TEN REASONS WHY COMPANIES KEEP FAILING
-AN UPDATE-

Prepared by:

James Ike Schaap, Ph.D.*
California State University, Monterey Bay
jschaap@csumb.edu
***Corresponding Author**

and

Jonathan Breiter, MBA (Doctoral Candidate)
University of Nevada, Reno
jonathanbreiter@unr.edu

Submitted to
E-Journal of Business and Economic Issues
January 3, 2023

ABSTRACT

Purpose

The reason for this descriptive and informative paper is to provide updated research from the literature explaining why new and existing companies continue to fail here in the United States.

Design/Methodology/Approach

This article reviews, from a design approach, the theoretical basis for why companies continue to fail, by better understanding the foci of strategy implementation, a key part of the strategic management process, and business success.

Findings

Our findings show that the ten reasons for business failure include a lack of cash flow, lack of job satisfaction, internal weakness, external factors, ethics/errors/fallibility/flaws, organizational misalignments, lack of productivity and older firms, entrepreneurial innovation versus leadership, the Peter Principle, and other key variables.

Originality

We argue, from a practical perspective, that the reader and/or business practitioner who follows the strategic management guidelines discussed and outlined in the Conclusion and Recommendations section of this paper will be better prepared to cope with some of the signs of an impending business failure.

KEY WORDS

Collapse, competition, decline, execution, fail, failure, strategic management, strategy implementation, success.

INTRODUCTION

To be prosperous, do organizations readily and successfully change? May be, maybe not. Knowing this, businesses, regrettably, fail for many different reasons. As such, managing a business is a delicate balance. A leader should be able to clearly understand if the business is failing and take remedial action before, in fact, it fails (Finnigan, 2022). But is that what leaders really do? We will let you be the judge.

When organizations resist change, because organizational culture is notoriously difficult to change, informal influencers can form the nucleus of broad-based movements that may succeed where top-down approaches are likely to fail (Gray et al., 2022).

Starting a business is a lot harder than most people think. Rarely is a business so in tune with its niche that it can float along with minimal effort. That said, why do so many businesses fail? As of March 2021, 20% of startups failed in the first year, 50% within five years, and 65% within 10 years (Bryant, 2022). Knowing this, the final third of the twentieth century and the early twenty-first century have witnessed unparalleled changes in the global economy characterized by incidences of business failures. In more recent times, many organizations around the globe have ceased operation, often attributed to weak financial position, mismanagement, and intense market competition. In both the popular press and academic literature, incidences of business failures are not uncommon (Amankwah-Amoah & Wang, 2016). That said, the reason for this descriptive and informative paper is to provide updated research from the literature explaining why new and existing United States companies continue to fail.

In 2017, an article, by Schaap, was published about the reasons why U. S. organizations fail. Our paper, narrowly considered as a critique, is also written as a renewed assessment to determine whether anything has changed, over the past 6 years, pertaining to why U. S. companies continue to go out of business. It is authored strictly as a narrative report consisting of a collection of updated scholarly research studies about why companies continue to go bankrupt. Because this piece uses no control groups to compare outcomes, the analysis has no statistical validity.

McMillan and Overall (2017, p. 271) stated that there are three levels of organizational failure: 1) organizational learning processes, which can give rise to simple failure, 2) organizational planning processes, which can give rise to complex organizational failures, and, 3) strategic capacity of organizational agility, which can give rise to catastrophic failures. Simple failures are the result of learning deficiencies stemming from single-loop decision making and weak learning competencies. Complex failures are caused by structural rigidities and intelligence pathologies. Catastrophic failure are a result of weak knowledge inclusiveness and weak organization platforms, which occur from a downward spiral of events stemming from simple and complex failures.

Montgomery and Cowen (2020), in their most recent research study, stated that organizations fail when companies violate audiences' expectations of performance.

Haudan (2021) acknowledged that companies create strategies so they can continue to grow. However, many organizations stumble. Why? The failure of most organizational strategies can be traced to five key points: Members of the leadership team do not share a common mental model. Leaders do not connect strategy activation to their leadership behaviors. Most strategy activation plans lack a multi-year process and do not rigorously address the existing barriers. Leaders are not prioritizing their primary role of owning the whole before their own functions and therefore are unable to remain focused on the alignment and activation. Lastly, next-level leaders are not being engaged to act as change leaders.

Knowing this, do we need a new business setting to overcome organizational failure? We think so, and therefore this requires new forms of strategic leadership thinking and organizational structures, global mindsets, considerable strategic and structural flexibility, and innovative methods for implementing strategies. A scientific reawakening will bring about the rise of new industries, change how businesses compete, and possibly transform how companies are managed (Pascale et al., 2000).

DEFINITION OF BUSINESS FAILURE

Broadly speaking, business failure can be defined as a situation where the firm ceases operations and/or loses its identity due to inability to respond and adapt to changes in the external environment in a timely fashion (Amankwah-Amoah, 2016, p. 3388). Business failure may also entail both the structured or unstructured fall which culminate in decline or eventual demise. Organizations teetering on the brink of collapse often exhibit features such as depletion of both financial and human resources (Amankwah-Amoah, 2018a).

REVIEW OF LITERATURE

To better understand why organizations go under, we reviewed the work of some scholars and notable writers from the past 5 years. We have compiled the following list of reasons companies go out of business or significantly falter. The ensuing text, as a conceptual literature review, in chronological order, is a record of some of the central explanations why organizations fail.

Downes and Nunes (2018) stated that many companies collapse because they grow too fast and then “cool off” almost as fast. New products quickly saturate markets. Digital components rapidly make products obsolete. Following management mantras about strategic focus, executives limit their organization’s assets to those necessary to complete a single mission and then struggle to find a second successful revenue source. Downes and Nunes research identified seven common errors that explain why even some enormously successful companies have failed to launch more than one big-bang disruption: (1) The company is too lean; (2) the company’s capital structure is built to fail; (3) the company has lost its head; (4) the company is overserving investors; and (5) the company won the lottery. The company simply got lucky-a fact that becomes clear when a company fails utterly to build on its initial popularity; (6) the company is held captive by regulators; and (7) the company anticipates customers who do not exist.

According to Dias and Martens (2019), failure is common in many new business ventures, especially given the current global economic environment. While developing a business, the entrepreneur is likely to face adversity, perhaps because of external factors (e.g., the economy, competition, changes in consumer needs, and technology); or the adversity may be self-imposed because of maladministration, lack of strategic or operational planning regarding formality, low innovation capacity, and so on. Further, a lack of experience and unpreparedness cause administrative and financial problems. One does not set up a business that they know nothing about and where they cannot be present. They must know the market.

Amankwah-Amoah and Syllias (2019) argued, adopting or initializing and using "green" initiatives can result in business failure: "the cost of reducing environmental impact may over-shadow the resulting benefits, and organizational performance may actually decline" (Gilley & Rasheed, 2000, 777).

Firm failure might also stem from small and medium enterprises (SMEs) overestimation of the potential values and gains that can be accrued from sales of products and services by pursuing a "green" agenda. Many firms, especially SMEs, often lack the essential managerial skill sets in connecting sustainability to profitability.

As stated by Goyal and Pranjana (2019), sometimes businesses fold because of marketing mishaps that force unnecessary delays in business growth: (1) Consumers react to emotions, and businesses react to needs. The target customer is a human being. However, a business purchase is often tied to specific goals, objectives, and priorities, that is, needs and wants and these goals are frequently linked to specific problems or challenges, the solving of which helps the customer overcome those needs and wants. (2) The consumer sales cycle is short, but the business sales cycle is long. The reason sales cycles can drag on is fear of risk. The fear of risk may be tied to the act of "spending someone else's money." (3) Consumers can be fickle. (4) Salespeople need more in-depth product knowledge. Only the consumer can cause the success or failure of any product or company.

As Barber, Whitehead, and Bistrova (2019) specified, in their study of 45 large European and U. S. companies, there are 22 common mistakes leading to failure: (1) undertaking of unnecessarily risky growth strategies, (2) light treatment of compliance issues lightly, (3) poor cost control, (4) attempts to meet conflicting objectives, (5) weak board governance, (6) executives being misled by positive experiences with ambitious growth investments, (7) tripping up over organizational redesign, (8) overinvestment in the core business, (9) risky diversification, (10) outsized "bet the farm" acquisitions, (11) serious compliance failure, (12) failure to limit financial risk independent of acquisition, (13) inefficiencies in controlling costs, (14) failure to meet volume targets, (15) failure to match management's capabilities to the strategic challenge, (16) decision biases, (17) failure to rigorously test the logic of growth investments, (18) failure to ensure depth in management strength, (19) failure to monitor outsourcing partners, (20) weak control processes, (21) failure to have a robust compliance culture, and (22) failure to have the "right" chief executive officer or board of directors.

Consistent with Eisenmann (2021), writer and professor at the Harvard Business School, businesses fail for the following six reasons: (1) They fail to engage the right stakeholders; (2)

they rush into opportunities without testing the waters and without industry experience and expertise; (3) they misinterpret signals about market demand (false positives); (4) they experience rapid growth, which attracts rivals who cut prices and spend heavily on promotion; (5) they delay hiring the right executives and instead recruit the wrong people, leading to strategic drift, spiraling costs, and a dysfunctional culture, and (6) they have overly ambitious vision leading to multiple challenges.

In keeping with Zheng et al.'s (2021) tourism business study and findings, these same authors explored the influence of political risk on firms in the tourism industry. Such risk was found to be significantly associated with firm performance and organizational failure. Adverse political action, such as governmental authorities' discriminatory changes to legislation, regulations, and investment terms, increases the risk that firms' ability to use their assets and generate returns may be constrained, thus eroding their performance. Macro-environmental factors such as terrorism, economic conditions, and political uncertainty are perceived to greatly influence the tourism industry, which can lead to business failure.

Lastly, Dreischmeiser et al. (2022) published an article about why businesses fail. Collapses typically stems from flawed assumptions about the desirability of a new product or service to customers. Incumbents face a particular challenge here. Their culture often biases them to seek perfection in planning and predictability in execution. Failure to talk with customers about a product concept before writing code often leads to business failure. Failure to not observe customer preferences also often leads to business failure. Asking customers what they want seldom leads to breakthrough innovations. Smart companies observe customer behavior, imagine a new concept, and then test it by observing rather than asking. Additionally, companies must drive interest. Many incumbents wait for launch to drive adoption and gather signals on product and market fit, often wasting months in the process. Failure to think beyond what is "viable" and locking down a minimum lovable product will often lead to failure. A preoccupation with technical feasibility can distract a business from its proper focus on the customer. Finally, failure to mobilize a company's beta customers as an asset to spread the word can often lead to failure. Companies must not fall into the trap of relying on paid media to drive up acquisition numbers.

TEN REASONS WHY ORGANIZATIONS FAIL

A business operates in a highly complex, dynamic, and multifaceted environment, which deeply impacts its operations and ways of achieving the set objectives. Its strategy, which is crucial for achieving the objectives, is also affected by the environment, and so are the strategic actions—including its strategy implementation processes (Sharma & Sharma, 2022). Still, many companies fail because of, to name only a few, a lack of cash flow, lack of job satisfaction, internal weakness, external factors, ethics/errors/fallibility/flaws, organizational misalignments, lack of productivity and older firms, entrepreneurial innovation versus leadership, the Peter Principle, and other key variables.

Lack of Cash Flow

In one of the best papers on why businesses fold, Bhandari (2014) used cash flow statements—cash inadequacy (resulting in default on debt obligations as the main reason for business collapse or bankruptcy)—as a key factor to understand why organizations go out of business. Bhandari and Iyer (2013, p. 668) justified the importance of cash flow as follows:

> Ever since the accrual accounting system was adopted for recording and reporting business transactions, balance sheets and income statements were the main source of information for academics, analysts and investors for their research and decision-making purposes. The importance of cash flow, though intuitive, was not realized until the accounting regulators and textbook book authors started emphasizing cash flow statements (CFS). The "Cash is King" phrase is now widely understood and respected. Obviously because cash is what buys things, pays wages and salaries; services and pays debt; and compensates stockholders (owners)—not accounting income! Inadequate cash can lead to default on accrued payables and ultimate bankruptcy. The most important and useful information in CFS is operating cash flow (OCF). A business is supposed to operate profitably and generate cash. OCF is that number!

Lack of Job Satisfaction

Lizano et al. (2014) showed that job satisfaction, defined according to hours worked and flextime; wages and other non-wage compensation; job security, training, promotion chances, and social dialogue, reduces the failure rate of the business sector. Thus, employers need to control the firm-employee relationship as a useful tool to achieve commitment to future collaborations and avoid business failure.

Internal Weakness and/or External Factors

Panicker and Manimala (2015) conducted an attention-grabbing study about successful business turnarounds. They found that the primary cause for organizational decline is the internal weakness of the organization. They also found that multiple factors cause organizational decline (e.g., weakness in functional areas and external factors beyond management's control, including demographic changes, economic conditions, natural calamities, technological developments, social norms and customs, and political systems).

Ethics, Errors, Fallibility, Flaws, Inertia, and Mistakes

According to Rossy (2011), ethical failures (e.g., Enron, Tyco, Arthur Anderson), where key players of the organization were acting with malicious intent, should have been expected. Such events have been common throughout history and have been at the root of some the greatest business failures of the last 25 years.

The entrepreneurial features that influence behavior and competencies of the manager appear to be very closely linked, which affects the organization's inertia and mistakes behavior (Minello et al., 2014).

VanRooij (2015) studied three companies (i.e., Nokia, Baan, and LG) and searched for the real causes of closures of their businesses. He found that fallibility, error, and flaw were the key reasons these firms failed.

Rothaermel (2015) found that *inertia*, a firm's resistance to changing the status quo, can set the stage for the firm's subsequent failure. Successful firms often plant the seed of subsequent failure by optimizing their organizational structure to the current situation such that a tightly coupled system can break apart when internal or external pressures occur (Finkelstein, 2003).

Organizational Misalignments

As Heracleous and Werres (2016) stated in their in-depth case studies of two American conglomerates (e.g., WorldCom and Nortel Networks), organizational misalignments develop and spread, ultimately creating a large gap between the demands of the competitive environment and the organization's strategy and competencies, which leads to corporate failure. They further found that the process begins with dysfunctional leadership and ineffective corporate governance, moves to unduly risky strategic actions, and is then followed by lax strategy execution.

Lack of Productivity and Older Firms

He and Yang (2016) concluded that less productive firms and older firms are more likely to go under, whereas firms with governmental support are more likely to survive. Further, competition dominates learning effects and imposes challenges on the survival of older firms. There is an inverted U-shaped relationship between firm age and firm failure.

Johnson (2017, p, 13) wrote this alluring story about why organizations continue to fail:

> **S**omewhere between the tenth and fifteenth year, this San Diego-based organization, and its affiliates, lost sight of the original vision. The founding leaders had moved on to other things and a new management team had taken over. The company became institutionalized. It was still effective, but not growing as the focus changed from excellence in customer service to maintaining the organization. In its earlier existence the company was able to win contracts based upon technical skill and a reputation for excellence, it now had to rely on being the lowest bidder.
>
> The company had lost its direction. Customer loyalty had ceased as products and services were reduced in both quantity and quality. Employee morale dropped, overhead increased, and profit margins sunk.
>
> By its twentieth birthday, the organization ceased to exist. It wasn't sudden, it just began to fade away and employees scattered to other places. The organization that had begun with so much energy and hope had been merged, sold, and resold until it lost its focus, identity, and purpose.

Entrepreneurial Innovation versus Leadership

In keeping with Turner-Wilson (2016, p. 5), the following is true:

> Seventy percent of startup businesses fail within the first 10 years. It is a devastating reality, especially since most of those startups are small business, which generate more than half of domestic sales in the U.S.
>
> Often, these failures are caused by a lack of solid management abilities. Ironically, the very qualities that inspire more entrepreneurs to take a risk and start a new business can work against them when it comes to leading that business day-to-day, because there are inherent differences between entrepreneurs and leaders.
>
> Entrepreneurs are visionaries and innovators, but they may tire when it comes to execution. Entrepreneurs tend to favor the newest strategy instead of a tried-and-true strategy, since they are more comfortable with risk. While they do not enjoy executing day-to-day tasks, they may struggle in effectively delegating those responsibilities to others as well.
>
> From our perspective, too many businesses fail simply due to a lack of balance between entrepreneurial innovation and effective leadership.

The Peter Principle

Laurence J. Peter, a well-known sociologist and educator, after whom the Pete principle was named, was a specialist in hierarchical incompetence and wrote nine books about this controversial topic. His first book, The Peter Principle—Why Things Always Go Wrong, introduced the Peter principle to the world. He theorized, from a behavioral stance, that in a hierarchy (e.g., any/every type of organization): "Every employee tends to rise to his level of incompetence" (Peter, 1969, p. 26). Further, his argument, from a sociological standpoint, was that one will advance to one's highest level of competence and consequently get promoted to a position where one will be inept. The book contains many real-world examples and thought-provoking explanations of human behavior, including the following: "Every organization contained a number of persons who could not do their jobs and that occupational incompetence is everywhere, p. 20."

Peter (1969) asserted, from a definitional perspective, that as employees move upward through the pecking order and/or chain of command, they do worse, as managers, than they did before having been promoted. This phenomenon is not limited in scope: "Sooner or later, this could happen to every employee in every hierarchy—business, industry, trade-unions, politics, government, armed forces, religion, and education" (Peter, 1969, p. 24).

In revisiting the universal phenomenon of the Peter principle and further reviewing the significance of the investigation, Schaap (2019), five decades later, found that not much has changed, behaviorally, over the past 50 years. The fact that co-workers observe deserving as well as undeserving people being elevated to positions of management and responsibility, frequently becoming incompetent, begs a slew of questions: Why does this happen? Occupational incompetence is everywhere. Have you noticed it? Probably we all have noticed it (Peter,

1969). Is the selection process responsible? How important is training—prior to and continuing after a promotion—as part of being elevated?

We believe, as a researcher stated over 10 years ago, one way to overcome the marvel of the Peter Principle, at least in part, "is for companies to refrain from promoting a worker until that worker shows the necessary knowledge, skills, and abilities as well as the appropriate work habits," (Schaap, 2009, p. 10) including a great deal of training, needed to succeed at the next higher job level.

Other Key Variables of Organizational Decline

It is alleged that up to 70% of strategic change initiatives fail (Higgs & Rowland, 2005) because senior-level leaders do not make a realistic assessment of whether the organization can execute the plan (Bossidy & Charan, 2002). Meanwhile, research suggests, from a strategic planning standpoint, that adopting and implementing the right practices are essential for achieving outstanding performance (Brown et al., 2007; Laugen et al., 2005). Without an actual sound and aligned implementation process, even the most superior strategy is useless. This is another reason organizations fail. Ain today's dynamic, hypercompetitive environment, savvy executives must realize that strategy implementation is just as critical as the development of the strategies (Pryor et al., 2007).

As stated by Garicano and Rayo, in their article *Why Organizations Fail: Models and Cases* (2016, p. 137), organizations fail …

> due to incentive problems (agents do not want to act in the organization's interests) and bounded rationality problems (agents do not have the necessary information to do so). We specifically consider failure related to short-termism and the allocation of authority, both of which are instances of multitasking problems; communication failures in the presence of both soft and hard information due to incentive misalignments, resistance to change due to vested interersts and rigid cultures; and failure related to the allocation of talent and miscommunication due to bounded rationality.

In his book, *Why Organizations Fail,* Ivanov (2017, p. 4) stated the following:

> Organizations, worldwide, … treat employees like commodities, generate general suspicion and mistrust, undermining self-esteem, generate conflict overcompensation and in interpersonal relationships, cause unnecessary suffering for employees and their families, undermine the good society, and withal, reduce the potential productivity and effectiveness of even the best companies to 50% of what they might achieve.

> Companies also fail because of catastrophic malfunctions in their structure. These breakdowns are difficult to notice because of time delay in organizational cause and effect. Time flows differently in organization s than in the physical world. For example, when a ship sails, or a rocket is launched, it is easier to see the cause and effect within days/months or minutes/seconds. When the chief executive officer of a large corporation

> decides, the effects are often not clear for years or even generations from when the decision was made (p. 4).

According to Amankwah-Amoah, & Wang (2019), as many industries become more globalized, one by one, many new entrants and incumbents have collapsed due to increased competition, leaving in their wakes untapped knowledge lessons about failure.

In a recent article, Eisenmann (2021) indicated: “More than two thirds of start-ups do not succeed” (p. 4). Further he listed six patterns of organizational failure: “Good idea, bad bedfellows. False starts. False positives. Speed traps. Help wanted. And, cascading miracles” (2021, pp. 4 – 8).

Lastly, and as mentioned by Finnigan (2022), here are a few key warning signs of a failing company: inadequate management, poor financial planning and forecasting, poor credit control, poor commercial decisions, overspending, cash problems, low volumes or falling sales, poor costings and purchasing, statutory demands, unpaid taxes, and fixed price contracts (in times of inflation).

UNDERSTANDING THE IMPORTANCE OF STRATEGY IMPLEMENTATION IN ORDER TO OVERCOME BUSINESS FAILURES

Managing the implementation and execution of a strategy is easily the most demanding and time-consuming part of the strategic management process (Gamble et al. (2021). We believe this is crucial to overcome business failure. Further to this point, overcoming organizational collapse is no easy task. Still, Panicker and Manimala (2015) have developed an extensive list of strategy implementation factors, from a real-world viewpoint, that they argued can prevent business stoppage in both private and public organizations:

- Employee engagement - incentivize and motivate employees, build a positive culture
- Be aggressive – promote old products in new markets, transition from sellers’ market to buyers’ market, and focus on promotional strategies
- Cost management strategies - reduce the cost of funds, cut general costs, reduce raw material costs
- Invest in new markets and R&D - enter new markets, implement efficiency measures for operations, focus on core business
- Change your product mix and pricing – have aggressive pricing and reassess your product mix
- Lean management - reduce your assets, enhance shareholder value, perform debt restructuring, restructure the organization, and become efficient in short-term financing

David and David (2016) stated the following:

> Even the most technically perfect strategic plan will serve little purpose if it is not implemented. Many organizations tend to spend an inordinate amount of time, money, and effort on developing the strategic plan, treating the means and circumstances under

> which it will be implemented as afterthoughts! Change comes through "implementation and evaluation, not through a plan." A technically imperfect plan that is implemented well will achieve more that the perfect plan that never gets off the paper on which it is typed (p. 214).

According to Wheelen et al. (2018), for a company to be successful, the organization must implement its objectives, strategies, and policies—it must be put into action, through the development of specific programs and tactics, budgets, and procedures. The organization also need to design jobs (i.e., by organizing precise company activities)—sometimes with an emphasis on reengineering—so that the strategy can be implemented. Wheelen et al. also state that "poor implementation" has been blamed for several failures.

Alvarez-Miranda and Watkins (2021) itemized three key cores for successful strategy execution:

1. Defend the core – assess and build high-performing teams. Focus on short-term execution, including stopping non-value-adding activities. Secure some early wins that improve performance. Build alliances to ensure better execution. And role model the "right" behaviors.
2. Extend the core – drive strategy deployment, implement supporting systems, skills, and processes. Develop teams that promote high potentials and attract talent. And shift to needed behaviors.
3. Transcend the core – stimulate transformational internal innovation. Drive agile development. Build outside partnerships. Make external investments and acquisitions. Spread talent throughout the organization. And transform culture to focus on the future.

When examining the different strategy implementation models, specifically within the strategic management field, especially as they apply to preventing organizational collapse, we concluded that the eight-step theoretical model Gamble et al. (2021) developed has truly covered and extended the literature in this field of study. The eight steps, from their textbook, are as follows:

1. Building an organization with the capabilities, people, and structure needed to execute the strategy successfully.
2. Allocating ample resources to strategy-critical activities.
3. Ensuring that policies and procedures facilitate rather than impede effective strategy execution.
4. Adopting process management programs that drive continuous improvement in the ways strategy execution activities are performed.
5. Installing information and operating systems that enable company personnel to perform essential activities.
6. Tying rewards directly to the achievement of performance objectives.
7. Fostering a corporate culture that promotes good strategy execution.
8. Exerting the internal leadership needed to propel implementation forward (p. 199).

CONCLUSION AND RECOMMENDATIONS

We, as researchers and academicians in the field of management and strategy, believe in applying new thinking and innovative approaches, from a practitioner's perceptive, to the study of strategic management, and, more specifically, strategy implementation or execution. We believe this paper offers executives (i.e., specifically practitioners who are in the front lines) some detailed strategic management insights, and a set of guidelines for improving the fundamental practice of the strategic management process.

Keller and Price (2011, p. 31) advocate that the answer lies in managing the health of their organizations as rigorously as they manage its performance. In other words, developing their ability to align, execute, and renew the company, from a strategic management standpoint, faster than competitors so that it can sustain exceptional performance over time.

Homkes et al. (2015) argued that if common beliefs about execution or implementation are incomplete at best and dangerous, at worst the starting point is a fundamental redefinition of execution as the ability to seize opportunities aligned with strategy while coordinating other parts of the organization on an ongoing basis. Reframing strategy implementation, in those terms, can help managers pinpoint why it is stalling. Armed with a more comprehensive understanding, leaders can avoid pitfalls such as the alignment trap and focus on the factors that matter most for translating strategy into good results.

As per Amankwah-Amoah, & Wang (2019, p. 368), given that learning from business failures is neither automatic nor sudden (Shepherd, 2003; Yamakawa & Cardon, 2015), there is a need for new streams of research that explore routines and processes that enable organizations and individuals to better able to capture, integrate, and leverage lessons and insights from business failures. By developing and utilizing a reservoir of knowledge on best practices and processes (i.e., such as using the key steps of the strategic management process), organizations are better able to alleviate the early warning signals of business failure. There is also a requirement to explore how best to rehabilitate reputation of executives and brands of collapsed organizations.

Kenny (2019) listed five simple rules for a successful strategy execution: 1) narrow your focus—do not try to achieve too much and set yourself up for failure), 2) make the statements imperative—that can be translated into action), 3) give the statements real owners—because

strategy statements works against their execution), 4) separate out your strategy meetings—because strategic issues always compete for senior executives attention, and 5) appoint a monitor—because what gets measured, gets done.

Miller (2020) stated seven key steps in the strategy implementation process to possibly overcome structural company breakdowns and organizational failure:

1) Set clear goals and define key variables.
2) Determine roles, responsibilities, and relationships.
3) Delegate the work.

4) Execute the plan, monitor progress and performance, and provide continued support.
5) Take corrective action (e.g., adjust or revise, as necessary).
6) Get closure on the project, and agreement on the output.
7) Conduct a retrospective or review of how the process went.

Miller (2020) also affirmed that successful strategy implementation can be challenging, and it requires strong leadership and management skills. Effective delegation, patience, emotional intelligence, thorough organizational abilities, and communication skills are crucial to organizational success.

Practical Implications

According to Agut et al. (2019), their findings suggest that once a manager occupies a top leadership position in a firm with strong (or poor) performance, becoming a respected, admired, and esteemed leader is a key ingredient that positively impacts others' social judgements about the manager's capability to guide the organization into success. In addition, in a context of extremely poor results, having a respected manager who also controls critical resources reinforces the perception of their potential to reverse adverse outcomes. However, high control over resources does not offset the negative effect of not being respected. Furthermore, a highly respected manager is viewed as more assertive, which, in turn, enhances the attributed influence in the company in a positive way. Therefore, status and dominance, and to a lesser extent power, constitute potent allies in the leadership process (p. 490).

We are convinced, having explored the notion of the strategic management process extensively, that the reader and/or business practitioner, who follows the five pragmatic steps of the strategic management guidelines developed by Gamble et al. (2021) will reduce the chances of organizational collapse. Further, if the reader adheres to the strategic managerial process of crafting and executing a company's strategy on an ongoing basis, organizational victory will certainly be achieved:

1. Developing a strategic vision that charts the company's long-term direction, a mission statement that describes the company's business, and a set of core values to guide the pursuit of the strategic vision and mission.
2. Setting objectives for measuring the company's performance and tracking whether its progress is moving in the intended long-term direction.
3. Crafting a strategy for advancing the company along the path to management's envisioned future and achieving its performance objectives.
4. Implementing and executing the chosen strategy efficiently and effectively.
5. Evaluating and analyzing the external environment and company's internal situation and performance to identify corrective adjustments that are needed in the company's long-term direction, objectives, strategy, or approach to strategy execution (p. 15).

As Eisenmann (2021) stated, new business entrepreneurs should conduct, from a strategic management perspective, a detailed competitive analysis, including user testing of existing solutions, to better understand the strengths and shortcomings of rival products and companies.

Sharma and Sharma (2022), and certainly supported by us, state that strategy execution is the most important stage of the strategic management process—the most crucial, complicated, and complex activity in any kind of organization, mainly due to a firm's negligence towards environmental forces, both internal and external.

Organizations that fail to hire and develop positive character among its leaders are truly missing an opportunity. In fact, one study found that organizations with leaders of high character—those whose employees rated them highly on integrity, responsibility, forgiveness, and compassion—had nearly five times the return on assets of those with low character (Crossan et al., (2022).

Finally, we maintain that businesses, especially small private enterprises, that tend to fail more quickly than larger ones, should pay more attention to their cash positions (i.e., ensuring a current ratio of at least one or better). They should also ensure that bank loans are paid on time, as well as pay their suppliers promptly. Small-scale companies should pay particular attention to their clientele—trying to keep them as opposed to losing them. Last, small as well as larger firms should have a clear-cut business strategy as well as a definitive strategic management implementation plans for all employees to clearly understand, embrace, and follow.

LIMITATIONS OF THE STUDY

This article has some limitations. No independent research study was performed. This was just an observational review of Satell's work published in the *Journal of Marketing and Strategic Management* in June 2016, Issue 10. After reviewing Satell's article, we decided to pursue a descriptive study, also considered as an informative assessment, so that the reader and/or businessperson could better understand some of the key reasons organizations fail.

This paper is also authored strictly as a narrative report consisting of a collection of updated scholarly research studies about why companies continue to go bankrupt. Because this piece uses no control groups to compare outcomes, the analysis, which was mentioned early on in this piece, has no statistical validity.

REFERENCES

Agut, S., Hernández, B., & Lozano, N. F. (2019). Perception of managers' influence depending on status, power, and company performance. *Scandinavian Journal of Psychology, 60:* 484-491.

Alvarez-Miranda, M., & Watkins, M.D. (2021). How new CEOs can balance strategy and execution. *Harvard Business Review:* 1-7.

Amankwah-Amoah, J. (2016). An integrative process model of organizational failure. *Journal of Business Research, 69:* 3388-3397.

Amankwah-Amoah, J. (2018a). Human capital flows in failing organizations: an integrated conceptual framework. *Journal of Intellectual Capital, 19:* 732-746.

Amankwah-Amoah, J., & Syllias, J. (2020). Can adopting ambitious environmental sustainability initiatives lead to business failures? *Wiley Business Strategy and the Environment, 20*: 240-249.

Amankwah-Amoah, J., & Wang, X. (2019). Business failures around the world: Emerging trends and new research agenda. *Journal of Business Research, 98:* 367-369.

Barber, F., Whitehead, J., & Bistrova, J. (2019, Fall). Why giants stumble. *California Management Review, 62*(1): 5-30. Berkeley Haas.

Bhandari, S. B. (2014). Two discriminant analysis models of predicting business failure: A contrast of the most recent with the first model. *American Journal of Management, 14*(3): 11-19.

Bhandari, S. B., & Iyer, R. (2013, June 7). Predicting business failure using cash flow statement-based measures. *Managerial Finance, 39*(7): 667-676.

Bossidy, L., & Charan, R. (2002). *Execution—The discipline of getting things done.* Crown Publishing Group.

Brown, S., Squire, B., & Blackmon K. (2007, March). The contribution of manufacturing strategy involvement and alignment to world-class manufacturing performance. *International Journal of Operations & Production Management, 27(*3): 282-302.

Bryant, S. (2022, May 11). *How many startups fail and why?* Found in https://www.investopedia.com/articles/personal-finance/040915/how-many-startups-fail-and-why.asp.

Crossan, M., Furlong, W., & Austin, R. D. (2022, Fall). Make leader character your competitive edge. *MIT Sloan Management Review, 64*(1): 1-12.

David, F. R., & F. R. David. (2016). *Strategic management. Concept and cases.* (15th ed.). Pearson.

Dias, T. R., & Martens, C. D. P. (2019). Business Failure and the Dimension of Entrepreneurial Learning: Study with Entrepreneurs of Micro and Small-Sized Enterprises. *REV. ADM. UFSM, Santa Maria*, *12*(1): 107-124.

Downes, L., & Nunes, P. (2018, January-February). Finding Your Company's Second Act. *Harvard Business Review*: 98-107

Dreischmeiser, R., Vinayak, HV., Swaminathan, A., Roth, A., & Libarikian, A. (2022, June 13). *Derisking corporate business launches: Five steps to overcome the most common pitfall*s. McKinsey & Company: 1-6. https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/derisking-corporate-business-launches.

Eisenmann, T. (2021, May-June). Why Start-ups Fail. *Harvard Business Review*: 1-11.

Finkelstein, S. (2003). *Why Smart Executives Fail, And What You Can Learn from Their Mistakes*: Portfolio.

Finnigan, P. (2022, August). Avoiding insolvency. *NZ Business:* 28-29.

Gamble, J. E., Peteraf, M. A., & Thompson, Jr., A. A. (2021). *Essentials of Strategic Management: The Quest for Competitive Advantage.* (7th ed.). McGraw Hill.

Garicano, L., & Rayo, L. (2016). Why organizations fail: Models and cases. *Journal of Economic Literature 54*(1): 137-192.

Gilley, K. M., & Rasheed, A. A. (2000, August). Making more by doing less: An analysis of outsourcing and its effects on firm performance. *Journal of Management: 26*(4): 763-790.

Goyal, P., & Pranjana, J. (2019, Jul-Dec). Customer awareness towards marketing and its impact on business sales in present scenario: Success or failure. *Journal of Management Awareness, 22*(2): 88-101.

Gray, P., Cross, R., & Arena, M. (2022, Winter). Use networks to drive culture change. *MIT Sloan Management Review, 63*(2): 51-58.

Haudan, J. (2021, April). Strategy execution requires leaders to change too. *Leadership Excellence:* 32-33.

He, C., & Yang, R. (2016, March). Determinants of firm failure: Empirical evidence from China. *Growth and Change, 47*(1): 72-92.

Heracleous, L., & Werres, K. (2016, August). On the road to disaster: Strategic misalignments and corporate failure. *Long Range Planning, 49*(4): 491-506.

Higgs, M., & Rowland, D. (2005, June). All changes great and small: Exploring approaches to change and its leadership. *Journal of Change Management, 5*(2): 121-152.

Homkes, R,, Sull, D., & Sull, C. (2015) Why strategy execution unravels—and what to do about it. *Harvard Business Review.* https://hbr.org/2015/03/why-strategy-execution-unravelsand-what-to-do-about-it.

Ivanov, S. (2017). *Why organizations fail.* Self-published. Printed in the U.S.A.

Johnson, W. F. (2017). *Rise and fall: Why good organizations fail.* Independently Published: (ISBN-13: 978-1521063125).

Keller, S., & Price, C. (2011). What matters most. *Financial Executive:* 30-34.

Kenny, G. (2019, October 16). 5 simple rules for strategy execution. *Harvard Business Review:* 2-5.

Laugen, B.T., Acur, N., Boer, H., & Frick, J. (2005, February). Best manufacturing practices: What do the best-performing companies do? *International Journal of Operations & Production Management, 25*(2): 131-150.

Lizano, M. M., Ochovo, R. B., & de la Cruz, A. M.P. (2014, special issue). Relationship between job satisfaction and firm's death. *International Business & Economics Research Journal, 13*(7): 1599-1604.

McMillan, C. J., & Overall, J. S. (2017). Crossing the chasm and over the abyss: Perspectives on organizational

Miller, K. (2020, February 25). A manager's guide to successful strategy implementation.

Harvard Business Review. https://online.hbs.edu/blog/post/strategy-implementation-for-managers.

Minello, I. F., Scherer, L. A., & Alves, L. (2014, January). Entrepreneurial competencies and business failure. *International Journal of Entrepreneurship,* 18: 1-15.

Montgomery, N. V., & Cowen, A. P. (2020). How leader gender influences external audience response to organizational failures. *Journal of Personality and Social Psychology, Vol 118,* 4: 639-660.

Panicker, S., & Manimala, M. J. (2015, February 16). Successful turnaround: The role of appropriate entrepreneurial strategies. *Journal of Strategy and Management, 8*(1): 21-40.

Pascale, R. T., Millemann, M., & Gioja, L. (2000). *Surfing the edge of chaos.* Three Rivers Press.

Peter, L. F., & Hull, R. (1969). *The Peter principle—Why things always go wrong.* William Morrow & Company, Inc.

Pryor, M. G., Anderson, D., Toomb, L. A., & Humphreys, J. H. (2007, April). Strategy implementation as a core competency. *Journal of Management Research, 7*(1): 3-17.

Rossy, G. L. (2011, November 8). Five questions for addressing ethical dilemmas. *Strategy & Leadership, 39*(6): 35-42.

Rothaermel, F. T. (2015). *Strategic Management,* 2nd edition. McGraw Hill.

Satell, G. (2016, June). Views from the practice: Why organizations fail. *Journal of Marketing and Strategic Management*, 10: 150-152.

Schaap, J. I. (2017). The real reasons why organizations fail. *Journal of Marketing and Strategic Management,* 11: *60-76.*

Schaap, J. I. (2019, August). The Peter principle: Is this phenomenon in decline or growing? A Review. *Journal of International Management Studies, 14*(2): 60-68.

Schaap, J. I., & Ogulnick, S. (2009) The Peter principle: Is this forty-year-old universal phenomenon in decline or growing? *The Journal of Global Business Management, (5)*2: 1-11.

Schumpeter, J. A. (1975). *Capitalism, Socialism, and Democracy.* New York: Harper & Row.

Sharma, M. K., & Sharma, S. (2022). Role of organizational culture as an internal business factor in successful strategy execution: A review. *IUP Journal of Management Research, (21)*2: 7-28.

Shepherd, D. A. (2003). Learning from business failure: Propositions of grief recovery for the self-employed. *Academy of Management Review, 28:* 318-328.

Turner-Wilson, L. (2016). *WOOF: Why ordinary organizations fail.* The Nautilus Publishing Company.

VanRooij, A. (2015, February 17). Sisyphus in business: Success, failure and the different types of failure. *Business History*, 57(2): 203-223.

Wheelen, T. L., Hunger, J. D., Hoffman, A. N., & Bamford, C. E. (2018). *Concepts in strategic management and business policy – Globalization, Innovation, and sustainability.* Pearson.

Yamakawa, Y., & Cardon, M. S. (2015). Causal ascriptions and perceived learning from entrepreneurial failure. *Small Business Economics, 44*(4): 797-820.

Zheng, C., Li, Z., Wu, J. (2021, June 1). Tourism firms' vulnerability to risk: The role of organizational slack in performance and failure. *Journal of Travel Research*, *61*(5): 990-1005.