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# An Analysis of SME and Business Start-Up Failure in Ireland – A Way Forward?

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## ABSTRACT

Entrepreneurship and new business creation have become a global phenomenon, they boost the global economy and creates employment opportunities. However, business failure and risk in SME and startup still occur around the world. The Irish economy is developed and sustainable market, but the study on exploring the reasons for new business failure and prevention methodology is not discussed in-depth by researchers. Therefore, this paper discusses factors affecting SME and start-up business in Ireland and examines the entrepreneurial learning characteristics and opportunities that reduce the risk in small businesses. From the literature and previous studies, the researcher found four common factors affecting business are finance, business knowledge, market knowledge, and human capital. This research is grounded in the extensive information and data gathered through semi-structured interviews i.e. qualitative methodology to understand, investigate, and examine the existing learning processes and opportunities available in Ireland for entrepreneurs. Also, this research has discussed and found that continuous learning about financial management, collaborating with enterprise communities to gain knowledge, and implementing innovative ideas in every department leads to build a sustained business in Ireland.

**Keywords:** Start-Up, SME, New Venture Creation, Entrepreneurship, Business Failure and Risk, Entrepreneur Learning, and Business Learning.

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### **List of Abbreviation**

EI – Enterprise Ireland

LEO – Local Enterprise Office

SBA – Small Business Act

SME – Small and Medium Enterprise

SU – Start-Up

VC – Venture Capital

## Chapter 1 - Introduction

### 1.1 Background for the Research

Entrepreneurship, SME and Startup (SU) culture are the most important drivers of economic wealth and engine that drives economic growth; they also address the issues and challenges mentioned by the United Nations Sustainable Development Goals (SDG) (Bosma *et al.*, 2020). The startup and SME businesses pave the way for innovative products and increase employment opportunities (Liu *et al.*, 2020; OECD, 2020). According to GEM'2020 report, startup businesses are the promoting factor that finds the opportunity and converts it's into a business idea (Bosma *et al.*, 2020), entrepreneurship is a multifaceted phenomenon that drives a country's economy (Jena, 2020), entrepreneurship is an activity that will become a solution to help solve poverty in both developed and developing economies (Morris, Santos and Neumeyer, 2020). In this innovative era, startup businesses have attracted coverage from both academics and the press (Mantok *et al.*, 2019), in both developing economies (Brazil, Russia, India, and China), it is predicted that by 2050 these countries perform efficiently than developed economies i.e. G7 and other countries in the EU: (Canada, France, Germany, Italy, Japan, UK, United States, Japan, Germany, and **Ireland**) (Omri, 2020). Nowadays entrepreneurship is also being promoted to university students for the development of respective countries like India, China, and the UK (Jena, 2020; Liu *et al.*, 2020).

SME, and startup business activity have become a culture among the business environment (Anwar and Saleem, 2019). Startup business activities increased by 16.8% in 2019 in developed economies (Anwar and Saleem, 2019), Muriithi (2017) supports that 80% of the source of income among the world population is through startup and SME organizations, perhaps, 85% of the jobs are created through this entrepreneurial activity among Asian economies (Pavlovic, Coelho, and Olukuru, 2019; Doran, McCarthy, and O'Connor, 2018). Whilst European countries are stable markets to start and run business (Lanigan, 2020) however business culture varies among economies i.e. the Southeast European region has lesser growth than the rest of the European region (Ivanović-Djukić, Lepojević, Stefanović, Stel, and Petrović, 2018). In EU Ireland is being developed and a stable market for new businesses and recorded a solid increase in entrepreneurship and new business activity as shown in fig.1. In Ireland, the growth of SME and start-up are increased by 58.5% and employment opportunity has increased by 16.4% in 2019 (Bosma *et al.*, 2020; European Commission, 2019; Lawless, McCann, and Calder, 2014).

Having said that, still, business failure occurs in Ireland especially with SME and SU organization, these organizations exit from the market due to lack of financial management,

lack of knowledge about the business, and due to insufficient human capital, eventually, these occur due to lack of learning (Crowley *et al.*, 2018; O’Brien *et al.*, 2019). In this paper, the researcher will investigate the challenges and reason for small firm failure in Ireland, also to find how these failures can be turned as a learning process and reduce the risk for active and future entrepreneurs.

Class size	Number of enterprises			Number of persons employed			Value added		
	Ireland		EU-28	Ireland		EU-28	Ireland		EU-28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	242,501	91.9 %	93.0%	406,580	27.6%	29.7%	48.0	21.7%	20.8%
Small	17,752	6.7%	5.9%	335,843	22.8%	20.1%	24.0	10.8%	17.6%
Medium-sized	3,085	1.2%	0.9%	291,975	19.8%	16.8%	20.0	9.0%	18.0%
<b>SMEs</b>	<b>263,338</b>	<b>99.8%</b>	<b>99.8%</b>	<b>1,034,398</b>	<b>70.1%</b>	<b>66.6%</b>	<b>91.9</b>	<b>41.5%</b>	<b>56.4%</b>
Large	577	0.2%	0.2%	440,943	29.9%	33.4%	129.6	58.5%	43.6%
Total	263,915	100.0%	100.0%	1,475,341	100.0%	100.0%	221.5	100.0%	100.0%

Fig 1: Ireland Business Statistics (Source – European Commission, 2019)

## 1.2 Justification for the Study

Despite the positive face of the new business and entrepreneurship activities in both developing and developed economies, 75% of startups face failure within a few years of launch in Ireland (van Scheers, 2016). In countries like India, 90% of the startups fail within 2 years of their launch (Kalyanasundaram, 2018); accordingly, there is risk and failure of business happens in Ireland (Central Bank of Ireland, 2019; ), this research focuses on the aspects of new business failure and learning process involved in, Ireland not yet explored. According to Bosma *et al.* (2020), Ireland is considered a developed, high-income generation economy but research based on entrepreneurship, startup business failure has not been explored to the extent that it has been researched in other countries. 40% of adults consider that Ireland is the best country to start a business in the EU (European Union) as shown in Fig.2 as per the GEM report (Bosma *et al.*, 2020). There is a research gap in investing in the business challenges and failure factors involved in the Irish economy.

According to Gupta *et al.* (2020), the common challenges faced in both developing and developed economies for new ventures, startups and SMEs are financial stability, lack of business and market knowledge and retaining human capital. Until 2003, the UK’s SME and startup organizations were not promoted in large numbers and it was lagging compared to the United States regarding developing and encouraging SMEs and startup businesses (Robertson *et al.*, 2003). In the Chinese economy, startups and SMEs have different characteristics in terms of cultural norms, but the innovative secret among the start-ups and risk nature remains the same (Hain, Johan, and Wang, 2016). According to Bosma *et al.* (2020), entrepreneurs and

business people in developing countries like BRIC find good opportunities, however, external factors and fear of failure can stop these people from starting a business (Bosmo *et al.*, 2020). Even though Ireland is a developed economy and have good opportunity to start a business, still, there is a fear of failure among business people and entrepreneur at around 35%, eventually, business failure occurs in Ireland (Bosmo *et al.*, 2020; European Commission, 2019). Besides, there is no clear explanation or definition for the business failure it depends on many internal and external factors and consequences that a firm may face during the development of a product or service, this is happening in the Irish economy as well (Ropega, 2011; Kelpie, 2018). Therefore, this research will be investigating the common factors that affect SMEs and start-up businesses in Ireland, i.e. the factors across any industry highlighted in the literature or reports such as *financial stability, knowledge in business and the market, human capital to retain the business and characteristic traits of entrepreneurs and business owners*. The literature is examined to investigate the common challenges in businesses to better understand which challenges lead to failure and what helps to prevent these risks in the business. A business failure is not a sudden event but a dynamic process; this research seeks to understand the origin of the factors affecting business failure and to help reduce future SME and SU collapse and crisis. Specifically, the researcher will be investigating the factors affecting Start-Up and SME business in Ireland and the learning outcomes from the entrepreneurs and business owners which help to reduce the risk and exit from the business.

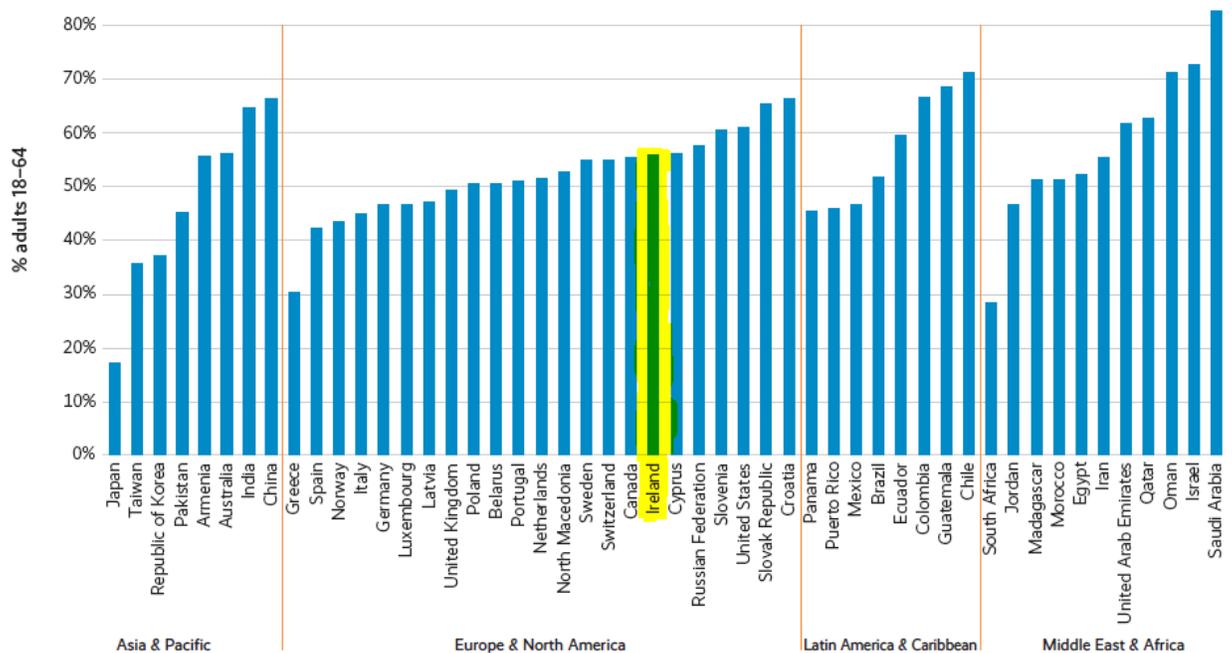


Fig.2: World-Wide SME and Startup Business Growth (Source: GEM, 2020)

## Chapter 2 - Literature Review

Small scale enterprises and startup businesses are global engines to stimulate economic growth around the globe and have become a phenomenon in recent times. Also, they have a great impact on the improvement of GDP, science, and technology, especially in Europe where SMEs and startups contribute 99% of the development of the countries' economies (Pavlovic, Coelho, and Olukuru, 2019; Doran, McCarthy and O'Connor, 2018). SMEs and Startups contribute approximately 52% of employment opportunity and 51% GDP in the US, in the UK 62% of employment and 25% GDP, in Italy it 79%, France 63%, Germany 60% of employment opportunity, respectively. The developing economy like India, China, and Brazil contribute 80% of employment opportunities, respectively (Muriithi, 2017). Also according to Seanad Public Consultation Committee (2019), small firms are providing 65% of job opportunities and Ireland stands at 4<sup>th</sup> place in the world by an increase in start-up growth of 12.4% (Fig.2), SME and SU's backbone of Ireland's economic improvement.

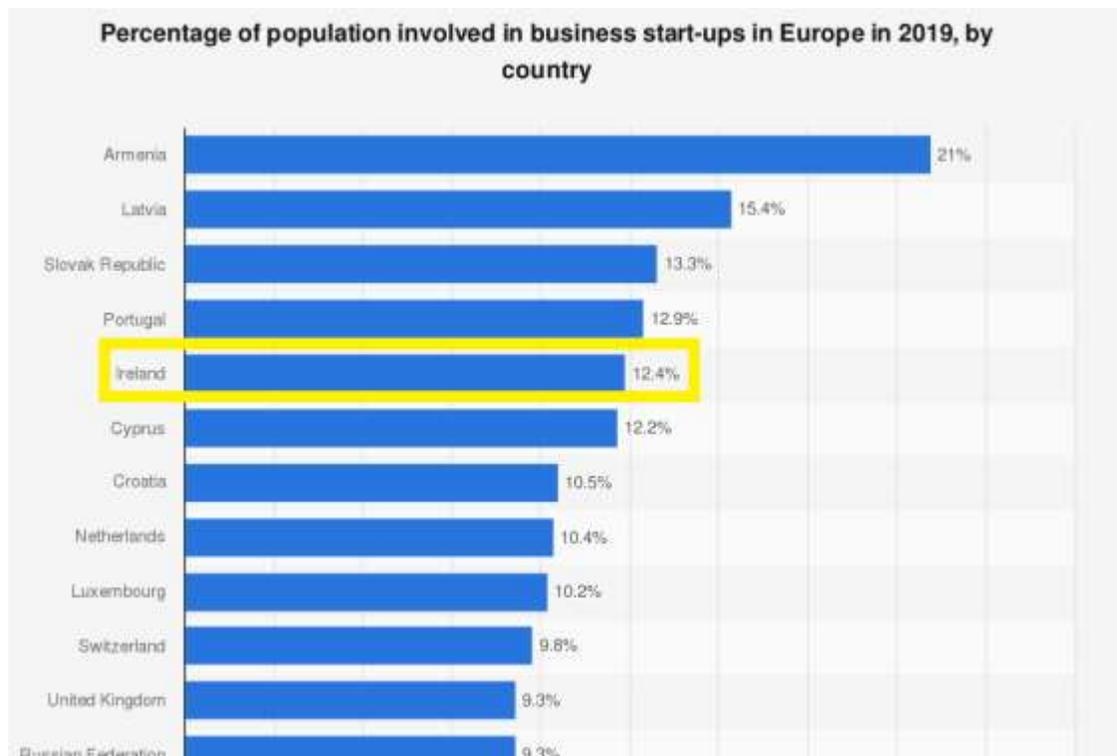


Fig 3: Percentage of a start-up business in the EU (Source: Statista, 2020)

Many types of research have been conducted to study the success of a business world-wide, however, startup businesses, SMEs and entrepreneurial activities have not been explored in detail in Ireland (Doran *et al.*, 2018). Only 25% of SMEs and startup companies survive in the business world, the remaining 75% of businesses fail due to a lack of knowledge, fund,

experience, education, and human capital (Yusendra, Paramitasari, and Rahmawati, 2020). Muriithi (2017) also admits that new businesses must overcome many challenges and obstacles to be sustainable in the market for the long term, Ropega (2011) has also supported that only 50% of the SME and SU firms are sustaining in the market beyond three years. Also in a research conducted by Serbia, it was noticed that around 20% of the SMEs and SUs fail in few years of launch and only around 50% of small firms are surviving beyond five years in the US (Milošević, Mihajlović, and Stojanović, 2019). SME and startup failure causes can be due to both internal and external factors and the recovery and learning from the failure of a firm may also depend on these factors. Internal factors like demographics, motivation, and characteristics; external factors are economic environment, competition, market stability and so on (Nikolić *et al.*, 2019) - attitude towards learning about the business is the most important attribute for entrepreneurs to achieve commercial success (Gupta *et al.*, 2020). According to Muriithi (2017), SME and SU businesses vary and pertain to a few contradictory behaviors according to the size and development of economies. It is noted that necessity driven entrepreneur activity is higher than the opportunity-driven entrepreneurs in both developing and developed economies, where the entrepreneur learning is also reduced (Ivanović-Djukić *et al.*, 2018).

According to Euchner (2019), many startups and SMEs fail due to difficulties in finding a problem rather than the solution; this is happening in new ventures and SMEs in the modern business market. Very few start-up businesses achieve success in the first attempt, and many firms fail due to improper market research and strategies (Xu and Du, 2012). According to Eggers and Song (2015), entrepreneur success is measured by the learning outcome taken from the previous failure in a start-up business. Also, serial entrepreneurs are fewer in number, i.e. people who fail with their first start-up idea are less likely to start the same or different business for the second time due to the risk factors (Nielsen and Sarasvathy, 2017). The OECD (2019) has reported that the growth of small firms in Ireland depends on the factors of finance, skill, and innovation to boost the country's economy. The following literature review seeks insight into the major factors that cause startup and SME business failure, such as financial risk, lack of knowledge in the business process, and lack of human capital. Also, this research tries to discuss the learning outcomes for entrepreneurs from business failure and experience to overcome and reduce business failures in Ireland.

## 2.1 Financial Stability

Many pieces of research and study mentioned that the first challenging factor for SU and SME failure is due to financial stability; Atsan (2016) mentions that the majority of small firms are closed within a year due to a lack of financial management and inappropriate utilization of funds and cash-flow during the initial phase; also, SUs fails due to *inadequate economic circumstances and this is more sensitive* among small firms (Majláth, Kelemen-Erdős, and Valocikova, 2019). Necessity driven entrepreneur is developing a small idea into a small firm with improper knowledge in business and cash-flow management and unable to taste the honey of success (Yukongdi and Cañete, 2020); during a study conducted by MDPI, around 21% of startups fail due to the wrong use of investment (Cash-flow) in developed economies including Ireland (Cantamessa *et al.*, 2018). Also, Hyder and Lussier (2016) admit that the funds provided by the banks and investors for the small firms are not utilized wisely by the SME and SU organization.

According to Omri (2020), approximately 400 million SUs and SMEs in developed and developing economies are suffering due to insufficient funds whereas western business is connected and funded for a successful business, enterprises, and SMEs (Liu *et al.*, 2020). In economies like India, the government and other NGOs are eagerly funding and initiating the innovative entrepreneurship process (Anwar and Saleem, 2019). Nikolić *et al.* (2019) admit that SME and startup failure is greater in number in Africa due to the lack of financial support. According to Doran *et al.* (2018), the entrepreneurial failure rate is relatively low in developed countries like Ireland.

*Financial risk and Cash-flow management are a crucial process* involved in SMEs and SUs. The World Bank has found that in developing countries like Africa, China, and India accessing finance is the most critical factor and therefore it affects the growth and development of startups and SMEs (Muriithi, 2017). Kapidani and Luci (2019) also support this statement that cashflow management in macro-economies directly affects business performance in developing economies. To funding issue, in China, venture capital (VC) plays a major role in funding innovative ideas and startups to reduce the risk of exit, however, there are still failures due to the lack of cash-flow management, that results in unfavorable conditions for small businesses due to lack in finance learning and knowledge (Hain *et al.*, 2016). Liu *et al.* (2020) have described that Chinese business culture is very different not only from the western business but also from other Asian countries; Chinese entrepreneurs are supported by their investors because of the trust and long term relationship among the business people (both personal and

profession). According to Lawless *et al.*, (2014) in Ireland, the financial risk still occurs but not as compared to Asian economies, also, there are common characteristic noted was trust and loyalty between investors and small firms is the same as the Chinese economy. The financial risk in Ireland is controlled by following credit system in large firms B2B (Business to Business); however, this does not apply to small firms, also the management of cashflow knowledge makes Irish small firms to fail in the market during the initial stage of survival (Liu *et al.*, 2020). Ireland's SME and SU policies were highly focused on access to finance and public procurement contracts, but the learning process about finance and cash-flow management is less to utilize the funds (Lawless *et al.*, 2014).

*Bankruptcy* is another cause for business failure; the key barrier in a startup firm's exit is lack of debt management. Atsan (2016) states that when a firm goes out of business resulting in the loss to creditors, bankruptcy takes place; also, bankruptcy can happen due to the deviation from the expected result of the firms in Ireland. Jia (2015) states that in Ireland small businesses are asked to provide personal guarantees while applying for a business loan, which is not easy for entrepreneurs and when the small firm does not perform well, eventually the entrepreneurs are not willing to take a second risk due to legal personal liabilities and the rules and regulation of the banks. Bankruptcy occurs due to the low profit and decreases in sales, around 40% of the businesses in Ireland have failed due to the lack of cash-flow management and drop-in sales activity resulting in bankruptcy (Doran *et al.*, 2018; Kelpie, 2018; Ropega, 2011).

## **2.2 Government Support**

Government support is another challenge that most of the SMEs and SUs suffer worldwide (Muriithi, 2017). Omri (2020) mentions that the financial development of a startup firm coincides with six good governance indicators, namely, government effectiveness, regulatory quality, political stability, voice and accountability, control of corruption, and rule of law; these are indicators that are followed in both developed and developing economies. The government regulations and policies framework will differ around the countries or economies (Muriithi, 2017). Governance policy will solve many crucial problems in the SME and startup environment; however, new business creation is not easy in under-developed economies and developing economies (Jena, 2020). According to Omri (2020), good governance policies and political stability are also important factors for the success or failure of startup and SME firms. Unfavorable tax regulations and complicated rules lead to the failure of businesses in economies like Ireland, Africa, and BRIC (Muriithi, 2017). For instance, most of the African startup firms' development has been destroyed due to the unstructured usage of public funds

that have to be allotted for the development of business (Omri, 2020). Also, corruption among the government officials for licenses and legal authority approval leads many entrepreneurs to step back (Muriithi, 2016), also VC's are interested to invest in less corrupted economies like US, UK, Ireland and Germany (Doran *et al*, 2018), the case of Ireland, the Seanad Public Consultation Committee (2019) report mentions that the Irish government provides tax credits i.e. tax reimbursement for the R&D investment for SMEs and SU's as well. However, the failure rate is not decreased as expected in the Irish economy, therefore the risk-taking characteristics are decreasing among young and adult people to start new ventures. However, in contrast, Harrigan, Ramsey, and Ibbotson (2009) have found that there is a lack of accessibility to obtain government support for e-CRM SMEs and SUs in Ireland.

In developing economies, financial supports are less when compared to developed economies like the US, UK, and Japan (Kapidani and Luci, 2019). In 2000 the Government of the UK started a committee Small Business Service (SBS) to help and recognize the potential enterprise and entrepreneurs with innovative ideas to help the country's economic growth (Robertson *et al.*, 2003). In contrast, China follows the top-up fundraising approach, i.e. SUs and SMEs are funded by the Chinese government by recognizing innovative ideas, whereas most of the Irish SMEs and SUs follow a bottom-up approach of searching for funding to start an enterprise (Liu *et al.*, 2020). Though there is an opportunity for the development of startup businesses in developing economies (China and India), still the failure rate is not decreased due to the level of corruption and political stability across the economies (Hain *et al.*, 2016). Therefore because of this impact on the funding for SMEs and startups, innovative ideas are being sourced or sold in the market to a few big firms to avoid the risk of starting a business in developing economies (Hain *et al.*, 2016). There are challenges involved while structuring balanced and supporting policies for SME and SU in developing countries, but this is not the case in the Irish economy because here many networks and government supports are provided to small firms (Wilson, Maharaj and Maharaj, 2020). It is more important for a government to build a strong environment and networking opportunity by the government for the development of entrepreneur activity rather than providing subsidy for developing the firm (Milošević *et al*, 2019).

According to Lawless *et al*, (2014), the Irish economy was focused to develop the industrial policy by strengthening the Foreign Direct Investments (FDI) to sustain the SME in industrial sectors. Also, among the EU countries, Ireland holds a better place for doing business easily with government support (Lawless *et al*, 2014). Also, Ireland the government has given more

flexibility and considerable freedom in terms of laws and regulation for small firms so that small firms can be developed easily. It was also noted that according to Central bank of Ireland (2020), SME report, there is a decrease of 75% in the income of small firms due to the pandemic COVID-19, but these fall in revenue are supported by providing vouchers (Loan) from €25,000 to €1.5 million depending on the scale and size of the organization in Ireland however, many SMEs and SUs are not utilizing it completely for the development of the firms in Ireland (Seanad Public Consultation Committee, 2019). According to Lanigan (2020), the Irish government has opened the gate for EU nations to start and run businesses to expand the market and economy. Following Brexit, the Irish government budget'2020 planned to support SME and start-up business with €650m for various sectors. Still, there is difficulty in accessing these benefits and being updated about the policies for entrepreneurs and SMEs.

## **2.3 Knowledge and Skill**

Another challenge faced by the SMEs and SUs is a lack of knowledge and skill among the owners and entrepreneurs, these people are concentrating on the short-term profit with a trial and error practice and there is lack of strategies and long-term sustainability plans (Bosmo *et al.*, 2020; European Commission, 2019; Muriithi, 2017), the researcher found this issue as common practice all over the world - knowledge can be classified as business knowledge and market knowledge; these can be obtained through education, experience in management and business, and finally learning from failures and mistakes.

### **2.3.1 Business Knowledge**

Business knowledge can be obtained through education, family background, and inbuilt characteristics, having said that, there is a thin line between skills and knowledge, i.e. an excellent idea can be ruined without appropriate skill and experience about the business (Robertson *et al.*, 2003). According to Anwar and Saleem (2019), business failure can be reduced by people already possess entrepreneurial characteristics and knowledge about the business process while people without business knowledge and experience tend to have more risk while running a business. There is also evidence that in India young entrepreneurs are increasing, consequently compared to Ireland, simultaneously there is an increase in failure of SUs and SMEs due to the lack of business knowledge (Anwar and Saleem, 2019); entrepreneurs are not well experienced with real-time market knowledge before starting an organization (Bosma *et al.*, 2020).

SUs and SMEs in developing economies like India, Africa, and China are focusing on value creation as a business strategy to improve their shareholders' trust and performance; also these developing economies are practicing social entrepreneur activity to increase the country's economy and decrease unemployment rates among young people (Gupta *et al.*, 2020). Business competitive advantage has to be designed and developed for creating value to the product or service for SMEs and startup businesses (Bosma *et al.*, 2020); competitive advantage will directly affect the development of small-firms, also creating value to the new product or services can be obtained through prior experience and learning about the value creation process is important for SUs and SMEs in Ireland (Yusendra *et al.*, 2020).

*Innovation* is at the top when it comes to knowledge; both developing and developed economies are focusing on producing innovative products and services, however, there are challenges faced by SMEs and SU while generating and inventing new innovative products, such as lack of understanding about the process (Vrgovic *et al.*, 2012). For instance, innovative products/services launched by the Irish SMEs and startup companies have great performance towards growth, however, very few enterprises produce innovative products (Anwar and Saleem, 2019; Mantok *et al.*, 2019). In Ireland, the startups with good research and development with new innovative products and services have achieved positive outcomes; these outcomes were possible by the huge funds provided by the government for their success and therefore the country's GDP increased (Álvarez and Grazi, 2018); Bosma *et al.* (2020) have also supported that 35% of Total Early-Stage Entrepreneurial Activity (TEA) is high in Ireland. It is noted that SMEs and startup businesses are initially having entry barriers, but most startup companies break this barrier by being innovative during the entry stage/phase. According to Wilson *et al.*, (2020), both developed and developing countries are focusing to improve their SMEs and SUs through innovative ideas. In contrast, if these innovative products are not performing positively in the Irish market for the long-term, within a few years the organization will exit from the market (Galli, 2019). However, this innovation is not that great in Ireland as well due to the low collaboration of innovation hubs, and barriers to organizing the innovative hubs are prime factors (Vrgovic *et al.*, 2012). A significant success rate in small firms has been noted such as improvement in the business model, customer interaction and project development using innovative ideas, development of SMEs and SUs in Ireland depends on implementation and adoption of technology such as the Internet of things (IoT) (Al-Shboul, 2019; Dahle, Dybvik, and Steinert, 2019), Eventually by the report released by Seanad Public Consultation Committee (2019) in Ireland only 36% of SMEs have filed expenditure on

innovation development, therefore the findings will discuss, how effectively does Irish SMEs and SUs adapting to new technologies.

*Adapting to new technology.* Entrepreneurship and startup business failure is an emerging complex process in the business environment; startup failure remains a stigma and adapting to new technology and framework is an important learning outcome in the new venture creation process (Amankwah-Amoah, Boso and Antwi-Agyei, 2018). Utilizing the opportunities from previous experience leads entrepreneurs and startup management to use resources in well-designed methods (Atsan, 2016), but business founders and entrepreneurs are not taking a risk in utilizing the second chance of starting a business with new ideas due to the previous failure. Balocco *et al.* (2019) have researched by adopting a lean business model as a business model change for the digital transformation of entrepreneurship. SMEs in South Africa fail to meet the standard requirement of the customer and supplier due to the lack of technical knowledge and experience. This results in consumers buying products from large enterprises that meet their standards and needs. Nowadays Irish SMEs and SUs in developing economies are getting adopted to Quality Management (QM) initiatives and techniques for the development of business and process to produce high-quality products and services to end-users (Chakraborty, Mutingi, and Vashishth, 2019). Currently, moving along with cloud-based technology is a viable tool that many small firms are not utilizing in both developing and developed economies (Al-Shboul, 2019; OECD, 2019); this could be incorporated for the development and sustainability of small firms. Not all startup owners are educated, however, experience in the latest technology is most necessary for long term improvement (Yukongdi and Cañete, 2020). It has been noted that SMEs and SUs in Ireland have good efficacy on the adoption of new technology especially towards cloud technology across all types of industries that include manufacturing, IT services, retail, and e-commerce (Khayer *et al.*, 2020). Harrigan *et al.* (2009) found in their studies that Irish SMEs and SUs are adopting new technologies only for communication with an international client, however in the Irish domestic market face-to-face meetings are still in practice.

*Education* will improve the knowledge that is required to operate and start a new organization or firm, however this not strong among the startup and SME founders/entrepreneurs. University students in the developed countries in Europe are gaining basic business knowledge, however, this is not being followed in developing countries that results in early-stage business failures (Ivanović-Djukić *et al.*, 2018). Education in the field of entrepreneurship can be taken as a learning curve to understand the process involved in the business of a startup economy and the

operation of an SME (Nikolić *et al.*, 2019). Entrepreneurship education is the most important learning phase that has been implemented in universities in China that will create a good impact to reduce the failure risk in startup businesses (Liu *et al.*, 2020). Education in the UK has been determined as one of the important factors that motivate someone to become an entrepreneur (Robertson *et al.*, 2003). Few entrepreneurs in the UK have proper field experience, due to this they end up in business failure (Robertson *et al.*, 2003). The developing economies like India are supporting SMEs and startup firms by initiating *industry-academia partnership and incubation* programs to the management and technology students (Jena, 2020); it is also mentioned that attitude, behavior, intention, and the necessity to become a founder or entrepreneur of a firm is being developed among people during their college days. According to Vrgovic *et al.* (2012), education about business and mentoring through networking and collaboration of SME/SU founders is useful in developing countries to reduce the exit of businesses, also it helps future and upcoming entrepreneurs to learn new methodologies and the framework involved in the business process through external networking (Vrgovic *et al.*, 2012). A model that has been used in the entrepreneurial learning process is an e-learning moodle platform developed with the SCORM (Sharable Content Object Reference Model) for bankruptcy failures (Silvestru *et al.*, 2015; Pontikakis and Collins, 2010); however, this e-learning platform is primarily used to educate students who are about to start a business. Education concerning entrepreneurship is being provided by the Student Enterprise Programme and Business Bootcamp meetups (Seanad Public Consultation Committee, 2019). Also, Irish SMEs and SU organizations are educated through formal and informal education about the business and process involved in it, which is comparatively informal, i.e. practical learning about the business has increased the competitiveness among the entrepreneurs and business people (O'Brien *et al.*, 2019). However, there is no evidence given to what extent this learning is collaborated with to reduce the risk and failure in new businesses - this study will discuss those issues in the discussion section.

*Professional and management experience* in new businesses is another domain that plays a major role in sustainability and the learning from the organization helps owners to avoid business failure. The survival of SMEs and SUs decreases due to management inefficiencies in operations and improper control measures in business (Ropega, 2011). A lack of management skills is a persistent factor in certain developed economies that leads to business failure of 92% in the US and 96% in Canada (Muriithi, 2017). A family business background creates an entrepreneurial skillset from an early age in countries like the US, UK, Japan, and India; this can help young founders to learn from their mistakes and failures to start a new venture.

However, some attitudes may differ in terms of people's skills and environment (Jena, 2020). Entrepreneurs must learn about the business management process to balance the internal and external factors that influence the performance of a firm or organization (Tipu, 2020). Ropega (2011) has mentioned that improper managerial experience will lead to unwanted problems and thereby decreases the chances of sustainability of the firm.

### **2.3.2 Market Knowledge**

According to Parastuty (2018), an insufficient level of analysis about the market by individuals and organizations causes firms to exit from the market while Atsan (2016) admits that organizations, especially start-up organizations, are unable to adjust according to environmental changes. It has been stated that launching the right product at the right time in the right market is also important for enterprises; few enterprises in India followed the platform model for their product launch, it is mentioned as “*Content is the king and invest on content than Platform*” (Kalyanasundaram, 2018, p. 88). Finding a potential customer from the market is also a crucial process for SMEs (Muriithi, 2017). Kalyanasundaram (2018) mentions that it is also important to have good knowledge about the international market before the enterprise plans to step into the market. According to Mendy and Hack-Polay (2018), in recent years, economic climate conditions have been unfavorable for startup organizations, due to the presence of a few large organizations. In contrast, according to McCann and McIndoe-Calder (2015), the market orientation in Ireland is diversified, and understanding the market situation before the launch of any product or service is the most important challenge for SMEs and SUs in Ireland.

*Market orientation* is also considered to be an important factor that must be taken into consideration by SMEs and SUs in Ireland to know the type and characteristics of the customer before the product/service is launched in both domestic and international markets (Mantok *et al.*, 2019). Mantok *et al.* (2019) mentioned that market knowledge helps in the improvement of the business and thereby becomes a learning phase in the entrepreneurial journey. The market as an external factor affects the firm's growth, for example, the supply of goods and electricity was an important issue faced by the firms in Serbia (Nikolić *et al.*, 2019). Adapting to the market and creating innovation in any form, in a product or marketing campaign boosted the development of firms in developing economies, especially in Southeast Asian economies. The market incubation period, i.e. the initial period of SME and SU venture performance evaluation, is highly monitored to observe the sustainability of a firm in Ireland (Yusendra *et*

*al.*, 2020). Kapidani and Luci (2019) also agree that developing economies like BRIC are improved by launching innovative methodology for marketing the products and services digitally in the domestic and international markets. It is also important for the Irish small firms to stay competitive in the market by adopting and learning digital marketing techniques, using quality management tools and technology for services (Chakraborty *et al.*, 2019)

*Information about the business and market* can be obtained through formal and informal entrepreneurial activities in both developed and developing economies; 30% of business knowledge is obtained through informal experience in the Irish economy (Omri, 2020). According to Anwar and Saleem (2019), in developing economies, entrepreneur activities have decreased from 16.8% to 10.6% between 2017 and 2018 as per Total Early-Stage Entrepreneurial Activity (TEA) due to improper market knowledge. Ivanović-Djukić *et al.* (2018) agree that it is most important to have market knowledge before launching a new product or services to avoid the early-stage exit of SMEs and SUs business in Ireland. Álvarez and Grazzi (2018) mentioned that market innovation of products in Latin America is not exploited to the extent as compared to developed economies; however, in contrast, according to the Bosma *et al.* (2020), the TEA is high in Ireland when compared to other developed economies. Economies of BRIC use a flexible strategy, i.e. a transnational strategy, to achieve commercial success (Gupta *et al.*, 2020). It has been noted that there is a lack of understanding of customer needs in any market for a product or service before the launch by new ventures (NV), due to poor market knowledge, as a result, only 1.25% of new businesses succeed in the world, this includes Ireland as well. Also, small businesses in Ireland have a good opportunity to survey with the consumers to know (a) does the product is worth? and (b) Will it be a solution for an existing problem?; also this will help in commercializing the products in the Irish market (Kelpie, 2018; Vrgovic *et al.*, 2012). The quick adoption of technology by consumers can put more pressure on small firms and SUs (Milošević *et al.*, 2019), therefore, knowledge about customer needs is necessary by conducting market research (Yusendra *et al.*, 2020). Market research about the need for the product will lead to understanding the *critical success factor* of the firm (Chakraborty *et al.*, 2019). Small firms must regularly monitor the products or services that are delivered to the market (van Scheers, 2016). According to Harrigan *et al.* (2009), SMEs and SUs in Ireland are lacking in developing strategies for their long term sustainability, due to small issues that occur during the development stage; these barriers can be avoided by the initial analysis of the market.

*Marketing and distribution* of any product or service of an SME and SU must be taken care of because it has a strong influence on the development of a firm (Roepga, 2011). However, it is a hidden concept among businesses to what extent companies are investing in marketing a product. SMEs and SUs have to make use of QM tools for marketing and the research of consumer behavior around the products, but in reality, small firms have difficulty in using QM initiatives (e.g. Six-Sigma, Lean, TQM and ISO); these QM initiatives and tools adaptability for marketing are high in developed economies while compared to developing economies (Chakraborty *et al.*, 2019). According to Chakraborty *et al.* (2019), SMEs and SUs have to concentrate on branding because the brand image of the product and service has a huge impact on the market. This has been adopted and implemented in very few small firms, due to a lack of knowledge and training in branding. It is also noted that Irish SMEs and SUs focus on the customer relationship, however, there is a lag in relationship marketing and handling e-CRM tools (Harrigan *et al.*, 2009). This lack of adoption of internet technologies is prevalent within the Irish SME and SUs, however, the large firms are utilizing e-CRM technologies to retain their customers and understand their expectations (Harrigan *et al.*, 2009).

## **2.4 Human Capital**

Human capital is an important factor as attrition is a reason that also decides the success and failure of a startup business. Lack of employee activity leads to the low performance of an SME and SU; also from research conducted in Spain, SMEs and startup businesses fail due to the poor training of the employees, overconfidence of the employees and founders, and the cross-generational culture within the departments (Cabrer-Borrás, Belda, and Carrubi, 2019; Roepga, 2011). Espinoza-Benavides and Díaz (2019) admit that employees need to be trained to have a specialization in the product/service that an organization produces. SMEs and SUs in Ireland account for 80% of employment opportunities for job seekers (Lawless *et al.*, 2014; Harrigan *et al.*, 2009). Also, the relationship between the owner and the managers, partners, and investors may cause the firm to fail due to misunderstandings in the thought process and the idea of implementing the product or services. Therefore, it is very important to be focused on human capital while starting a new venture (Jeng and Hung, 2019). Kalyanasundaram (2018) also supports that Indian SMEs and startups that have partners or are run by more than one founder are facing many issues - some organizations are failing due to conflict among the partners. Entrepreneurial learning is a mindset that has to be developed through education and understanding people's behavior and attitudes to retain the employees by identifying the right talent in the right place for particular work (Slettli, 2019). Mentorship is important to entrepreneurs and founders of SMEs and startups (Kalyanasundaram, 2018); motivation,

empowering, and suggestion from employees will minimize the failure or exit of a business (Majláth *et al.*, 2019).

From research conducted by Anwar and Saleem (2019), people with an *internal locus of control* make use of opportunities according to available sources, this is mainly observed in young entrepreneurs. The research conducted in Latin American countries showed that some entrepreneurs are not self-motivated and lack self-confidence when compared to non-entrepreneurs (i.e. employees), this is also a reason for the firm exit from the market - self-motivation is a characteristic that has to be developed by learning from failure rather than success (Álvarez and Grazzi, 2018). Becoming an entrepreneur is also a challenge in developing economies, according to Chohra (2020); education towards entrepreneurship is less effective compared to developed economies; retaining entrepreneurs is also a difficult process and preventing them from exiting the market. Learning from failures is also much less in these developing economies. According to Jena (2020), most of the startup firms are being operated by young people, to develop job opportunities and contribute to and boost the countries' economies. However, the difficult part is to retain their employees because they belong to the young age of below 35; after gaining some experience, those employees are becoming competitors by opening a new firm, therefore retaining the human capital is not an easy task in India and also in developing and developed economies. According to O'Brien *et al.* (2019), Irish small firms have implemented individual learning and job training to employees and companies that adopted the individual learning by combining formal and informal learning have seen high sustainability and development.

Irish entrepreneurs must inherit both social and commercial characteristics to maintain their human capital. Personal attitude and social contact between employees and firm owners strongly influence the retention of their employees during tough times of a firm; this is evident among the Indian social entrepreneurs (Gupta *et al.*, 2020). Irish SMEs and SUs must concentrate on regular monitoring, training, and coaching activities to equip employees with skills and to retain them for the future development of an organization (Morris *et al.*, 2020). Tipu (2020) admits that Irish organizations having individuals without proper knowledge and skill leads to failure; accordingly, some firms improve organization development with additional efforts to sustain the same business that was performing low in the market. Boyett and Currie (2004) stated that the structure of an organization is the most critical part of both large and small firms of Ireland's business market, therefore entrepreneurs and business owners have to plan their organization structure accordingly, including small firms.

*Training for entrepreneurs and employees* in the Irish SMEs and startups is a most important critical factor that must be addressed (Pavlovic *et al.*, 2019); a lack of a training program can also fail in the improvement progress for both employees and employers in SMEs and startups, The Goldman Sachs business program for small groups of entrepreneurs and business owners conducted in the US has resulted with positive growth in their business profit and income (Pavlovic *et al.*, 2019). ISBI initiates and provides development programs for entrepreneurs to support and sustain their business in the market (Pavlovic *et al.*, 2019). Chakraborty *et al.* (2019) support this by stating training of employees about the process and product of the small firms will lead to sustainability and development of the firms in long term; also, the latest technology and tools knowledge have to be supplied to employees to increase their productivity and skills (Chakraborty *et al.*, 2019). Employees are not being trained efficiently in SMEs and SUss with the technology and tools used in the small firms; this is a common issue noticed in developing countries (Al-Shboul, 2019) and it is not only in technology but also in communication because it is an important tool that firms have to focus on training their employees (Morris *et al.*, 2020). Harrigan *et al.* (2009) have suggested that the integration of communication channels with management is an effective strategy for SMEs and SUs in Ireland to retain their employees. According to Muriithi (2017), lack of coordination among the employees and management leads to potential exit and increases the value of competitors; also, less qualified personnel reduce the production thereby increasing the cost to the company by their wages. In contrast, OECD (2019) have reported that small firms pay 20% less than the wages paid by large firms, this leads employees to relocate to another job after gaining some experience and knowledge from the small firms; therefore, implementing a learning culture in Irish small firms is more important (O'Brien *et al.*, 2019). It is important to look after small firms' employees in terms of salary, training, and work-life balance; additionally, founders and managers should also keep them updated in terms of market conditions, geopolitical effects, and technology, etc., for the sustainability and development of the business.

## **2.5 Entrepreneur Learning**

Learning is an important characteristic that every human being must acquire, and entrepreneur learning is a key and central characteristic for all SMEs and SUs around the globe (Bonfanti *et al.*, 2019; Krishna, 2018). According to Krishna (2018), the new business cycle goes through survival to success, and to survive in the market, learning from the challenges is the most important characteristic that entrepreneurs and business owners must acquire. Learning is highly important during the initial stage of the development of small businesses (Rupičić,

2019). According to Breslin (2019), a process of transforming prior experiences to knowledge as learning is being followed by entrepreneurs, senior managers, and business people to avoid risk and collaborate on innovative ideas; this is now being practiced in both developed and developing economies (Rupičić, 2019). Learning of business and the cycle involved in businesses can be acquired in many ways, for instance, from family, successful entrepreneurs, institutions, and self-learning from failures (Rupičić, 2019). Nogueira (2019) has stated that attention to detail, i.e. observation, is another important attribute that small firms owners and managers must possess to minimize the risk in their businesses, however, there is no specific answer or concept to avoid risk but it can be reduced in the future endeavor of new businesses. Breslin (2019) also supports that still there is no clear picture to learn about market changes and adapting to changes in the market.

According to Haneberg (2019), continuous learning in an organizational and entrepreneurial sense gives both practical and theoretical knowledge, personal attributes and characteristics also decide the learning culture and attitude of new business owners (Politis *et al.*, 2019). Toscher (2019) has mentioned that learning and teaching are not the same, learning should be an in-built characteristic of entrepreneurs and business people; both developed and developing countries encourage networking and a learning campaign for a new business to develop and share the experience of both failure and success stories (Bonfanti *et al.*, 2019; Nefzi, 2018). Business failure can be painful, but the learning and the knowledge gained from the failure can lead to the next business and reduce the risk involved in finance, marketing, and cash-flow management (Toscher, 2019). SME and SU in Ireland have to adopt and implement as the process of development and sustainability of the business through learning from mentors and business experts (Jeng and Hung, 2019). In developed economies, there are hubs and committees for learning practical business challenges and risk-reducing factors (Toscher, 2019), however, this is not the case in a developing country like India (Krishan, 2018). As per Seanad Public Consultation Committee (2019), in Ireland there are good opportunities for entrepreneurs, and SMEs to learn, collaborate and share knowledge about the business process through GEM and Enterprise Ireland conducting entrepreneurship programs for all entrepreneurs and SME owners and managers to equip them through the knowledge sharing process According to Seanad Public Consultation Committee (2019) report, in Ireland have good opportunities for entrepreneurs, SME, and micro firms to learn, collaborate and share the knowledge about the business process through GEM, Enterprise Ireland conducting entrepreneurship programs to all entrepreneurs and SME owners and managers to equip through knowledge sharing process (Seanad Public Consultation Committee, 2019). Also,

Boyett and Currie (2004) have mentioned Irish SME and SU founders must learn the process of implementing a transnational strategy for expanding internationally. In addition, entrepreneurial learning can be obtained through formal and informal education in Ireland; learning from others' mistakes and business failure has to be obtained through everyday embodied practices (Bonfanti *et al.*, 2019; O'Brien *et al.*, 2019). Having said that, there is an existence of business failure due to a lack of learning in the Irish economy.

## **2.6 Conclusion from Literature Review**

From the existing literature, the researcher critically reviewed and understood the challenges involved in SME and SU organizations in Ireland and other economies. It also, helped in understanding the supports provided by the Irish government for the development of SMEs and SUs, learning about the various approaches and strategies followed in developed and developing economies to sustain their business in the market. Besides, the researcher found that financial management, knowledge, education, and human capital are the common challenges that every SME and SU face during the initial phase of development, it applies in Ireland as well. Though Ireland is a stable and developed economy for business start-up, still entrepreneurial and business failure occurs. The area of study in business failure is not explored by researchers as compared to organization success factors in Ireland. In addition, though Ireland has good community centers to support small firms and SU business, community to learn and share knowledge about the business process, there is no evidence for accessibility or route map to reach these communities to share a new idea of an entrepreneur and to get funded or investors for the idea. Also, the reviewed article helps the researcher to understand the importance of human capital and interview process involved in hiring a skilled candidate and creating a strong team in the work environment, few small firms lack in managing their human capital in Ireland due to improper training and lack of clarity in the vision explained to the team members.

This research will be investigating the critical issues and risks involved in financial management, operation, human capital and to understand how these critical issues can reduce the risk involved in business though learning from failure and entrepreneurial learning. more about the financial risk and government policies for SMEs and SUs in Ireland; it was clear that all entrepreneurs and organizations are not well educated about the business, customer, and market. This can be improved through continuous learning about planning, organizing, controlling, and leading the operations to better performance and growth. The researcher will be investigating the mentioned competencies' importance in Irish SUs and SMEs and analyze

how the risk factors can be reduced or avoided through entrepreneurial learning and learning from failure, based on the Irish context.

### Chapter 3: Research Methodology

This section provides the proposed methodology adopted for this paper to address the factors affecting startup and SME growth in Ireland, and the learning outcomes from business failure. The usage of techniques, tactics, and choice of the methodology used to plan, structure, design, and conduct qualitative, case study research. This chapter encloses the overall prototype of the study, research design, research methodology, data collection, and the overview of the data analysis involved in the research; these prototypes have been used according to the *research onion model* developed by Saunders, Lewis, and Thornhill (2007).

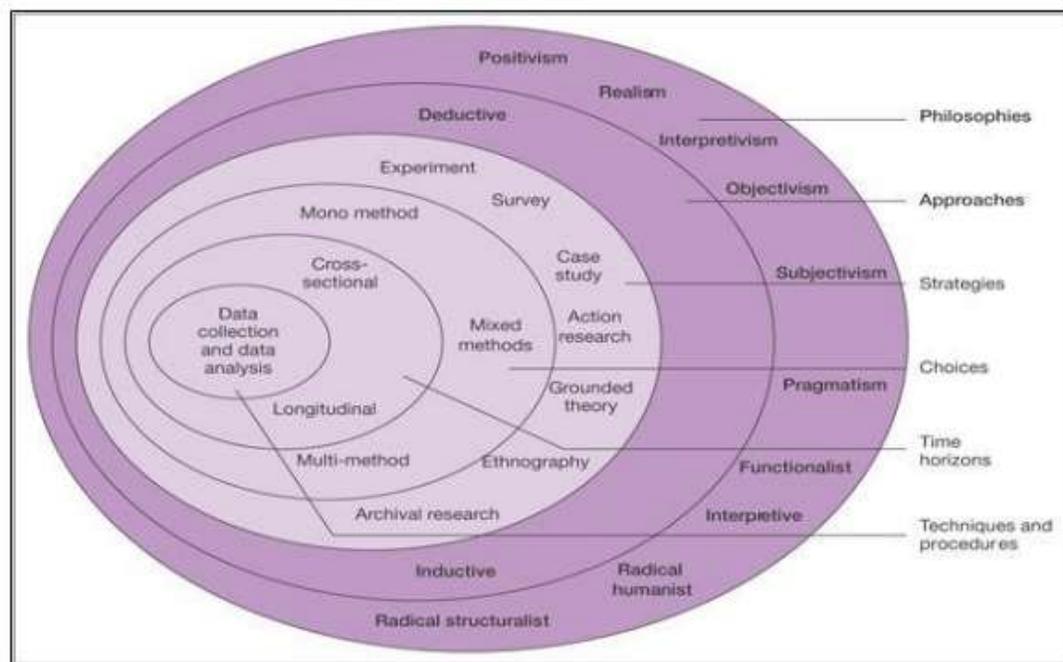


Fig.4 - Research Onion by Saunders et al., (2007)

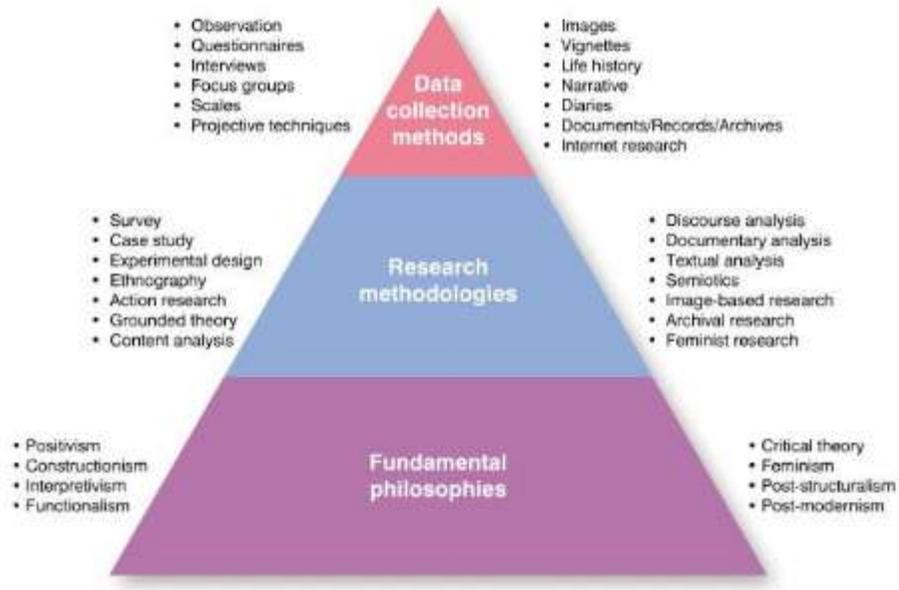


Fig.5 - The Methodological Pyramid by Quinlan (2011)

### 3.1 Research Philosophy

The term research philosophy refers to the knowledge that researcher gains during the study and the view of the researcher that is applied in the real world (Saunders *et al.*, 2007), it is also important to decide the type of research paradigm that a researcher will be following in the study (Saunders *et al.*, 2007). It is important to structure the study and to develop the knowledge that is required for the study (Quinlan, 2011). According to Bryman and Bell (2011), the two main challenges in research are scientific and humanistic approaches, in this study the researcher has used humanistic patterns due to the presence of homocentric reality with contextual verities. Based on the ontological view, the reality is not obtaining single information for a conclusion, it is important to investigate multiple factors to obtain the truth based on the numerous social actors (Bryman and Bell, 2011). This study falls under the theory of *epistemology and interpretivism* prototype (Saunders *et al.*, 2007) by the researcher because this study is about the entrepreneur's and business owners' opinions about the factors affecting the growth of small firms. Also, according to Fisher *et al.* (2004) realistic research is the mixed method of both positivism and realism, however, this study is qualitative, using case study methodology to analyze the data obtained from the participants.

### 3.2 Research Approach

Every research has its approach by itself, however, it falls in two categories, deductive and inductive approaches to collect data (Saunders *et al.*, 2007); the approach also involves creating a research question, research hypotheses, and the tools that are used for data collection and analysis (Strangman and Knowles, 2012). In this study, the researcher has followed an

*inductive* approach to obtain a close understanding of the business phenomenon (Trochim and Donnelly, 2008). An inductive method suits the study because the conclusion of the research is a discussion and recommendations only, therefore this approach will provide more flexibility for the researcher (Trochim and Donnelly, 2008).

There is still a debate happening between *qualitative versus quantitative* methodology in research (McCusker and Gunaydin, 2015); qualitative data helps to develop theories from the available data, it helps the researcher to obtain and investigate the reality in the area of study (Quinlan, 2011; Saunders *et al.*, 2007). These qualitative methodologies will either fall under the constructivist or interpretivism paradigm (Quinlan, 2011), while quantitative methodology provides accurate statistical information from the data collected through a survey and numerical calculations (Quinlan, 2011; Saunders *et al.*, 2007). A mixed-method of both qualitative and quantitative methodology can help to understand complex research questions (McCusker and Gunaydin, 2015).

*The qualitative approach* helps the researcher to achieve a good understanding of the high volume of semi-structured data from the participants (Yin, 2003). According to Wolcott (2009), qualitative research methodology has become more interesting among business academics because it is natural and more interesting to attract the reader's attention. In other words, adopting qualitative methodology is time-consuming for collection data (primary and secondary). This study involves 80% of *qualitative methodology* and 20% of a quantitative survey of the entrepreneurs and business owners' opinions about the challenges of startups and SMEs.

### **3.3 Research Design**

According to Yin (2009), the research design is a “*logical plan to collaborate the input and execute the output promptly*”. There are seven design strategies through which to study the research questions - Experiment, Survey, Case Study, Action Research, Grounded Theory, Ethnography, and Archival Research (Saunders *et al.*, 2007). Yin, (2003) has mentioned that each of those strategies can be used as exploratory, descriptive, and explanatory research. This study belongs to an *exploratory strategy* to obtain and investigate the factors affecting SME and SU growth in Ireland. Initially, the study goal was to collect information, i.e. primary data from entrepreneurs; later, through the support and guidance of the researcher supervisor, the research data collection path was molded in such a way to obtain the research objective. Data was collected from the people such as business consultants, educators, and researchers of enterprise communities, because they know the real-time difficulties involved in the process of

the business cycle, especially about the new businesses and active small firms (i.e. SMEs). According to Yin (2009), *case study methodology* helps the researcher to understand the real-life phenomenon in-depth and to obtain the essence of contemporary issues in the researcher study (Saunders *et al.*, 2007). This study utilizes how and why questions (Yin, 2009) to understand the challenges faced by entrepreneurs and business owners. It is also important to analyze and interpret the collected data samples from the participants to capture the real meanings of the data (Wolcott, 2009), therefore the researcher has proceeded with the qualitative approach in this study to obtain the real market situations for entrepreneurs and business owners.

*Cross-sectional* time horizons will give the present information for a short-term period (Saunders *et al.*, 2007) -therefore this research needs present situation information for data collection.

### **3.4 Research Questions**

Every research has research questions that all researchers will conclude or investigate on the contemporary issues of businesses in Ireland; the following research questions are framed for the study.

RQ 1. What are the common factors that cause SMEs and business startups to fail in Ireland?

RQ 2. How can entrepreneurial learning and learning outcomes help offset failure in future ventures?

### **3.5 Research Objectives**

As an exploratory study was followed to obtain the picture of challenges faced by entrepreneurs and business owners in the context of Ireland; the following objectives were formulated from the literature and findings during the study.

- To analyze the major factors affecting SMEs and startups, both internationally and locally (in Ireland).
- To address the possible solutions to minimize the failure and risk factors that cause business failure.
- To investigate the role of learning opportunities from failed businesses.

The next step is followed by the data collection and data analysis to obtain the required information for the study.

### 3.6 Data Collection

Collecting data is the most predominant step in every research; data can be classified into primary sources and secondary sources, primary sources are the direct sources from participants, in contrast, secondary sources are supporting evidence of primary data (Quinlan, 2011). The study belongs to qualitative, exploratory, and inductive methodology, and data was collected through the observation and interview method (Kothari, 2004). Saunders *et al.* (2007) mentioned primary data collected through the interview process because it will help the researcher to formulate and refine the researcher's ideas; the primary data was collected through semi-structured interviews with entrepreneurs and SME managers. The main source of **primary data** is **interviews** because of the case study strategy; the researcher conducted a semi-structured interview with participants, as it provides the accuracy (Kvale and Brinkmann, 1996; Quinlan, 2011) and opinion on an entrepreneur's education and learning. Primary data collected through interviews are the most valuable sources (Yin, 2003) because it has unique and strong insights for the study of challenges faced by SMEs and SUs in Ireland. Due to the pandemic, data was collected through MS-Teams meetings and phone calls; also, to obtain an alternative view, data was collected from business consultants, officials in Enterprise Ireland (EI), and a founder to obtain the view of an entrepreneur in Ireland.

Table 1: Interview Participant Information

<b>Participant Information</b>	<b>Date of Interview</b>	<b>Duration</b>
Participant A: Business Consultant for Small Firms and Entrepreneurs. Member of LEO community, a consultant for innovative strategy.	4 <sup>th</sup> July 2020	30 Mins
Participant B: Sr. Lecturer – Entrepreneurship – TU – Dublin (Formerly DIT). Member of Entrepreneur Community – TUD.	7 <sup>th</sup> July 2020	30 Mins
Participant C: HR Consultant and People management consultant for		

Start-up and SMEs in Ireland. Member of Dublin Start-Up community, mentoring, and knowledge sharing.	8 <sup>th</sup> July 2020	30 Mins
Participant D: Business Consultant, Project Management Specialist for SMEs, and Startup in Ireland. Strategy planner for small firms.	8 <sup>th</sup> July 2020	Recorded in Document
Participant E: Regional Manager at Enterprise Ireland	9 <sup>th</sup> July 2020	20 Mins
Participant F: Manager – Enterprise Ireland   High Potential Start-Up	15 <sup>th</sup> July 2020	20 Mins
Participant G: Sr. Research Officer – Enterprise Ireland   High Potential Start-Up	20 <sup>th</sup> July 2020	30 Mins

**Secondary data** sources and archival sources are the ones that are readily available through the internet, documents, and books, and it is a part of the methodological framework (Quinlan, 2011; Kothari, 2004); secondary data is classified as the document, survey, and multiple sources (Saunders *et al.*, 2016) (Fig. 6). Yin (2003) mentioned that document-based sources are more appropriate for case study-based research and few research questions are answered through the documents, case, and conference papers (Quinlan, 2011). Secondary sources are mainly used in the literature review to obtain in-depth knowledge, ideas, and information about the area or field of study (Quinlan, 2011). In this study, researchers have used various internet sources and library sources to gather and incorporate the learning and ideas that are required for the study of common factors affecting SUs and SMEs in the market.

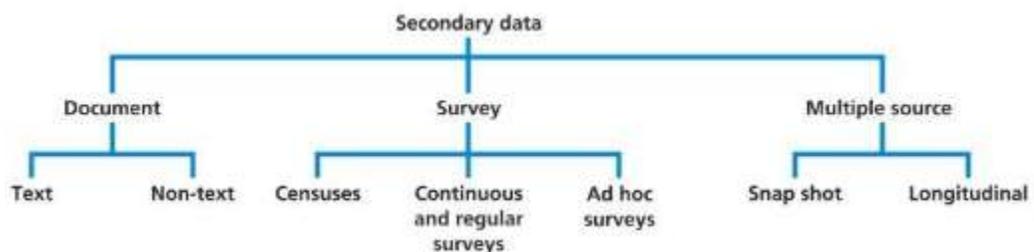


Fig.6 - Types of Secondary Data (Source: Saunders *et al.*, 2016)

### 3.7 Data Analysis

In all research, analysis of data is another critical part, especially in qualitative studies (Stake, 2005); these analyses are based on logic and creativity (Yin, 2003). Also, Quinlan (2011) has mentioned that qualitative data analysis is easier to analyze when compared to quantitative data. However, the analysis of qualitative data needs more concentration because it does not have any designed formulas, this makes a researcher think analytically to obtain a high quality of analysis (Yin, 2003). The lack of a conventional analysis routine can equip a researcher to keep evaluating the accuracy of data to make a powerful analysis without avoiding any information collected (Yin, 2003).

According to Yin (2003), qualitative research data can be analyzed through a five-stage process - (a) developing a database (b) converting the large data into few smaller samples (c) organizing the previously collected data (d) analyzing the organized data and (e) concluding (Fig. 6). According to Yin (2003), the five-stage process provides flexibility to analyze the data repeatedly to obtain high accuracy in results. Therefore, the collected data will be analyzed using the five-stage process proposed by Yin (2003).

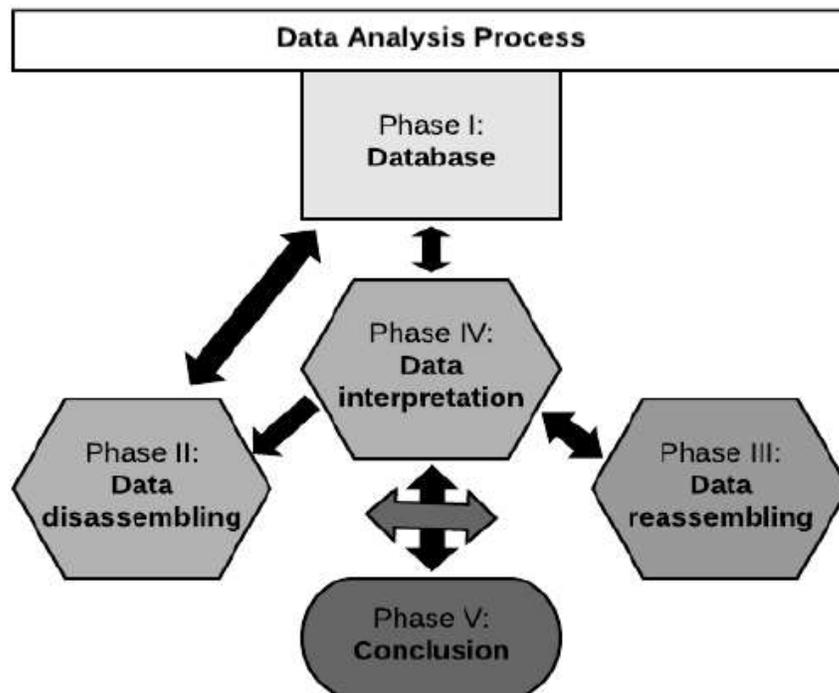


Fig.7 - Five Stage Process (Source: Yin, 2003)

### 3.8 Validity and Reliability

*The validity* of the research can be measured by its credibility and internal and external sources used (Myers, 2009). The trustworthiness of the internal validity of the research and data is achieved through multiple sources of data collection and the researcher requested the supervisor to examine all the interview questions before they were revealed to the participants. External validity depends on the general conclusion that can be applied to different contexts.

*The reliability* of the research is high, and the findings will be useful for future researchers, however, the conclusion and findings may differ based on the knowledge, time, skill, and many other factors while undergoing the research.

### 3.9 Limitations and Delimitations

There are a few *limitations* in this research in the data collection and research design stage. The first challenge was to get an interview appointment to obtain the primary data, due to the pandemic situation; secondly, it was not easy to access physical books for references of a few frameworks and concepts; finally, a pilot test was not initiated and analyzed, though it has a high potential for research validity.

*Delimitation* of this study deals with entrepreneurship activity, startup businesses and SMEs and explores the reason for failure and the learning from failure to reduce the risk involved in the exit of the firms; also this study observes the traits involved in entrepreneurship learning activities that can become helpful for future entrepreneurs and new business creators, and it creates new themes and research within the study.

## Chapter 4: Analysis of Findings

This section discusses the analysis and investigation of the primary data collected by the author for this research and how the challenges are being converted as a learning opportunity for the founders, investors, and entrepreneurs. The common sentiment of the participant is Ireland is a good market to start a new business, however proper experience and learning are necessary about *finance, marketing, education, and managing the human capital*. The following will discuss the practical factors and information shared by the participants.

Table 2: *Key Analysis from primary data*

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<b>Financial management</b>	Small firms and entrepreneurs lack knowledge while handling the cash-flow. A CEO does not need to act as CFO, a person having strong technical knowledge will not have the same experience and
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knowledge in financial and accounting management. It is always recommended to have a skilled financial team to handle the cash flow and accounts to reduce the risk of an organization falling into debt. Engaging with accounting tools is good but not that common among small firms. Key learnings for entrepreneurs and small firms are *learning from financial experts and equipped with accounting tools* to handle the initial funds and track cash-flow's appropriately for the sustainability and development of the business.

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**Government Support**

Support from the Irish government is very good; there are government-aided communities that support and mentor entrepreneurs, new businesses, and SMEs from the outset, however, the accessibility is not that transparent for young, early-stage entrepreneurs and small firms. Especially during the pandemic COVID-19 period, the Government of Ireland supported SMEs and SUs in Ireland by providing online vouchers and loans with 4% interest starting from €25,000 to €1.5 million depending on the size of the organization (number of employees) (Department of Business, Enterprise, and Innovation, 2020). Key learnings are being updated about the policies and collaborated with communities that share the news about government policies

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**Business knowledge**

Knowledge about the business can be gained through formal and informal education; the main issue is small organizations and entrepreneurs are not learning about the business, though they may have a great idea. Building ideas into a sustainable product/service is more important to reduce failure. Participant F and G said that “it is important to gain and have good experience in handling operations, being innovative and updated in technology” – these are learning factors for entrepreneurs and founders.

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**Market knowledge**

Market knowledge is the most important characteristic for SME founders and entrepreneurs, knowing the scale and size of the market orientation and customer need. People lack in

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understanding the market due to insufficient market research; SUs and SMEs are not researching the market need before launching products/services. SMEs and SUs need to understand about the psychic distance before launching a product/service. Learning from the market leaders and organizations already experienced with the strategies and theories and adopting the used strategies and modifying them according to the current market scenario is the best way of learning.

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<b>Human Capital &amp; Employees</b>	Forming a skilled team is difficult, “ <i>Great team can make any product/services to reach great heights and sustainability</i> ”. According to participant A and B Hiring a candidate with skill and passion to learn and contribute to the organization is important. Irish organizations can create employee-friendly and work-life balance environments; however, this is not always followed to the same extent in small firms, especially in SUs and SMEs. Retaining the employees and working partners is a great challenge still existing in Irish SUs. Having a <i>clear vision and engaging employees, partners, and stakeholders in critical decisions</i> needs to be learned by founders and entrepreneurs.
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#### **4.1 Financial Stability**

From the analysis, financial stability is still a crucial challenge for SMEs and SUs in Ireland, as stated by all participants. Participants (A to G) mentioned that most of the SMEs and SUs fund their businesses from their pockets during the initial stage in Ireland. The VC and seed funding is not that feasible for small firms and there are very few VC’s are directly available in Ireland. During the initial stages, the small firms have to show a sustained product or service, i.e. a proposal of the product or service has to be submitted either to one of the communities that fund the small firms, Local Enterprise Office (LEO), Enterprise Ireland (EI), and High Potential Start-Up. These communities are approved communities by the Irish government.

*Cash-flow management* is a more critical factor and a challenge that most of the Irish small firms face; business founders and entrepreneurs need to learn to manage the cash flow. It is more important to use any data analysis tools; new business owners and entrepreneurs tend to have a lack of knowledge in handling cash and Irish small firms must be clear in handling cash inflow and outflow. The risk for Irish small firms’ exits and failures is due to improper

cashflow management - cashflow management stems from the initial capital invested; once a small firm receives a cheque or billed amount from a client or customer, organizations are not that familiar to handle the cash received or required. Starting from dividing the money in part percentages as back-up financial support, employee salaries, the number of products sold and the amount received for the product and the owner's share (small firm owners or partners have to decide if it is a salary, share, profit from share alone or both salary and share from revenue generated). These factors must be decided by the entrepreneurs and SME owners, however not all the firms are planning for financial sustainability, this leads to the exit of firms, this can be resolved through learning and training from financial experts.

*"It's important for all small firms to handle the in-flow and out-flow of cash to sustain in the market during the crisis".* (Participant A and C)

Also, a few SMEs and SUs once they started to grow, apply for the bank loans and search for investors like VC's; however, once the product or service offered by the small firms start to perform low, this liquidity obtained from the banks is the first risk factor along with funds obtained from other sources like VC's and seed finding investors. Participant F mentioned that *"it's not very important to choose the CFO for any firm either it is a small firm or large firm, there is a difference between a bookkeeper and financial officer"*. Therefore, from the analysis, when it comes to financial stability, Irish small firms are good but not that great because small firms and start-ups are not choosing the right person to handle the finance and cash-flow management. Founders and entrepreneurs think that the investor or developer of the firm needs to be the financial manager; this is a big mistake because a person with less experience in finance cannot handle the initial funds, where the small firms fall into risk phase. This can be avoided by having a good CFO and learn by collaborating with external finance experts to handle the inflow and outflow of funds, i.e. initial funds invested, revenue generated, and invoices billed during the initial stage.

As far as *bankruptcy* Irish SMEs are not involved with high risk as said by participant E, most of the small firms are being funded by the investors, i.e. external investors, and few VC. In Ireland, most of the small firms are being funded by private equities and a few other private investors, Ireland being a technology-based hub in the EU. Small firm owners and entrepreneurs must quote and have twice the amount of initial funds during the initial phase, i.e. up to two years or at least and until it reaches organization is filled with 30 employees. Having said that, the common issue that the participant mentioned was a lack of financial planning still exists among the small firms, these issues can be reduced by having a proper financial team.

Participant G said: “*the best financial team can make any low performing organization to sustain even during the crisis*”; especially during this pandemic situation, large firms are being helped due to their public equity funds, however, the small firms are suffering due to poor fund and cash flow management. Participant D mentioned that usage of public equity is a great opportunity or also investing in equity will be an indirect source of funds, this extends the survival of small firms during crucial periods. Participant D supported that Irish entrepreneurs and SMEs need to learn and focus on cash flow management to bootstrap the company by saving more and spending less during the initial period; this includes the first sales / first client/ first revenue generated.

*Government policy* in Ireland for SMEs and SUs is stable, however, the access to obtain benefits is not transparent although the tax policy is designed in such a way it benefits small organizations. Participant B mentioned that few small firms utilize the current account benefit provided by the banks for small firms, withdraw the entire sanctioned amount from the account, and are not paying it back due to the improper financial management which finally ends with huge debt and *bankruptcy*. During the COVID-19 pandemic situation, the Irish government allotted a maximum of €10,000 for SMEs and SUs in the Republic of Ireland (Department of Business, Enterprise, and Innovation, 2020); the process to apply for the fund was more critical and had a long wait time. This is a risk for small firms during the crisis, but still learning from the previous crisis period and being cautious helps small firms to reduce their risk of failure; having said that, these precautions are being taken by single entrepreneurs, but not followed by SMEs and SUs.

In Ireland, many more communities are providing great support, such as government-aided communities like the Local Enterprise Office (LEO), Enterprise Ireland (EI) and a few VC’s but the seed funding at the very initial stage of development is not yet being fully exploited nor explored by the investors as stated by Participant D. These communities are still giving a good opportunity for innovative ideas and supports during the initial stage of organization development. Participant G mentioned that it is not important to just have money for small firms and SUs, more than money it is important to have a great idea, i.e. a great idea can bring money, precisely to the point regarding funding.

## **4.2 Knowledge**

From the case analysis, it has been decided that every organization needs to be well equipped about the business, product, and services that they provide. SMEs and SUs in Ireland have good knowledge about the business and market due to the small scale of the economy. Nowadays,

small firms in Ireland are moving towards technology and adopting new technologies as their sustainability strategies; in recent times, the service industry, retail, e-commerce, and construction businesses are all moving towards cloud technology to handle their customers.

Irish SMEs and SUs are good in knowledge about the market and business however the planning and strategy building for long-term sustainability are not to the same extent; nowadays, education also plays a major role as a learning opportunity. Small firms are trying to invest in the product; however, another important aspect is the marketing campaign. Not all the organizations are being innovative all the time, very few SME and SU ideas are being innovative; then once the product or service is launched, it is not performing so well. The Irish market is a great technology-driven market that expects good products and great customer service. In contrast, Participant G mentioned that not all ideas are good ideas; all the best ideas are not the first ideas for any organization. Irish SMEs and SUs getting drained of ideas; entrepreneurs think that the first idea is the best. It might be the best innovative idea for a particular market but it is not a better idea throughout the market; a few Irish small firms fail to learn about the market before launching their product - the right product at the right time leads to good sustainability. For instance, Brexit is the best example for many small organizations to capture the Irish market said Participant G.

Having a clear vision and goal is an important principle for any type of organization, these are being practiced and equipped by the entrepreneurs and business people from their prior experience. Participants D, A, F, and C mentioned that having an experienced background is an added advantage; in Ireland, some organizations have failed due to inexperience and lack of knowledge about the business. Recent graduates starting a new technology-based business fail more often due to the lack of knowledge about the market, process, and operations. Participant G mentioned that young talent needs to have proper learning about the market through internships and training in entrepreneurship.

A common issue that participants mentioned is that *marketing* the product with innovative campaigns and as a solution is more important in Ireland. There are very good strategies implemented by active small firms, however, there are still failures or exits of businesses occurring due to the insufficient knowledge in marketing the product and finding the right customer to which to sell the product. Participant G supports this statement “*If you have a right person and right team to market the new product, the founder or entrepreneur need not worry if it is also a wrong product*”, i.e. the founders and entrepreneurs need to be equipped about

strength and weakness of the market, it can be either the domestic or international market. It was also found that in the Irish business market, friendly customers are more important than other marketing tools and strategies. Participant E stated that having a business card is also a marketing tool; word of mouth, for instance, for a small restaurant can get many customers - she said KFC and McDonalds are a fine example, where they had good target customers and value for food through learning from the customer survey campaigns.

From the primary data analysis, it was also noted that small firms' founders are divided into two groups - opportunity-driven entrepreneurs and necessity driven entrepreneurs. Ireland's economy has both types of organizations, perhaps their prior education about the business plays a major role in the critical thinking process. Organizations controlled by necessity-based entrepreneurs' performance are not that great when compared to opportunity-driven entrepreneurs. Implementing lessons from a previous business failure in new businesses is done by opportunity-driven people. Participant B said that "there is a difference between businessman and entrepreneurs", i.e. a person can handle many businesses, he/she can either acquire an organization or become a share-holder to be a businessman; but, an entrepreneur is one who creates and build his/her innovative idea into a product/service and make it to monetize by itself.

Most of the small firms have great and brilliant ideas, however, the market that they are about to launch into is more important; having said that, the Irish market welcomes new business ideas, and new enterprises, especially high tech start-ups are mostly supported in Ireland. A person having strong *technical knowledge* and a strong *innovative* idea that solves an existing problem but does not have enough knowledge to sell or capture the market with the product/service fails at a very early stage. Therefore, it is always better to collaborate with people with business knowledge, i.e. it is by no means mandatory for the person creating the product to be the CEO of the organization. The person with strong technical knowledge can be a CTO (Chief Technical Officer) and a person with a strong business and market knowledge should be CEO, i.e. the external person; this can minimize the risk of understanding the market and launching the new product/service at the right time and in the right location is easier due to the experienced official in the organization. The collaboration will improve the knowledge and enhance the businesses. Participants also mentioned that new entrepreneurs and new businesses may expand into multiple businesses without having proper information and research about the market and product/service; Participants A and D mentioned that it is more important for SUs and SMEs in Ireland to learn to choose a **niche market and niche product**.

*Education* is also an important tool and factor for all entrepreneurs, business owners, and employees in small firms. Participants (B, D, and E) mentioned that education can be acquired formally or informally by entrepreneurs, and founders. Having said that, most of the founders and entrepreneurs are well educated in Ireland; nowadays managers, entrepreneurs, and business owners have a quite good educational background, however, entrepreneurial education is not so evident. Formal education from college is vital to learn about the theoretical strategies and processes in entrepreneurship, but there is a lack of practical education and learning causes firms to exit from the market. SMEs and SUs are not concentrating on practical learning about the process involved in the business; Participant F mentioned that this learning issue is not that apparent among young entrepreneurs and businesses entering the SME range from micro to medium size scale has been noted by the research conducted by EI. The combination of both technical and business knowledge will lead to sustainable business, however, it is missing in some new ventures, It is also noted that the access to learning about the process of setting up a business and collaborating with businesspeople communities is good in Ireland, but could be improved. People are allowed only very few closed group communities to share and collaborate their knowledge and experience about the risk involved in the business and mentoring how to reduce the risk factors in the initial stages. Irish business people are ready to share their knowledge and experience about the business, but another issue is accessibility to communities can be a little difficult in Ireland. But Participant G said: *“business process and entrepreneurship can be taught only to those people passionate about business and entrepreneurs who want to change the world with innovative ideas and solutions”*.

### **4.3 Human Capital**

Recruiting people is important and retaining these people is a challenging factor among Irish SMEs and SUs. Ireland being a developed economy, it is more important for small firms to retain their employees; SMEs and SUs must be competitive because Ireland's economy has more large organizations so it is not easy to retain the employees in small firms. It was also noted that SMEs and SUs rely on highly skilled and talented resources rather than recruiting freshers or new talent to reduce the cost of resources. Also, if a fresher is being appointed in small firms, once he/she obtains the required training, that person tries to move to a large firm after acquiring the required skills and experience as stated by participant A.

Ireland is becoming a hub for many tech companies, most of the graduates and job seekers are first interested in joining the big firms rather than small firms due to the high demand for salary

and positions. It is not the same case when it comes to small firms, small firms have to collaborate with their employees and need to obtain the feedback and opinion of the employees during the decision making and building strategy for the development of the organization and its products. Many Irish small firms fail in employee relationships, retaining the employee, and business partnerships due to improper training and explanations about the idea, product, goal, and vision of the organization. Therefore, the owners and managers need to give good training and make the employees believe that they are also a part of the organization. Participant D said that *“both employee and business owners have to trust each other in most of the events that happen in and around the organization”*.

Every business should have a great leader inside and also outside the organization; the process involved in finding the right talent and giving an opportunity is critical during the initial stages. Few roles have to be filled with highly skilled professionals, but few Irish small and micro firms are grouping with friends and recent graduates before getting their first client, this is due to the overconfidence. Small firms and new ventures need to have a clear vision and mission and that has to be educated to their employees and always creating a friendly work environment, reducing the attrition rate, but this is missing in some Irish SMEs

In terms of work-life balance, small firms are good enough, however, owners and managers are suffering due to the responsibility they hold to think and plan towards the sustainability and development of the company. Being more transparent during the initial stages of the company development with the employees is a great advantage, but many small firms in Ireland struggle in being transparent during the initial stage with the employees, business partners, and investors. Participant C mentioned that *“it is not easy to find a skilled first employee”*. Learning from the employees is also an external characteristic that leads to collaborative ideas and the best solution for the critical problems during the risk phase. If the employee’s relationship with the organization is strong, the risk of failure can be reduced, this is great learning for all SMEs and SUs.

According to Participant F, hiring is a crucial process; nowadays Irish small firms are suffering, because due to the time and very short process, it is not that easy to gauge a person's skill and talent. It is more advisable to opt for a clear background check of the candidate before or after the interview. For instance, Participant F mentioned that *“every company is not a Google”*, perhaps even the large firms are having only three rounds to shortlist a candidate. Participant F said small firms have opted for a recommendation letter from their previous employer or the person they have worked with and to conduct a small analytical and psychology test; this is a

learning process to understand the attitude, skill, and behavior of the candidate. It was also recommended to analyze both junior and senior employee attitudes by having quarterly psychology tests internally, just a review; this is a learning process for the CEO's to get to know about the interest and opinion of the employees, and eventually, this type of analysis gives rise to new innovative solutions and ideas.

## **Chapter 5: Discussion & Recommendations**

This section will combine both the primary and secondary data collected and provides an insight obtained through the research. This study gives a few suggestions for entrepreneurs, future entrepreneurs, active SMEs, and SUs to reduce the risk in business by learning from failure, experience, and having mentors.

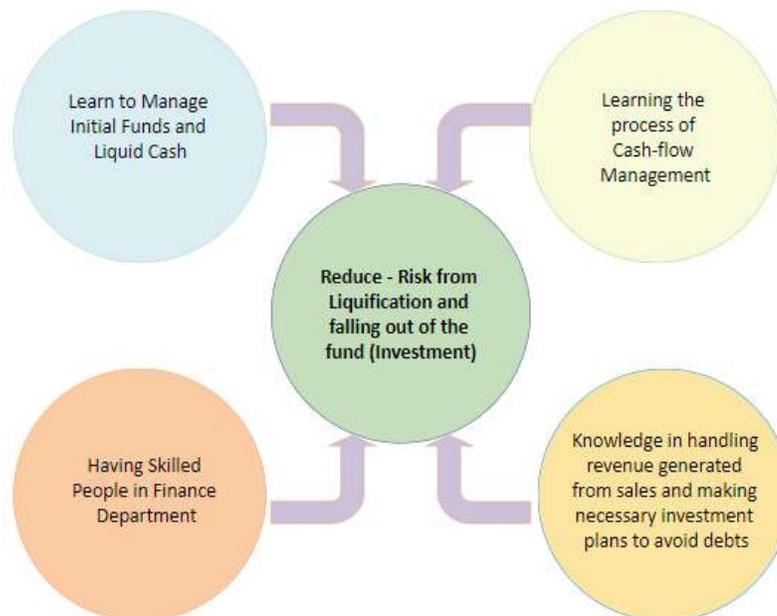
### **How can learning reduce the risk of failure in business and the exit of businesses in Ireland?**

The Irish economy has seen a vast crisis during 2008, this caused a variety of changes in the financial departments of large scale and small scale organizations (Kelly, Brien, and Stuart, 2015);-not in your list of references from these many small companies, learned to control and manage the cash flow, credit control, and financial management - a participant(which one?) also mentioned that the cashflow management has to be monitored and managed precisely. Having experienced professionals and getting advice from those professionals will be learning for small firms to **control the cash flow**.

According to McCann and McIndoe-Calder (2015), small firms have to use the loans and funds obtained from the bank (either the private bank or government-aided bank) wisely, this will reduce the risk of failure or running out of cash at the very early stage of development. Although Ireland has been discovered as the best country in the EU to start a business by CSO, the long-term financial stability and management can only be obtained through proper learning and experience (McCann and McIndoe-Calder, 2015). Small firms need to manage the credit payment with the suppliers and vendors (McCann and McIndoe-Calder, 2015; Lawless *et al.*, 2014), this prevents the organization from liquidation. To capture the market during the initial stages, it is better to have twice the amount quoted or planned to start a new venture (Kelly *et al.*, 2015).-not in your list of references In Ireland, small firms are being supported and guided through private communities and government-aided communities such as **LEO, EI, and a few Angel investors**. These private equities are easily approachable, they keep on providing support and learning opportunities for all entrepreneurs, SMEs, and business founders and can

eventually lead to long-term sustainability for small firms; however, it is important to have a strong and skilled CFO, also entrepreneurs have to learn from their mentors and support communities. The communities that help small firms in Ireland are divided into three sectors:- the LEO is involved with companies that have less than 50 employees; Enterprise Ireland (EI) deals with SMEs and firms that have more than 50 employees. Another community, i.e. internal department within EI, concentrates on high potential start-ups; this team especially works with technical business ideas. This bootstrap Irish economy, entrepreneurs and SME owners need to approach these communities to get the idea and plan their business strategy accordingly, this will reduce the risk of failure and be a great learning opportunity.

According to Haneberg (2019), entrepreneurial learning in managing cash-flow is important. Nikolić *et al.* (2018) state that the most important thing is learning to manage the first invoice billed and claimed from the client which can be managed only through proper prior experience in finance. Therefore, always SME and SU organizations must hire financial experts to reduce the financial risk and eventually learn about the cash-flow management and accounting processes, this is a learning strategy need to be followed by the Irish SMEs and SUs to reduce the financial risk.



*Fig.8 - Financial Management Key Learning (Created by Author)*

**Knowledge** is acquired through formal and informal education about the business (Bonfanti *et al.*, 2019); from the primary data analysis, the participant F and G agree that the knowledge about the market and business needs to be developed and it is even more essential in the context of Ireland. Many small firms and start-up companies are not well equipped with all

resources; a few companies have a great idea but have less knowledge in funding and business experience or vice versa (Yusendra, *et al.*, 2020). This is another concept in Ireland, from the primary analysis all first ideas cannot be the best idea throughout the market; a certain idea might fail according to the scale of the market, therefore learning about the market and market orientation (Kapidani and Luci, 2019) is more important for SMEs and SUs to be competitive in the Irish economy.

Potential and sustainable small firms need to be innovative, updated with technology and mainly need to solve an existing problem (Morris *et al.*, 2020); likewise, from the analysis, innovation is quite good in Ireland but the (Central bank of Ireland, 2019) issue of SME and start-up is the adoption of technology according to the customer needs which can be learned only through collaborating with people and learning from the market through surveys, events, and campaigns (Mantok *et al.*, 2018). There are several communities, people and investors are looking for entrepreneurs and are ready to collaborate with new business in Ireland; it is noted that the accessibility to these communities to engage and equip is not that great, this could be better achieved through an e-learning platform and campaigns about these communities will create opportunities. Daily learning about the business and market can reduce the risk of fear and organization exit from the Irish business market. Chakraborty *et al.* (2019) have mentioned that the marketing and distribution of the product/services are crucial and the knowledge about this process needs more attention for many SMEs, SUs, and entrepreneurs. Having said that, it was noted that moving and combining marketing, sales, and distribution processes through technology has a great benefit in the Ireland business community. It is developed and still developing, one of the major leaders in Ireland are AWS (Amazon Web Services) as stated by participant A and B. According to Prashantham and Yip (2017), SaaS (Software – as – a-Service) is another tool for marketing. Small firms need to engage and be updated with technology because it leads to a highly competitive advantage for small firms to survive in any market.

According to O'Brien *et al.* (2019), Irish SMEs and SUs must concentrate on understanding the market and the customer mindset before launching the product by conducting a marketing campaign, this can be missing in Ireland. People are interested to follow a prototype or framework for marketing the product throughout Ireland. It was also analyzed that small firms are interested to adopt high tech tools to manage their client information, for instance, e-CRM (Salesforce and Hubspot). Harrigan *et al.* (2009) also mentioned that small firms have to invest, adapting to the latest technologies to capture and sustain in the market, this can be acquired

through having a proper mentor for a beginner as an entrepreneur. However, one of the participants (A, D, and F) suggested moving towards high tech tools can be reduced because of the organization performance is low, these expenses can reduce risk during the difficult time of organizations.

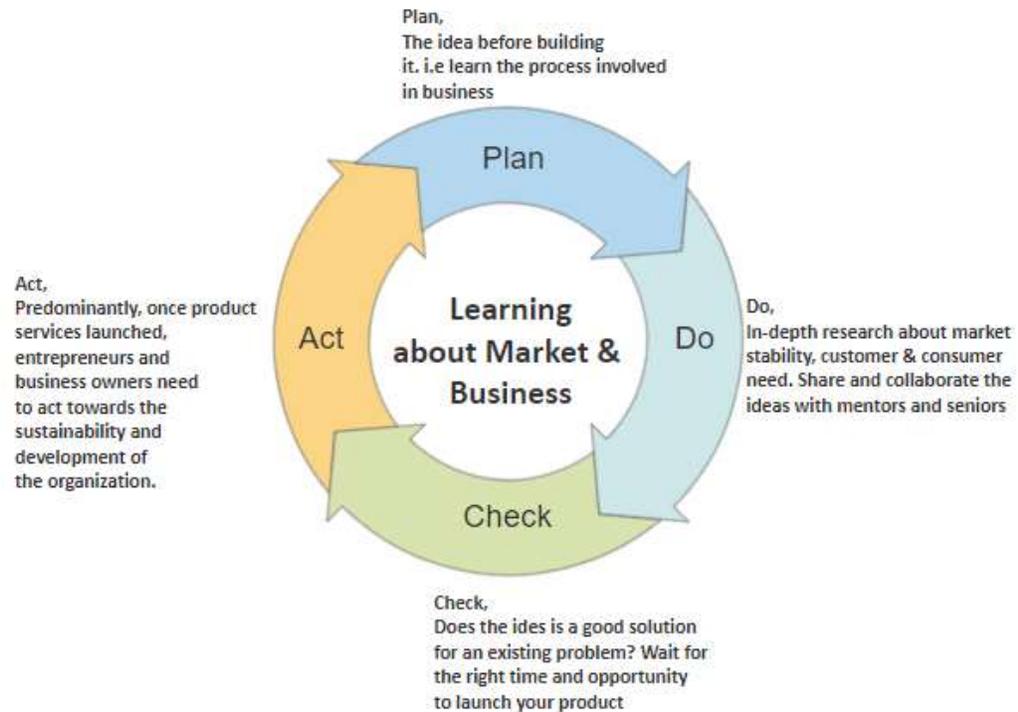
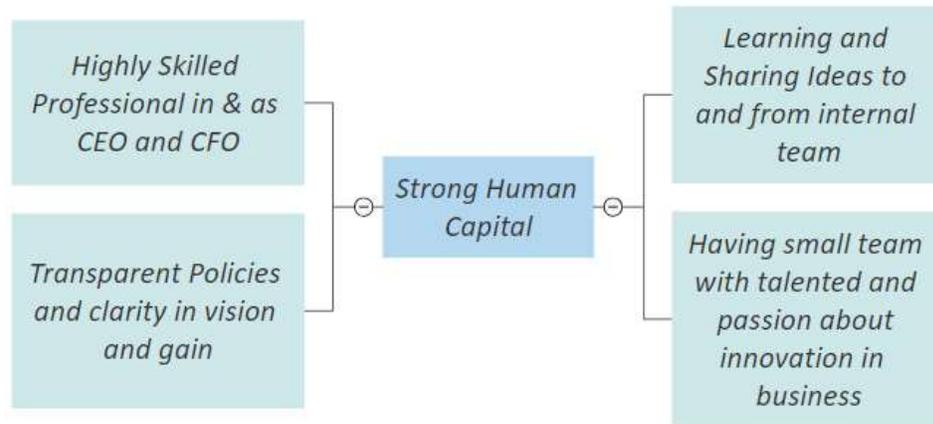


Fig.9 - Learning about the Market and Business (Created by Author)

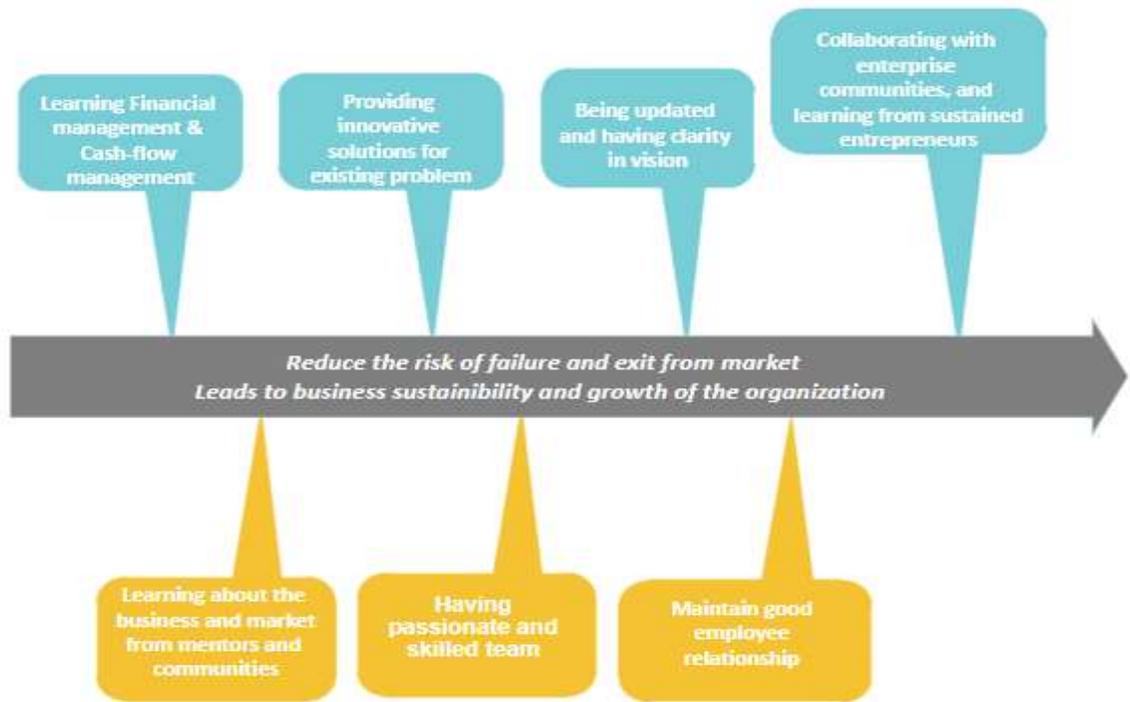
“Having a great team in and around entrepreneurs and organization will lead to sustainable development in small and startup businesses” Participant G said; **human capital** refers to the employee, share-holder, investors, and also founders (Prashantham and Yip, 2017). Kealy (2017) supported the statement by stating that having a good employee relationship in Irish small firms is more important; it was also noted that while recruiting candidates, it is important to hire the right talent, who works for the organization and personal development. The hiring team needs to be strong enough to judge and differentiate candidates, those who just work for personal development, and the person who works for organization development. It was also found that learning and education for employees, managers, and owners should be a daily activity that provides everyone in the organization with up to date information (O’Brien *et al.*, 2019). From the primary data analysis, learning about the business regularly is good but not that great, this needs to be developed internally in small firms, eventually reducing the attrition percentage. During the initial development stages, the organization hiring process needs to be simple and smaller in size which is another learning.

**An employee relationship** needs strong attention in Ireland (Boyett and Currie, 2004); the entrepreneurs and SME organizations need to have clarity about the vision, mission, and goal. Though the entrepreneurs and SMEs may be clear in technical aspects during the initial stages, however, sharing their knowledge and information about the process to the other team members and the team is most important; this is a key learning for entrepreneurs (Walsh and Cunningham, 2016) to innovate the initial ideas and plan a strategy that fits the market with a better configuration in products/services.



*Fig.10 - Building strong Human Capital – Key Observations (Created by Author)*

Finally, it is more important to learn daily from employees, educate employees about the process; having a skilled and passionate team will reduce the risk and failure of the business. Most importantly, bonding is a great strategy, i.e. making the team believe it is their organization will reduce the chances of risk and exit from the market; this learning can be obtained from engaging with people running a sustainable organization in Ireland. An entrepreneurial mindset is an inbuilt characteristic of entrepreneurs. As mentioned by Nikolić (2019), there is always an opportunity available in every market; on that note, Ireland is an opportunity-based market, therefore focusing on the solution for the problem is a necessary action. Eventually, entrepreneurial success depends on human capital and a team that drives the organization to sustainable and stable growth.



*Fig.11 – Key To Reduce the Risk and Failure in Business Through Continuous Learning  
(Created by Author)*

## **Chapter 6: Conclusion**

As outlined in chapter 1, SMEs and SUs are playing a major role in the developing economy GDP and boost employment opportunities. Ireland is a developed economy and becomes a technical hub; with more new ideas, SMEs and high potential startup ideas are encouraged in Ireland. However, the existence of failure and exits from business markets can be reduced by having formal and informal learning about the process involved in the business. From the analysis and study, learning is a common habit that all individuals must follow, when it comes to business learning, and being updated is a routine habit that every entrepreneur and the business person must practice.

Based on the study, in Ireland, firstly it is more important for entrepreneurs and small firm owners to learn about the cash flow management process by having an experienced person in the *finance* team to handle the initial *cash-flow* during the initial stage of firm development, and also it is important to learn about planning their forecast budget i.e. expenses of the organization, as twice of the actual amount quoted for survival in the market until the product/service is stabilized in the market. Secondly, the Irish SMEs and SUs need to choose the niche product and business is an essential phase before starting any business in Ireland, this learning is acquired through engaging with communities like EI, LEO and other enterprise

communities in the Irish Universities. One of the best communities is EI, supports entrepreneurs and small business with all necessary learning, training, and planning programs, based on the sector of business. Also, *collaboration with active and sustained entrepreneurs* and having a mentor is a key learning element to reduce the risk and failure factor involved in SUs and SMEs. Finally, having *control during the initial hiring process* and learning from the team is very important to create an innovative solution. Having a passionate people environment and being transparent about the organization's goal and *clarity in organization vision* will retain the human capital trust and loyalty. Therefore, continuous learning and *creating innovative products that suit the market and customer needs* will reduce the risk of business failure for entrepreneurs in Ireland. Also, SMEs and SUs need to learn, create, and develop a solution-based product/services with an innovative idea for existing problems before crafting or designing a new business. In this study, the researcher has discussed and given a few recommendations to SMEs, SUs, and entrepreneurs to reduce the risk involved in business through entrepreneurial learning. Therefore, future research can be conducted in a specific sector and study the problems involved in it, for instance, focusing on the challenges faced by tech startups, manufacturing, and retail businesses.

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## **Appendix I**

### **Request for participation in the interview**

Invitation letter – Qualitative case study

Dear Participant,

My name is Prabhu Rajendran, I am doing my masters' degree at the National College of Ireland, in the School of Business. I am currently working on my qualitative research (Thesis) on finding a) The challenges and factors influencing SMEs and Start-Up's b) To investigate the learning outcome that helps founders and entrepreneurs to reduce risk in businesses.

I would like to conduct a virtual interview (through Skype/ Microsoft Team) with you, Can you please let me know if you are interested to participate as a part of my thesis to discuss some aspects of your start-up activity on the market. The interview will last approximately 30 to 45 minutes. Your participation in this study is voluntary, and you may retain the right to stay anonymous.

If you are interested and have any questions about the research, please contact me by e-mail. [x18137423@student.ncirl.ie](mailto:x18137423@student.ncirl.ie) / [prabhur1989@gmail.com](mailto:prabhur1989@gmail.com).

It would be more helpful in this pandemic situation

Best regards,

Prabhu Rajendran

## **Appendix II** **Semi-Structured Interview Questions for Participants**

1. What are the challenges or barriers in Ireland for SMEs and Startups?

2. How are financial stability and cash flow are managed in SME and SUs?
  3. What is financial support being provided to SME and start-up?
  4. How start-up and SME organizations are being supported by the government?
  5. How good the entrepreneurial activity is happening in Ireland?
  6. How important to for entrepreneur and founder to have prior experience, knowledge about the business?
  7. How well does the accessibility to enterprise communities are utilized among entrepreneurs?
  8. Does small business and start-up organizations are innovative and technical updated?
  9. Does small firm organizations, collaborate and interested to share their knowledge about business and strategy for sustainability with new business owners?
  10. How important for entrepreneurs and small firm owners to learn from mistakes, failure, mentors, and people already into business?
  11. How to manage and recruit people during the initial phase?
  12. How important to learn about human capital and retaining the employees during the initial development phase and long run?
  13. What are the important skill and characteristics that you recommend for active and future entrepreneurs?
  14. What is the additional learning does entrepreneurs and business founders need to equip before and after starting a new business?
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