Moreover, unresolved conflicts are on the rise, agency relations are not governed and the social climate becomes unfavorable because, generally, the leader's seniority in the organization promotes social cohesion, which leads to reluctance to any strategic change [25,26]. All these factors raise the company's vulnerability as shown in the empirical results of the previous studies, such as those of Argenti [10]. On the other hand, 38.1% of these leaders have no previous professional experience either in the industry or in the management field. In fact, such business leaders are usually recent graduates who have launched their own projects or they are young people who manage the company through inheritance. However, 33.8% of the managers have an experience in the industry but not in management.

The leaders' educational level: Our research reached an expected result regarding the Tunisian entrepreneurs' educational level and their roles in the outbreak of the firm's difficulties (Table 7).

46, 48% of the leaders have an educational level higher than the bachelor's degree. In fact, the Tunisian government attaches great importance to education. The quality and levels of education in Tunisia are so high that they become comparable to that of the developed countries. As a result, the management team's educational level is not a problem in Tunisia. However, the educational level alone is not enough to ensure the success of a business leader, but it should be complemented by training cycles that facilitate learning on the job. Unfortunately, the Tunisian leaders are not much interested in these training courses. For this reason, 50.7% of them are found not to attend training cycles related to the company's activity. This situation raises some problems because it can aggravate the leader's deficiencies in management and weaken his knowledge of the company's activity, which leads to the absence of a product or service perfectly suited to the market needs. Actually, this result is confirmed by Baldwin et al. [17] who declare that the managers of bankrupt companies do not have enough knowledge and experience and do not know how to ensure the company's management.

The leader's deficiencies: The entrepreneur's personality plays a crucial role in the determination of how to manage a business, distribute tasks among the staff, and even how to communicate with them and solve their problems. Moreover, it can affect the company's sustainability [10,15]. The distribution of Tunisian failed companies as the existence or absence of the leader's deficiencies is presented in the following Table 8.

This Table 8 shows that the problems related to the management skills which are among the causes of failure are: the lack of direct communication with the staff, the lack of discussions of the decisions with the subordinates, the mistrust toward others and the non-sharing of work. Therefore, a Tunisian bankrupt leader is usually someone who prefers individual work due to the lack of trust in his subordinates to assign them some responsibilities. Moreover, he lacks the spirit of communication and discussion, which creates a non-solid social atmosphere thus facilitating the emergence of other more serious problems.

The company's resources: The second group of internal factors

The factor	Mean	Mean rank
Intense competition	4,66	9,07
Changes in market conditions	4,51	8,70
An economic slowdown	3,85	6,72
Sales difficulties	3,72	6,31
Technological changes	3,66	6,28
Supply problems	3,62	6,01
the mode change	3,46	5,6
A dispute between the shareholders (owners)	3,10	4,88
The death of a the most important shareholder (owner)	3,13	4,86
New regulations	3,00	4,54
A natural disaster	2,46	3,04

Table 5: hierarchy of different external causes of failure according to Friedman ANOVA.

that may threaten the company's existence is the lack of own resources (human, equipment, financial, etc.). Since the study of such factors is based on a Likert scale, then the non-parametric method of the variance analysis (ANOVA) of Friedman, which gives us a significant result in the order of 1%, will be applied. The classification of internal failure causes, related to enterprise resources, according to their degree of influence is as following:

The interpretation of this Table 9 shows that the shortage of the company's financial resources threatens its survival more than the material, immaterial and human resources do. Actually, poor working capital management (poor management of incoming and outgoing flows) can create an imbalance between the available working capital and the working capital needs, which causes the company to be in a shortage of funds. This situation will be worsened by the self-financing inability. Indeed, in case of need of funds, either to buy products or finance an investment, and with the inability of self-financing, the company has only two means of financing: indebtedness or capital-raising. Since most of the Tunisian companies are family-owned, the owners refuse raising capital to avoid losing a part of their heritage; as a consequence, they will always resort to indebtedness. This practice of excessive indebtedness weakens the company's financial situation.

The management quality: The company's management quality can guide the company towards success or failure. By examining and innovation policy, it is clear that 63.4% of companies lack written strategic objectives. Moreover, the percentage of companies that have no business plans is high (46.5%). As a consequence, the absence of a strategic planning as well as the negligence of written strategic targets from the beginning, are strategic errors that expose the company to several problems that endanger its existence. On the

other hand, in 52.1% of cases, inefficient investment policy (over-investment, lack of investment, etc.) is among the real failure factors. Moreover, an inappropriate use of the funding means, such as a short-term project funding by means of long-term funding, causes problems for 56.3% of the companies. It is worth focusing now on the governance problems that may worsen the company's situation. The analysis of the frequency of these types of problems shows that 76.1% of failing companies are controlled, at more than 50%, by one person or one family, which is not surprising since most of the Tunisian companies are family-owned. In these companies, it was found that 60.6 percent of these companies' owners are at the same time their managers. Regarding the public limited companies, it was found that only (64.3%) of the boards of directors are small-sized (6 people or less). However, the percentage of the inside directors always exceeds that of the outside ones. As a consequence, it can be concluded that governance mechanisms are not well applied at the level of the Tunisian bankrupt companies, which extends the discretion margin of the leader who most often works in his heritage and then weakens the control mechanism effect.

A survey of the trade policy, the second axis of the BSC, is carried out using a five-point Likert scale for responses (very high, high, medium, low and not at all). To make the analysis easier, the responses are classified into (high and very high) as a first class that refers to the strong effect of the factor, whereas the second class indicates the average effect of the factor and the third class includes responses by low effect and no effect at all and refers to the low degree of influence. The application of frequency analysis method gives us the following result (Table 10):

The frequency analysis shows that the trade policy is not a real

Years	Experience with the failur company		Experience in the business sector		Experience as manager	
	Number	Percentage	Number	Percentage	Number	Percentage
[0, 5]	53	76,6%	38	53,6%	43	60,6%
[5, 10]	16	21,3%	24	33,8%	22	30,9%
10 years or more	2	2,1%	9	12,6%	6	8,5%

Table 6: The distribution of the management team's experience before and after the company's creation.

Educational level	Primary study	Baccalaureate	close up	More than close up
Companies number	7 (9,86%)	10 (14,08%)	21 (29,58%)	33 (46,48%)

Table 7: The educational level of Tunisian leaders.

The managerial behavior	Unfavorable companies	Favorable companies
The lack of periodic meetings with the company officials	54,93%	45,07%
The existence of current conflicts with employees or syndicates	69,01%	30,99%
The lack of direct communication to resolve conflicts	34,87%	65,13%
The attitude to risk (risk taker)	46,48%	53,52%
the lack of discussions of the decisions with the subordinates	43,66%	56,34%
Distrust toward others	26,76%	73,24%
The preference of the individual work that the teamwork (non-sharing of work)	33,8%	66,2%

Table 8: Distribution of Tunisian failed companies as the existence or absence of the leader's deficiencies.

Resource type	The factor	Mean	Mean rank
Financial resources	A weak working capital	3,48	4,13
	A weak self-financing ability	3,37	3,94
Material resources	A deficiency at the level of the raw material	3,35	3,93
Human resources	A deficiency in terms of staff competence	3,32	3,89
Immaterial resources	The lack of investment in projects of research and development	2,41	2,56
Human resources	The absence or inadequacy of staff training cycles	2,34	2,55

Table 9: hierarchy of failure's factors related to enterprise resources according to Friedman ANOVA.

factor of failure for most of the bankrupt companies because its impact is always low or even very low.

Let us talking now about operational policy, the result of frequency analysis is summarized in the following:

The interpretation of this Table 11 shows that like the commercial policie, the operational policie have only a little effect on the company's welfare. For this reason, both of them cannot be considered direct causes of the Tunisian companies' failure.

Finally, the analysis of financial and accounting policy by the ANOVA Friedman gives us the following result:

These results in Table 12 indicate that an inefficient accounting and financial policy may threaten the company's survival. Actually, a high bank overdraft Figure 2 added to an imbalance between the working capital and the need for funds proves the instability of the company's financial situation. Furthermore, the excessive use of indebtedness, as a funding means preferred by owners, certainly worsens the situation. On the other hand, the increase of the indebtedness level raises the level of the financial burden; as a consequence, the surpluses derived from the company's activity are no longer sufficient to cover the amount of the financial receivables. Therefore, these companies with this fragile financial situation become quickly insolvent due to the reduction of their repayment capabilities, which results in the accumulation of difficulties for the company until it goes bankrupt.

To sum up, it can be said that, in the context of the Tunisian economy, the factors of companies' failure are usually internal ones whereas the external causes play the role of a catalyst that worsens the situation. Regarding the companies' endogenous factors, it was

Factors related to the company's commercial policy	Influence degree(%)		
	Strong	Average	Low
The existence of a demotivated or ineffective sales team	26,7	18,3	54,9
The absence or failure of advertising	19,7	26,8	53,5
The difficulty of creating loyalty relationships with customers	28,1	28,2	43,7
Lack of followed of customer payment	25,4	25,4	49,3
A wrong understanding of market needs	32,6	31,0	36,4
Bad policy pricing	22,6	16,9	60,6

Table 10: Results of frequency analysis for the failure factors related to the company's commercial policy.

Factors related to the company's operational policy	Influence degree (%)		
	Strong	Average	Low
The existence of a localization issues	14,1	15,5	70,4
The absence of a qualified labor in the geographical area of the company	23,9	18,3	57,7
The labor's costs exceed those of competitors	40,9	35,2	23,9
The departure of experienced/key personnel	16,9	7	76,1
The existence of strikes or work stoppages	18,3	43,7	38
The existence of daily (operational) management problems	42,3	42,3	15,5

Table 11: Results of frequency analysis for the failure factors related to the company's operational policy.

The factor	Mean	Mean rank
Excessive reliance on bank overdraft	3,46	3,98
Unbalanced capital structure (such as excessive dependence on borrowing)	3,20	3,64
Inability to manage working capital	2,27	2,66
False budget forecasting	2,23	2,54
Excessive withdrawals of cash by the owners	2,18	2,39

Table 12: Hierarchy of failure factors related to financial and accounting policy of the company according to Friedman ANOVA.

fount the management quality comes first followed by the managerial environment and finally the company's resources (Table 13).

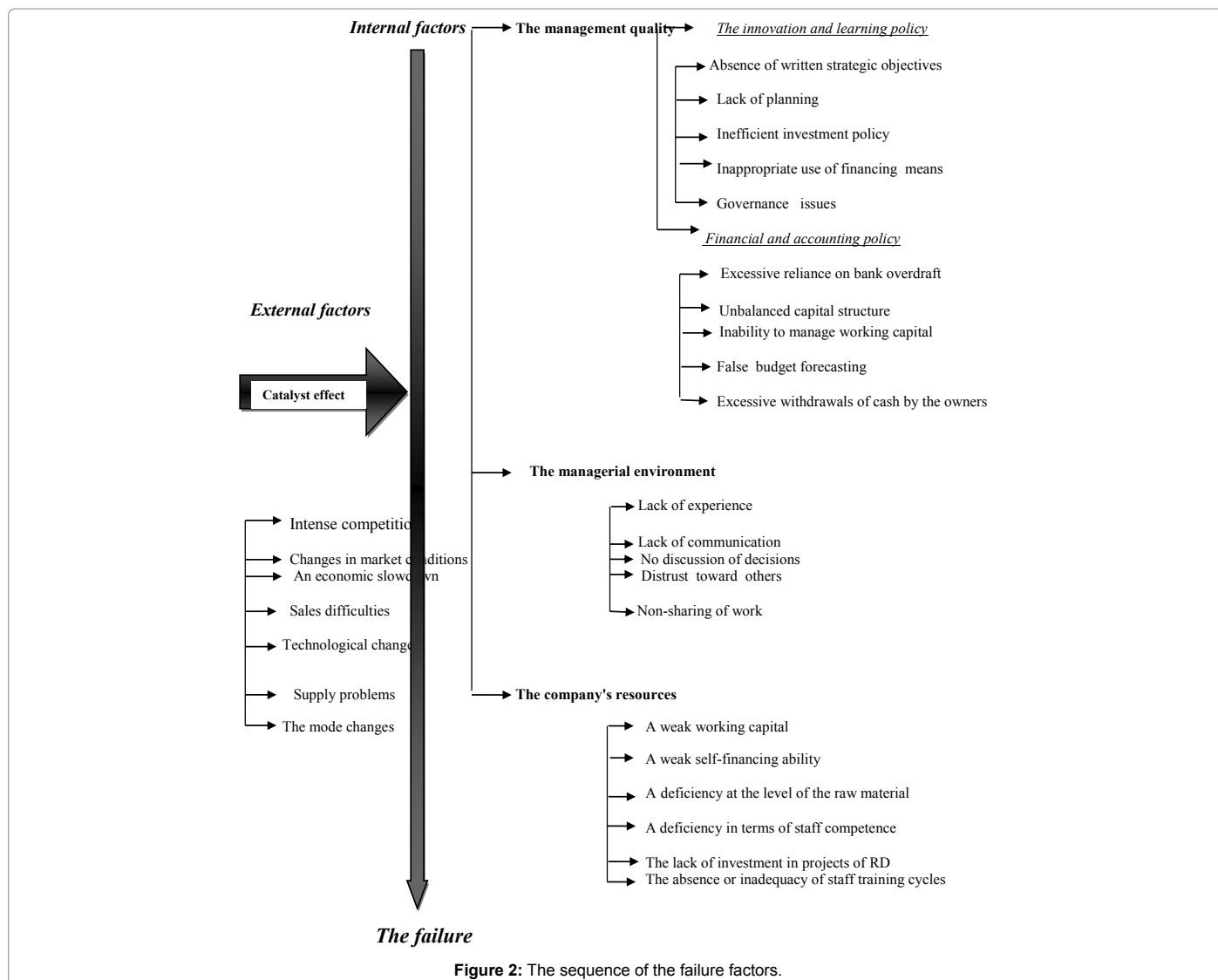
Actually, these results in Table 14 are, firstly, consistent with the results of the previous studies, such as those of CNME (National Fund of the Government contracts) and Conan [27] for France and, secondly, are justified by the statistics developed by the Ministry of Industry (The Office of Companies' assistance) for Tunisia.

In conclusion, we can draw the following diagram that summarizes the different causes of failure of Tunisian companies:

Conclusion

In the light of the literature review and the empirical studies, it appears that the factors of failure are many and can be either of internal or external origin. In Tunisia, and on the basis of our empirical study, it is revealed that the company's failure is caused, firstly, by the existence of strategic and operational management errors, such as the lack of planning, the making of wrong financial decisions, such as the orientation of the obtained short-term loans towards the funding of real estate and equipment investments rather than to the satisfaction of the company's immediate needs. Besides the wrong strategic choices, there are also governance problems characterized essentially by the existence of the majority shareholder or the owner-manager of the enterprise with a wide discretionary margin and a weak effect of the control measures. Secondly, the impact of the management errors on the company's financial health is worsened by the rigidity of the management body which limits the ability to collect and properly process the relevant information and therefore make the right decisions. In fact, the strictness of the management team is a combination of the following weaknesses: the presence, at the head of the company, of a low experienced autocrat who masterfully governs the whole daily and strategic company's management while refusing any conversation, discussion or help from his subordinates. Thirdly, there is a deficiency of some company's resources, such as the shortage of a working capital, the low cash flow, the ability to easily acquire the raw materials. As a consequence, a company in a fragile internal situation cannot certainly face intense competition or an economic downturn or adapt to changes in the market conditions and to the technological changes. Where the external causes play the role of a catalyst that worsens the situation.

The accumulation of all these factors is likely to accelerate the company's path through a progressive process towards failure. For this reason, the study of the Tunisian companies' decline process can be an avenue of research to explore.



Type of internal factors	Percentage of companies
The management quality	47,9%
The managerial environment	33,8%
The company's resources	18,3%

Table 14: Degree of importance of internal failure causes.

Type of factors	Percentage of companies
Internal causes	60,6%
External causes	39,4%

Table 13: The degree of importance of internal and external causes of failure.

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