

Understanding entrepreneurial failure of newly created firms in the Moroccan context: a multidimensional and exploratory analysis

Comprendre l'échec entrepreneurial des entreprises nouvellement créées dans le contexte marocain : une analyse multidimensionnelle et exploratoire

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Disclosure Statement :	Authors are not aware of any findings that might be perceived as affecting the objectivity of this study
Conflict of Interest :	The authors report no conflicts of interest.
Cite this article :	EL MANDILI, A., & ELABJANI, A. (2023). Understanding entrepreneurial failure of newly created firms in the Moroccan context: a multidimensional and exploratory analysis. <i>International Journal of Accounting, Finance, Auditing, Management and Economics</i> , 4(5-2), 673-700. https://doi.org/10.5281/zenodo.10028727
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Received: September 14, 2023

Accepted: October 18, 2023

International Journal of Accounting, Finance, Auditing, Management and Economics - IJAFAME

ISSN: 2658-8455

Volume 4, Issue 5-2 (2023)

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Abstract:

The crucial role played by entrepreneurship in the socio-economic development of countries, and the high failure rates of newly-created businesses, which have a negative impact on wealth creation and national social indicators, testify to the relevance of increasing research into entrepreneurial failure. Nevertheless, interest in the subject on the national and international academic scene is relatively recent, at a time when efforts are much more focused on demonstrating models of success. For this reason, this article is intended as a contribution to highlighting the specific features of this phenomenon in the Moroccan context. So, without seeking to identify causal links, the aim of this article is rather to raise variables in relation to which we could act to improve the survival conditions of newly-created businesses. For this reason, we have taken a holistic approach to our research. Since our main aim is to explore our context, we have chosen the multiple-case method as our methodological approach. Our findings point to twenty factors likely to explain failure, stemming from three levels: the external environment, the company and the entrepreneur. These constitute a guide around which corrective strategies aimed at longevity can be developed.

Keywords: entrepreneurial failure – new founded firms – liability of newness- liability of smallness

JEL Classification: M31

Paper Type: Empirical Research

Résumé :

Le rôle crucial de l'entrepreneuriat dans le développement socioéconomique des pays et les taux d'échec élevés qu'enregistrent généralement les entreprises nouvellement créées, ce qui se répercute, ainsi, d'une façon négative sur la richesse créée et les indicateurs sociaux nationaux, témoignent de la pertinence de multiplier les recherches au sujet de l'échec entrepreneurial. Néanmoins, l'intérêt qu'on lui porte dans la scène académique nationale comme à l'international est relativement récent, et ce au moment où les efforts sont concentrés, beaucoup plus, sur la mise en évidence des modèles de succès. De ce fait, nous inscrivons cet article en contribution dans la mise en évidence des spécificités de ce phénomène dans le contexte marocain. Ainsi, sans chercher à identifier des liens de causalité, l'objectif de cet article reste plutôt de soulever des variables par rapport auxquels on pourrait agir pour améliorer les conditions de survie des entreprises nouvellement créées. De ce fait, nous avons inscrit notre recherche dans une perspective holistique. Étant donné que nous visons principalement l'exploration de notre contexte, nous avons choisi la méthode des cas multiples en tant qu'approche méthodologique. Nos résultats soulèvent vingt facteurs susceptibles d'expliquer l'échec, et qui sont issus de trois niveaux à savoir : l'environnement externe, l'entreprise et l'entrepreneur. Ceux-ci constituent un guide autour duquel des stratégies correctives visant la longévité des entreprises nouvellement créées peuvent être conçues.

Mots clés : échec entrepreneurial – entreprise nouvellement créées – handicap de nouveauté – handicap de petitesse

JEL Classification : M31

Type de l'article : Recherche empirique

1. Introduction

Entrepreneurship has become one of the essential pillars for the development of nations, particularly in the economic and social aspects, given the creation of jobs and wealth that it allows (Ben Yakoub et al. 2020). It is, in fact, a relevant axis for the reduction of unemployment rates after the crisis of the welfare state (Elkahlaoui 2020).

Thus, several developing countries, ambitious to improve their socio-economic conditions, have opted for the reform of their business climate. In this context, Morocco has made and continues to make a remarkable effort to create a climate conducive to the promotion of entrepreneurship, notably by reforming its institutional and regulatory frameworks. These efforts have enabled Morocco to gain about 50 places in the *Doing business* ranking in 10 years, after being ranked 53^{ème} in 2020.

It is true that these measures have led to an increase in the number of businesses created each year. Nevertheless, statistics announced by *Inforisk*¹, raise a high rate of business failure. It has increased, in fact, by more than 244% between 2009 and 2021, with an average annual growth of 16% in the same period. In other words, in 2009 there were 10 companies created against one failure, while in 2021, this figure has increased to only 4.5 companies created against 1 failure. These findings make the analysis of entrepreneurial failure a relevant choice, especially in the case of newly created businesses. According to these same statistics, in 99% of cases, the companies concerned by entrepreneurial failure are small companies whose average age in 2021 did not exceed 4.9 years.

Given its multiple negative implications at individual, organizational and social levels, entrepreneurial failure is a hotly debated research topic, and one for which research is rapidly expanding (Klimas, P., et al.2021). Several theoretical currents have attempted to explain this phenomenon, based on two main analytical perspectives. The first is the deterministic perspective represented by population theory, which attributes failure to factors in the external environment. For proponents of this view, individual management has no control over companies whose fate depends on selection by the environment (Mellahi and Wilkinson 2004). Secondly, there is the voluntarist perspective, in which entrepreneurial failure can be avoided by adopting appropriate individual management. Proponents of this point of view emphasize the entrepreneur's skills, motivations and emotions.

The aim of this paper, in fact, is to clarify this phenomenon in the Moroccan context, in particular for the case of newly created firms. This kind of entities generally remains the most exposed to failure (Stincombe 1965). To define them, we will opt for a multicriteria approach. These entities, in this sense, present three criteria. First, the criterion of smallness measured by the number of employees, which must not exceed ten. Then, the criterion of newness according to which the company, at the date of its failure, must not have been in existence for more than five years. And finally, the criterion of independence according to which the company concerned must have been created ex-nihilo and not be dependent on another entity (Khelil et al. 2012).

To achieve our objectives, our article is structured in two parts: the first is reserved for a literature review on the phenomenon of entrepreneurial failure, while the second is devoted to an empirical study of this phenomenon.

2. Literature review

2.1. Entrepreneurial failure

Entrepreneurial failure is a concept that lacks a consensual definition. It is, in fact, the criterion of "*accessibility of data*" that determines the way it is conceived by researchers [] (Leidecker

¹ *Inforisk* was set up in 2007, specializing in the collection of commercial information on Moroccan companies. It regularly conducts studies on business failures in Morocco.

and al., 1988). This observation, which is almost generalized, accompanied by the multitude of levels of analysis, leads to a kind of "fragmentation" that prevents the accumulation of knowledge in this field of research (Mellahi et al., 2004).

Entrepreneurial failure was initially equated with discontinuity and failure of the firm for any reason (Fredland et al. 1976). This conception makes it easy to identify the case of failure when there was an absence of information on the enterprises after their disappearance. These conceptions (*discontinuity and bankruptcy*) have been widely adopted as the phenomena they cover allow for easy access to data, especially through their traceability (Watson et al., 1996).

Entrepreneurial failure is also defined as "*the closing of the business to avoid greater financial loss*" (Ulmer et al., 1947). By adopting this definition, it is impossible to evaluate the intangible elements that make up the return on investment, namely, the autonomy and social status enjoyed by the business owner (Watson and al., 1996). For his part, Cochran (1981, p.52) sees entrepreneurial failure as "*the inability to get out*". This definition remains vague and presents many methodological difficulties making its operationalization almost useless.

With the rise of interest in the phenomenon of entrepreneurial failure as a field of research, several other definitions have emerged. In this context, Mellahi et al (2005) point out that: "an organization fails when its competitiveness deteriorates, for actual or anticipated reasons, below a threshold, thus threatening its viability". They distinguish three symptoms for identifying failure situations, namely: Market share degradation (1), poor performance with negative competitiveness (2), and critical shrinkage (3).

In addition, business failure is considered "a single incident, or several cumulative incidents, resulting from an action (or inaction) of the actors in an organization, which threaten the legitimacy of the organization, and having the capacity to harm the well-being of one or more stakeholders" (Gillespie and al., 2009 p.128). From this point of view, the failure of a company depends on three essential conditions. First, the incident must be able of threatening the legitimacy of the organization. Second, the actors likely to be behind the harmful action or inaction must go beyond the organization's internal actors to include all stakeholders. Finally, the act that causes the failure can be an "active" act such as a bad decision made by the actors, or a "passive" act such as neglecting to solve a given organizational problem.

Jenkins and al., (2016) attempted to organize this literature by distinguishing four configurations based on the level of analysis (Organizational or individual) and the objective or subjective nature of the criterion used to identify the failure situation. Thus, at the organizational level, solvency is suggested as an objective criterion for distinguishing failed firms from those that are not. On the other hand, others refer to the evaluation that entrepreneurs make of the performance of their companies at the time of the entrepreneurial exit as a subjective criterion (Gaskill et al., 1993; Head 2003).

At the individual level, drawing on contributions from performance threshold theory, Gimeno and al. (1997) consider that the level of human capital held by an entrepreneur influences the performance threshold below which he or she will not agree to pursue entrepreneurial activity. Following this line of reasoning, Jenkins et al. (2016) endorse the return on human capital compared to other employment alternatives as an objective criterion for identifying individuals who have experienced entrepreneurial failure. As a subjective criterion, Cope (2011) suggests using the entrepreneur's evaluation of his or her own experience to identify failure situations.

For our research, we adopt the definition provided by Ucbasaran et al. (2012), for whom entrepreneurial failure is "*the cessation of business activities because the minimum threshold of economic viability desired by the entrepreneur has not been reached*". This choice is justified by the possibility it allows in terms of access to data. In fact, cases of failure are identified by referring to an objective criterion consisting of the cessation of activity, and another subjective criterion referring to the entrepreneur's evaluation of his or her achievements at the time of the cessation of activity.

2.2.Theoretical framework

2.2.1. Resources and competences-based theory

Resource-based (Penrose, 1959; Wernerfelt, 1984; Barney, 1991), knowledge-based and competence-based (Hamel and al., 1990) approaches are the three complementary branches that make up the resource and competence-based theory (Freiling et al., 2006).

According to Amit and al., (1993), resources are all the internal means available to the entrepreneur that can increase the economic profit of his or her enterprise. From the point of view of the resource-based view, entrepreneurial failure is explained by the lack of key resources controlled by the firm, which can take several forms. These resources should provide a competitive advantage to the company, which is why they must meet several conditions. They must, in fact, be specialized, rare and valuable in order to generate rents (Foss 1998).

In the same spirit, the competence-based view which is an extension of the first, emphasizes that it is the individual and collective competencies of firms that explain their survival. Thus, entrepreneurial failure would be the result of the firm's inability to mobilize its competencies in such a way that they are adequately positioned with the available entrepreneurial opportunities (Hamel & Prahalad, 1990). These two authors, who were responsible for developing the competence-based view, introduced, in particular, the concept of "*core competencies*" defined as "*the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technologies*."

On the other hand, Nelson and Winter (1982) emphasize the role of organizational competencies, generally analyzed through routines, which they define as "*regular and predictable patterns of activity consisting of a sequence of actions coordinated by individuals*". New firms, given their characteristics of smallness and novelty, find it difficult to develop routines, which favors established firms.

In order to show the importance for firms to continuously renew their competences in order to meet the constraints related to the changes in their environment, Teece et al (1997) will define the notion of "dynamic capabilities". From this angle, entrepreneurial failure is explained by the inability of the newly created firm to develop dynamic capabilities so that it responds appropriately to environmental change.

The knowledge-based view, which is the second normal extension of the basic resource approach, emphasizes that organizations are heterogeneous entities loaded with knowledge (Hoskisson et al., 1999). From this perspective, the differences between organizations in terms of performance can be explained by the asymmetry of knowledge (capabilities and skills). The importance of knowledge lies particularly in the fact that it allows firms to ensure that their competitive advantages are sustainable, given that imitation of this knowledge is difficult (Wiklund and Shepherd, 2003).

2.2.2. The theory of organizational ecology

According to the theory of population ecology, the chances of survival of an organization are influenced by other organizations. Their failure or success depends, in this perspective, on *the density of the population* as well as *the age and size of the organization*.

In the density dependence framework, the failure rate depends on the total number of organizations in a population (Hannan and Freeman 1989). The higher the number of organizations, the more intense the competition between organizations, which leads to a wave of failures. The density of organizations in a population has, in effect, a twofold influence.

In addition to the legitimacy effect which refers to the role of density in the construction of the institutional legitimacy of the population, thus improving the attractiveness of the sector of activity, the increase in the *intensity of competition* between firms is highlighted. This situation

leads in the medium and long term to limited access to resources and consequently the failure of firms that have not been able to access sufficient resources (Mellahi et al., 2004).

According to this reasoning, an increase in the density of a population generates both an increase in the legitimacy of the organizations composing the population and an increase in the intensity of competition between them. The density of the population, in fact, places newly created firms at a disadvantage in terms of access to resources, which encourages them to use resources that are inferior to those used by already established organizations, thus exposing them to a very high risk of failure (Agarwal and al., 2002, p.974).

In addition to the effect of density, the population ecology literature is enriched by two concepts relating to the age and size of organizations. From this perspective, the entrepreneurial failure of newly created firms is explained by the newness and smallness of the firm (Stinchcombe 1965). Thus, the liability of newness perspective argues that because it is more difficult to create new routines and effective management structures than to continue with an already established structure, older firms with established routines and management structures have an advantage over younger ones (Nelson and Winter 1982). Similarly, Stinchcombe (1965) argues that young organizations tend to have limited resources and less experience, unused resources, and supportive relationships than older organizations. Thus, the high failure rate of new ventures can be explained by the costs of learning new tasks and processes, the need to invest in new roles, the absence or weakness of formal structures, and the lack of stable customer relationships.

In addition, the high failure rates of new firms can also be explained by the lack of organizational stability to build customer confidence (Hannan and Freeman, 1989), as well as by institutional factors such as capital raising, tax laws, and government regulation. New firms, indeed, enter a Darwinian business system, in which those that misbehave during start-up are more likely to perish despite their attempts to change their behavior later (Aldrich and al. 1986). For the liability smallness, it stems from the idea that small firms are less profitable than large firms and have higher failure rates due to problems in raising capital, attracting, recruiting and retaining highly skilled workers, higher administrative costs, and legitimacy problems with external stakeholders (Baum 1996; Baum and Oliver 1992, 1996). Conversely, large firms have less dependence on external resources and more access to the market (Bain, 1956).

3. Research methodology

In order to provide answers to our problem, we have opted for a qualitative approach that materializes *a logical process of reformulation, explanation or theorization of a testimony, an experience or an observed phenomenon* (Gondard-Delcroix C.200 6). This approach is strongly solicited by researchers in management sciences (Giordano, 2003). Its development can be explained by the fact that it allows researchers to describe complex social systems (Marshall and Rossman, 1989).

Referring to this point of view, it can be noted that qualitative research starts from the study of individual cases and then generalizes the results obtained to the whole population concerned. This approach is very important as it focuses on ordinary events that occur in natural contexts in order to really capture what happens in real life (Miles and Huberman 1991).

For his part, Brabet (1988) indicates that the qualitative approach is generally associated with an exploratory objective, whereas quantitative research is associated with verification and testing objectives. In the first case, in particular, the researcher is not informed of the exact content that he or she will uncover.

This approach offers the researcher several advantages, notably the possibility of analyzing a phenomenon in depth, as well as taking into account the context and the perceptions of the actors. On the other hand, it also presents a set of limitations, namely the relatively high cost of

data collection, in addition to the subjectivity of the results obtained in view of the proximity of the researcher to the field (Giannelloni et al., 2001).

Thus, we have placed our research in this perspective given that the phenomenon we seek to analyze, namely entrepreneurial failure, is a new theme in the Moroccan context. More specifically, we have chosen to proceed by the multiple case method in the framework of a retrospective approach. A case study is, in fact, a general term for the exploration of an individual, a group or a phenomenon (Sturman, 1997).

Within the framework of this approach, we mobilized a semi-directive interview guide that was developed around three main axes related to: the entrepreneur, the company and the external environment. Thus, we interviewed five newly created companies in a situation of failure and whose characteristics are summarized in the table below:

As part of this approach, we used a semi-structured interview guide based on three main themes: the entrepreneur, the company and the external environment. We conducted five interviews lasting an average of 34 minutes with representatives, all former managers, of five newly-created, failed businesses of varying characteristics (Table 1). Our interviews were first recorded on cell phones, then transcribed manually for subsequent analysis.

Table 1: Main characteristics of the selected companies

Enterprise	Activity sector	Workforce	Duration	Activity
DEVINF	Computer development	10	5	Design and development of computer software
BTP1	Building and public works	2	5	Construction works related to tenders issued by public administrations and rural and urban municipalities.
AGRI	Semi agricultural	5	4	Collection of milk from farmers and its redistribution to large companies.
BTP2	Building and public works	5	4	Construction work related to tenders issued by public administrations and rural and urban municipalities
EFA	Trade and commerce	8	5	Marketing of imported coffee and coffee machines.

Source: Authors

The data collected using our instrument were processed using an analysis grid (Appendix 1) within the framework of the content analysis method, which reflects a detailed and systematic examination of the content of a set of documents with the aim of identifying patterns, themes or biases (Leedy et al., 2001).

4. Results

The analysis of the data collected from our interviewees allowed us to make several observations. Some are associated with the conception of failure, while others are related to the explanation of it.

4.1. Conceptions of entrepreneurial failure

In this context, our results confirm the idea that entrepreneurial failure is a phenomenon that lacks a consensual definition. We have distinguished, in fact, three different situations:

- **Situation 1:** In this case, the entrepreneurial failure is assimilated to the enterprise failure. Our interlocutor notes, in fact, that the entrepreneurial failure occurs when the company is in a situation of economic failure and encounters *difficulties of sustainability, it is also the fact that the company is no longer able to face its constraints.*

This finally results in the discouragement of the young entrepreneur who loses confidence in himself and his entourage.

- **Situation 2:** The second conception refers to the factors of failure. Thus, it has been emphasized that "*entrepreneurial failure is the cessation of activity of a company due to several endogenous or exogenous factors*".
- **Situation 3:** The third definition refers, in a way, to the objectives pursued through the creation of the new firm. From this point of view, entrepreneurial failure occurs when the company realizes that it is no longer able to create value. In the words of one of our interlocutors, "*entrepreneurial failure is when we are unable to create product value, but also human value in the form of jobs or response to a social need, etc.*".

4.2. The factors of entrepreneurial failure

With regard to the parameters identified as factors of failure, our research has raised several referring to three essential dimensions: *the external environment, the firm and the entrepreneurs.*

4.2.1. The external environment

Within this framework, there are several factors of different natures. Some are institutional in nature, others related to access to external resources and a third group relates to market difficulties and the veracity of competition.

– Institutional barriers

In this regard, two types of difficulties have been identified. The first concerns companies whose customer portfolio is made up in whole or in part of public institutions (DEVINF, BTP1, and BTP2). For these companies, the behavior of the administration and the complexity of procedures constitute a real obstacle. This is manifested in the abundance of corrupt practices, mainly when it comes to participating in a call for tenders or requesting payment for an executed contract.

One of our interviewees said that: "*there are always problems, especially when it comes to paying the contract amount. There are problems everywhere. You can't do anything without giving money. There is no more possibility of bidding for a contract, having the same probability of winning or losing, as all the other candidates*". In addition, they have been underlined difficulties related to the conditions to participate in the tenders. Given the newness of certain companies, they are unable to provide certain certificates, particularly those relating to contracts awarded by a company. As a result, they are forced to seek subcontracts.

Our interlocutors have argued that obtaining this type of contract, especially in the **building and public works** sector is not always easy, because there too, the client requires the subcontracting company to pay him a portion of the profit, which can be assimilated to a charge without counterpart for the company. The creator of the BTP1 firm confirms this by saying that: "*..., even when we find subcontracting opportunities, we were obliged to share the profit with the principal himself, which reduces the profit margin of the company, especially with the other charges that we had to pay*".

The second type of difficulties concerns firms operating with private actors. For the representatives of these companies, the public administration is improving, particularly in view of the simplicity of administrative procedures relating to business creation. However, they also note a bad aspect which continues to characterize it, in a general way. This aspect intervenes, sometimes, as a constraint, when it is about a company operating in small localities. In this case, as has been pointed out, the actors already in place manipulate the agents of the administration to complicate the approach of the new entrant.

In addition to what has been mentioned, we can underline, within the framework of institutional constraints, the quasi absence of support during the creation of the enterprise and during the first years of start-up. In fact, 80% of the entrepreneurs interviewed considered that they were not informed of the existence of institutions dedicated to entrepreneurial monitoring.

– Barriers to accessing external resources

Several factors are included in this category. Firstly, our various interlocutors considered the interest rates applied by financial institutions, particularly banks, to be very high compared to what is happening elsewhere, especially in Europe. *"..... If interest rates were reasonable, especially around 0%, as is the case in developed countries, we could have been financed through banks,"* said the head of the company DEVINF.

Then, the importance of the guarantees required by the banks was underlined as a second obstacle. In this situation, indeed, the obtaining of the requested amount is subordinated to the presentation of guarantees which differ according to the situation of the company which, in any case, is obliged to have spent some years on the market. This is the conclusion drawn from the words of the leader of the company BTP1 to whom it was refused a request for credit because its turnover was below the requirements of the bank. To compensate for this constraint, additional guarantees were requested of him in this case the mortgage of a property to his property.

Then, our research raised the role of the creator's perception of the availability of financing organizations. On this subject, our respondents all agreed on the fact that, in the eyes of business creators, the environment presents limited possibilities in terms of access to financial resources. For them, the organizations specialized in the financing of the newly created companies are, especially, the banking institutions. This explains the relatively high interest rates they charge. When asked about this aspect, one of our respondents noted that: *"The knowledge of young entrepreneurs about the existence of and access to these different organizations is sometimes very poor."*

Finally, it turned out that access to financing is not only a question of the munificence of the external environment, but it is also linked to the values of the entrepreneur. Indeed, the culture of the Moroccan entrepreneur, which stems from the Islamic religion, forbids people to resort to so-called *"usurious"* financing, particularly bank financing. This belief prevents him from benefiting from opportunities that may allow him to solve some of his financial problems, thus leading him to suffer from failure. *"..... I cannot risk the blessing of God"* said, in this regard, the creator of the company AGRI. For him, *"everything that exists on earth depends on God's will... If my destiny is to fail, no force will be able to do otherwise"*.

– Market difficulties and truthfulness of competition

The third category of environmental difficulties is found in the factors arising from the state of the market and the competitive environment. Vertical analysis, in this sense, allowed to distinguish between companies dealing with public administrations and those dealing with private agents. The former often encounter difficulties related to the large number of competitors, which benefits administration officials who initiate illegal maneuvers based on corruption. One of our interlocutors notes that: *"Today, we are doing another type of study. It is a question of seeing who are the people in charge of an administration, and how do they behave, how can we attract them to help us. Do they take money or not! That's what we're trying to find out"*.

For companies operating in small localities with private agents, they must, in order to survive, face the lobbies already in place that do everything to ensure that the new entrant does not manage to position itself well. The creator of the company AGRI raised this observation by saying that: *"the entry of a new competitor? It's war! It is possible that the already established*

players agree to eliminate the new competitor, by announcing, among other things, bad rumors”.

The various firms in our analysis were victims of anti-competitive practices and competition from the informal sector, in addition to problems related to taxation. The head of the DEVINF company said: “..., the tax rates are very high. The fact of competing with the informal sector whose players do not pay taxes, in addition to the existence of people who, despite their incompetence, create companies, pushes prices down greatly”.

These different constraints have an impact on the cost of production of companies, thus reducing their price competitiveness. This minimizes their chances of competing with established companies.

4.2.2. The company's resources and skills

The entrepreneurial difficulties included in this perspective refer to the human and social capital of the entrepreneur, as well as the financial capital of the start-up of the enterprise.

– The human capital of the entrepreneur

In this context, it is considered important to have a minimum of experience without which, the creator of business adopts an attitude that goes against the survival of his business. Thus, questioned on this aspect, one of our interlocutors argues that: *"the factors that explain the inability of entrepreneurs to overcome the difficulties encountered in the startup phase are mainly; their lack of knowledge of the thing and their precipitation on the business and the market. As a second respondent put it: "Overcoming the difficulties encountered in the start-up phase requires mainly that the entrepreneur has a minimum of experience, if not be accompanied during the first months of the start-up"*.

The lack of experience has repercussions on managerial choices, especially when we prefer to base our approach *on trust* and exclude control. In this situation, which generally characterizes family businesses, particularly the one we interviewed, many practices are based on trust in the absence of any control. This is due, among other things, to the fact that the manager is the central person in the company. He prefers to concentrate his efforts on the commercial side of the business, devoting little time to controlling the operations of the company. This situation encourages employees who are *"family members"* of bad faith to get involved in embezzlement and fraud. In this regard, the head of the family business interviewed stated that: *"I was confident in the company's employees. I later realized that they were stealing from me by taking advantage of my trust"*.

In addition, the external environment becomes problematic when entrepreneurs lack the capacity to follow the dynamics of the environment. This was confirmed by another interviewee who emphasized that: *"changes in the business environment explain their failure when they lack the capacity to follow these changes"*, as it can be problematic when little or no information is available about them. In this aspect, one of the interviewees blames the failure of his company on his lack of mastery of the entire ecosystem around him. He would have preferred to have reliable and transparent information in order to reduce uncertainty in the environment.

– The relational network

Two situations can be highlighted with regard to the relational network. In the first, entrepreneurial failure is attributed to errors of judgment regarding the support expected from this network. This dimension, in fact, influences the level of optimism of failed entrepreneurs. Our respondents revealed that their failure is partly explained by their errors of judgment regarding the support of their family and professional networks. On this subject, the creator of the company BTP1 highlighted this aspect by advancing that: *"I had the promise and encouragement of some people on whom I counted a lot, but unfortunately, their support was largely below what I expected."*

For the creator of the AGRI company, however, he emphasizes that he overestimated the contribution of his family network. He describes this by noting that: *“Given that I come from a family with a good financial margin of maneuver, I was certain that when I was in difficulty, especially financially, my family would come to help me, but unfortunately it worked against my expectations”*.

In relation to the second situation, it concerns the non-development of the relational network. This factor acquires its importance in the cases of companies in a situation of failure and which were created exclusively to exploit the opportunities offered by the relational network of the company. In particular, this is the case of entrepreneurs who aim, through the creation of their companies, to benefit from public orders by trying to take advantage of the interpersonal relationships linking them to public administration officials, but especially to presidents or members or key officials in communal, provincial or regional councils.

This can be understood by analyzing the comments of the representative of the BTP2 company, who notes that *“my results have fallen sharply in the last two years, given that the presidents of the communal councils with whom I had a lot of contact have changed. I could hardly cover my expenses, because this situation lasted, I decided to stop the activity”*.

– **Financial undercapitalization**

All of our interviewees considered their start-up capital to be weak, insofar as significant gaps were noted between what their projects required and the financial resources invested, knowing that for newly created businesses, expenses are generally more important at start-up. At this level, the role of the family network is particularly important.

Indeed, the help provided by family members mitigates these difficulties. This is the case of the leader of the BTP1 company who states that: *“In my case, the day I started my second venture, I remember well, I had a debt that I obtained from the family, whose coalition risks deteriorating in case of non-repayment.*

5. Discussion

The results obtained confirm the idea that entrepreneurial failure is a multidimensional phenomenon. Our research, in fact, highlights twenty-one factors to which a failure could be attributed. Some of these factors originate from the external environment of the company, others from its internal environment (company or individual). Among these factors, some are specific to the Moroccan context. While, others are common to other contexts. Thus, it is confirmed the capacity of the theories of population ecology and resources and competencies as theoretical bases able of providing elements of response to the questions relating to the understanding of the phenomenon of entrepreneurial failure. Indeed, based on these two theories, previous research has been able to reach similar results.

In the context of external environmental constraints, our research highlights the intervention of several factors. Firstly, the lack of financial resources considered to be one of the biggest shortcomings leading to the failure of a new business (Honjo & Kato, 2019), insofar as the startup phase is characterized, generally, by low revenues and increasing unavoidable expenses, particularly with regard to the promotion of goods and services (Mayer S., et al. 2020).

In this sense, being able to benefit from financing, particularly from the bank, is a real challenge for newly created companies. Due to their smallness and newness, they are obliged to overcome the problem of lack of legitimacy by pursuing adequate mechanisms (Fisher G. et al. 2017). This finding explains the attitude that characterizes, in general, suppliers and financial institutions that demand sometimes exaggerated guarantees that companies are globally unable to provide. In addition, our research notes the observation that banking institutions require the applicant for financing to have a track record whose duration influences the amount granted.

Secondly, entrepreneurial failure is explained by the unfavorable competitive conditions for newly created firms, which negatively influence their competitiveness. In this regard, it is essential to highlight the role of the informal sector that leads to unfair competition with formal enterprises, thus influencing their performance (La Porta et al., 2008; Ioana A., et al., 2016). Firms operating in the informal sector have an unfair competitive advantage over those in the formal sector (Andrews et al., 2011; Karlinger, 2013). They apply prices well below those that would guarantee a minimum level of profitability for newly created firms. This runs counter to the findings of Williams, C., et al. (2020) who point out that formal sector firms are more successful in terms of annual sales growth. Formal firms have the legitimacy that makes their actions desirable, appropriate, or suitable within a socially constructed system of norms, values, beliefs, and definitions (Suchman, 1995).

Similarly, market access is a huge issue for new firms given the anti-competitive practices they face. Since the costs of new entrants are not known by established firms, they pursue a strategy aimed at increasing these costs. Our research highlights two practices that are detrimental to the survival of newly created firms: they are essentially the abundance of corrupt practices and lobbying. Their objective is to dissuade the new entrant and incite him to take steps backwards in his entrepreneurial process, (Dastidar and Yano, 2020).

Indeed, given the general insufficiency of financial resources of newly created companies, any expenditure that is not justified by the needs of the activity increases the cost price and consequently harms their competitiveness. In the medium and long term, as these irrecoverable expenses multiply, the company's financial capacities deteriorate until they are exhausted. As a result, these companies suffer from entrepreneurial failure.

In addition to the external environment, entrepreneurial failure can also be explained by factors related to the entrepreneur. In this context, our research highlights the role of four variables: the lack of experience, the weakness of the relational network, the degree of conservatism and the confidence associated with a lack of control.

First, entrepreneurial failure is attributed to the lack or insufficiency of experience for the entrepreneur. This result confirms multiple previous researches that have focused, mainly, on the role of human capital in the survival of start-ups (Çera G., et al., 2019; Atsan N., 2016). Being deprived of sufficient experience leads to poor credit granting practices for customers (Sexton et al. 1997). In particular, nascent entrepreneurs without a minimum of experience are usually lacking in knowledge about the solvency of market players (Atsan N., 2016). In this sense, the granting of credit without guarantee leads, in fact, to bad debts that, when they become excessive, threaten the survival of newly created enterprises (Holland 1998).

The weakness of the relational network is highlighted in the particular case of the failure suffered by companies that were created exclusively to exploit close relational links with key persons or at the head of certain public administrations. In this case, entrepreneurs who are unable to expand their relational network find themselves lacking entrepreneurial opportunities when the slightest change occurs that could influence the durability of the invested links or the status of key persons, such as a change imposed by the results of elections, etc. This situation generally characterizes entrepreneurs who seek public contracts, relying on their interpersonal relationships with elected officials at the head of local councils or certain public administrations.

It has been shown that entrepreneurs who do not have a sufficient level of social capital and competence to develop their networks suffer from entrepreneurial failure through two mechanisms: the increase in environmental uncertainty and the cost of accessing the financial and human resources necessary for the survival of their businesses (Shane et al. 2002). Lack of social skills weakens the chances of accessing important people, including financial backers and social networks or recruiting talented employees (Baron et al., 2003). Access to

entrepreneurial resources and opportunities are generally the main constraints faced by newly established firms, especially given their newness and smallness (Stincombe 1965). Entrepreneurial failure attributed to insufficient financing may reflect the entrepreneur's conservative attitude towards a certain type of financing. In this regard, our research raises the point that, despite the financial difficulties encountered, religious entrepreneurs prefer not to resort to bank financing, arguing that it is an anti-religious transaction (usury). This aspect confirms the view that some values from the Islamic religion have a negative influence on entrepreneurship (Mebroui T., and Mosbah A., 2019). The entrepreneurial behavior of religious entrepreneurs is, in fact, a transformation of their religious values (Griebel et al., 2014).

6. Conclusion

Entrepreneurial failure is a research theme that continues to gain space in the international academic scene, but also on the national level. The present research is part of this dynamic that has characterized research in Morocco for the last ten years. Beyond the search for causal links, we wanted, in particular through this contribution, to highlight some elements in relation to which an intervention of the competent authorities could improve the conditions of survival of newly created firms.

In order to do so, we opted for a qualitative approach from a holistic perspective, justified by the desire to deepen our understanding of this phenomenon. Thus, using a semi-directive interview guide, we proceeded with a simplistic strategy of interviewing five entrepreneurs in a situation of failure. The data collected, using this instrument, were the subject of content analysis.

The results of this research, beyond the fact that they bring elements of answer to the question of the entrepreneurial failure of the newly created companies, they put the accent, on the one hand, on the relevance of certain measures taken by the State to improve the climate of the business in our country, as they underline the importance to proceed to more reforms with regard to several axes related to the three dimensions included in our theoretical framework, notably the internal and external environment of these entities.

For external environment, it can be concluded that the Moroccan environment still has shortcomings that make it not yet sufficiently munificent for start-ups. Access to financing is a real issue for this type of entities. Despite the multitude of financial institutions, it is difficult for business creators to benefit from the financing they generally need.

At this level, it is necessary for the State to intervene through several mechanisms to improve the entrepreneurial environment. First, through the establishment of a new framework that should manage the relationship between financial institutions and newly created companies, ensuring in particular the accessibility of these entities to financial resources, as was, for example, the case under the program Intilaka launched in 2020. Secondly, it would be essential to improve the conditions of access by new enterprises to public order. This is of particular interest given the importance of state investment in the national economy. Then, incentives can be taken to encourage medium and large enterprises to partner with new enterprises. And finally, continue efforts to reform the administration, especially the fight against corruption. These recommendations are likely to make the competition faced by start-ups fair.

Regarding the internal environment, it questions, first of all, the role of the entrepreneurial support in relation to the performance of the companies given that the lack of experience is one of the factors which often emerges by the entrepreneurs as factors of failure. In this perspective, the authorities are invited to invest more in this direction and allow the nascent entrepreneurs to benefit from an entrepreneurial accompaniment to the launching of their companies so as to equip them with the necessary competences for a better management of their companies.

The results of our research also open up various research insights, particularly with regard to the consequences of entrepreneurial failure on the intention to return to entrepreneurship, the determinants of learning from failure, or the emotional implications of this phenomenon and its influence on the entourage of failed entrepreneurs.

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Appendix 1: Analysis grid for interviews with entrepreneurs

	<i>Sub-theme</i>	<i>Interview 1 SGTAP</i>	<i>Interview 2 AGFAYNO</i>	<i>Interview 3 MADEP</i>	<i>Interview 4 WIDRARN</i>	<i>Interview 5 EF1</i>
Axis 1: environmental difficulties	Institutional obstacles	There are always problems, especially when it comes to paying the agreed amount. There are problems everywhere. You can't do anything without business. There's more the possibility of bidding for a contract, with the same probability of winning or losing, as all the other candidates.	Administrative formalities are very restrictive . For Once you've obtained a simple authorization, you have to deal with a whole lobby made up of players operating in the market, with connections to the local authorities. You're seen as an intruder, and to reach your goal you have to go through a whole system. Once you've set up your business, you need to be licensed by the province. To obtain it, we check that we comply with all the standards in place. Some people get it without any problems, while others find it very difficult. You have to know how to negotiate with the	I think things are starting to improve after the latest reforms, particularly in public procurement, but that doesn't mean there aren't still constraints. When a public authority wishes to award a contract to a company. It still has the means to do so.	"Public administration, especially local authorities, is never neutral. As a For example, when someone I know was at the head of a commune, I had a lot of work to do, and I won a lot of contracts. Now that this is no longer the case, I'm finding it much more difficult to win contracts, despite my very good experience as a sales manager. as an	Our involvement with the administration is minimal, as our client is made up entirely of private players, not public administrations. When we set up the company, we didn't encounter many problems.

			people in charge to obtain certification, because you never manage to meet the full list of standards.		entrepreneur "Winning a contract is never free. In fact, you always have to give my a share of the profits".	
	Access to external resources	<p>"Interest rates are very high. With the constraints linked, in particular, to the drop in demand, the profit margin is becoming very low, I can't work just to pay the financial burden linked to a credit."</p> <p>"Mohamed Azelaarab: I was refused my application, which was for 400 kdh. They asked me reach a sales figure business. For me, if I achieve this sales figure How is this application going to help me? Among the guarantees I've been asked to provide to have a mortgage on my property."</p>	<p>"I needed it? I looked for financing from banks before changing my convictions about this type of credit. It's true that I have a lot of business opportunities, but I can't risk "God's blessing".</p> <p>"In recent years, there has been a drying-up of banking activity, as evidenced by the high levels of collateral required by banks. Interest rates are very high compared with what's available elsewhere. Before I changed my convictions, I financed myself with finance</p>	we've never tried bank financing, because the rates interest rates are very high. We decided to resort to equity financing. If the interest rate were reasonable, in particular around 0%, as is the case in developed countries, we should have financed ourselves the bank's intermediary	Although my account is very active, my request for a line of guarantees has never been granted. I always say that the guarantees are insufficient.	In the early years of our business, we achieved strong results. This helped us to obtain bank financing, despite the fact that the importance of the guarantees requested, and the rate interest rate was 12%.

			companies, particularly in leasing. But then, I could no longer to move in this direction			
	Market and competitive truthfulness	The market is already saturated. The entry of a competitor can't change anything for us. We're neutral on this point.	"the entry of a new competitor? It's war! Existing players may start to fight back. to eliminate the new competitor, by announcing, among other things, bad rumors. Personally, I've suffered the same constraints.	the price we charge meets our ambitions. Despite the unfair competition from others, and the fact that they don't we're keeping our prices in line for the time being.	Competition is fierce. The number of entrepreneurial spirit to increase, benefiting from the encouragement of the state of administration, which favors those who give more silver.	Our strategy was to target the southern market first for central Morocco. In the first region, there weren't many competitors. This can be explained by the high costs involved. In general, we were gaining more and more market share.
Axis 2: lack of resources	Missing expertise	"I was already working in a company, so I knew what was going on in the market. "experience allows the individual to prevent risks. You don't make the same mistakes you made before. It also enables you to behave well	training enables deal with the problems faced by the entrepreneur The company's strategy is based on a number of key principles, including how to win market share, despite the various problems it faces. It was the only capital I	"No, I didn't. I consider myself an entrepreneur. I can go into any field that is completely deferent to IT development. My knowledge faire c'est l'entrepreneuriat " "I come from an	"Experience is very important. I remember very well the many difficulties I encountered in my early days. I don't think there are many	Prior to setting up the company, I worked as a bank employee, so I was used to talking to contractors, which was useful.

		with people. As I said earlier, success in our domain depends not only on the contractor's technical skills but also the personal network, which develops through the individual's experience".	had at the start.	entrepreneurial family, which means that the contractor is in my blood	people who successfully overcome them.	
	relational network	<p>"Family and professional networks are very important, but financing is the entrepreneur's biggest problem. If you have a family who can help you in this way, that's a good thing.</p> <p>"I had the promise and encouragement of a few people on whom I relied heavily, but unfortunately, their support fell far short of what I needed. I was waiting for".</p>	<p>for me, the professional network is more important than the family network, because the professional network allows you to marketability, whereas for the family network, we're always people who need the support of others.</p> <p>"In my case, since I come from a family with good financial leeway, I was sure that when I was in difficulty, especially financial, my family would come and help me, but</p>	<p>"I come from an entrepreneurial family, which means that entrepreneurship is in my blood. Family support is very important, both financially and morally. In the early days of my business, when I needed financial resources, all I could find to support me was my family, who provided me with the money I needed to start my own business.</p> <p>"Professional and family networks are important and make the entrepreneur's job</p>	<p>My relational network has become important, without which I had stopped the business many years ago. At first it was a small number of contractors I know, benefiting from my work as an employee with a well-known contractor in the region.</p>	<p>For me, my personal network consisted mainly of entrepreneurs and managers bank branches. This has been useful, particularly in terms of obtaining bank credit and payment facilities, and also in terms of obtaining useful market information. I can tell you, for example, that my ex-activity enabled me to market our product to several customers whom we contacted directly or by e-mail. Intermediary of our friends.</p>

			unfortunately it only worked at against my expectations".	easier. but the latter can launch without these two networks without any shortcomings.		
	Financial undercapitalization	"The amount of 10 kdh is dedicated only to the creation of the company, after which I tried to find opportunities, so that I could then look for financing. Unfortunately, there were no subcontracting opportunities. After this setback, I went back to work for a company that I had never worked for before.	Seriously, I had a bad experience with this. I didn't have any money at first. I used my connections with friends to lend me money and equipment. I lost money in the beginning. I had the willpower of someone who wants to reach his goal at any cost. I told myself that despite I have zero dirhams in my pocket, I'm going to do this project. I went to a company that delivered me a machine, and I went to another person to whom I proposed to be associated with me in the project to give me the premises, the rest I borrowed it from my father.	start-up capital was very low. Despite the size of the funds requested; I was able to start with an amount of 40 kdh. After that, I relied on self-financing.	I had started with an amount of no more than 100 kdh. I took advantage of my good reputation to ask my friends and some family members for loans.	We started our business with a relatively small amount compared to what the project required (500 kdh), but as our business grew, so did the amount of money we needed. As we grow, we buy vehicles through leasing, until we have eight vehicles in operation for distributing coffee to our customers.

<p>3: Entrepreneurial motivation</p>	<p>Motivation of necessity</p>	<p>"in relation to what I was doing, I was satisfied with my remuneration, but the fact of being away from his family, and the will to have been influential.</p>	<p>I created my company because I wanted to do industry</p>	<p>I didn't have to create it. I just can't take orders, nor taint by a given schedule. I like autonomy. I could never work as an employee.</p>	<p>I used to suffer a lot when I worked in as long as employee. I found myself being paid far less than the effort I put in. So, I decided to create a project of my own.</p>	<p>As I've already told you, before create the company, I worked as a as a bank clerk, and I was earning a relatively high salary. But my will to be an independent person led me to this adventure.</p>
	<p>Externality of control location</p>	<p>Success depends above all on individual ability, the support of others, and the will of the Gods, but it never depends on luck.</p>	<p>First, let me correct a mistake: everything on earth depends on God's will. Every single thing in space depends on God.</p>	<p>success depends on God, luck and the support of others. First of all, the entrepreneur must have a good reputation, because the market is small, and the slightest incident can be costly for him, as no one will trust him anymore. He must also be rigorous and serious, and able to honor his commitments.</p>	<p>Success depends on the effort that the individual because God asks us to work and to do our best. good faith to succeed. So if it's the individual's initiative that matters first.</p>	<p>For me, success depends on God and the effort that a person makes. The support of others is something we have to look for. If we do we'll get it.</p>

	Missing attachment to the new company	the selling price must be more than reasonable. In that case, I'll be ready to sell, and I'll create another one.	I'm going to sell. And I'm going to invest in the same thing.	"I couldn't work as an employee, even with a monthly payment of 100 kdh. Apart from that I can invest in any opportunity, if I see future profitability in it".	Despite it's difficult for me to work as an employee, I could very well sell my business if by offering me a relatively reasonable price, especially given the unfavorable economic climate of late	To be precise, the company employed nine people, including eight from my family. These people are married and have children. This is to say that the sale of the company was not an off-the-shelf choice
	Individualistic or entrepreneurial orientation	risk is in my blood. An entrepreneur who risks nothing earns nothing. In my case, the day I started my second venture, I remember well, I had a debt of 240 kdh that I had to pay off. I have obtained from the family, whose coalition risks deteriorating in the event of non-reimbursement.	risk is always present. No matter how hard you try, one day you risk losing the resources at your disposal.	"for me, being able to bear risk is the entrepreneur's capital. If you can't bear the risk, you can't be an entrepreneur. The day I started, it was with risk, not money".	Every investment involves risk. That's why you need to be able to assume the risk of losing his money when he wants to embark on an adventure business	My experience as a bank clerk has enabled me to get used to risk. Risk-taking is essential to the success of any entrepreneur.

<p>Configurations entrepreneurial failure</p>	<p>Lack of results</p>	<p>I wasn't satisfied, because I had a strong desire to work, but there weren't really any subcontracting opportunities, even though when he has some, I've been obliged to share the profit with the client himself. I didn't have much left over, especially with the high taxes I was paying. So I decided to go back to salaried work, since I could earn more with less effort.</p>	<p>"I'm not satisfied with the result and the figure business. I think I should have done better.</p>	<p>"For the moment the situation is good, but it should have been better, if I had more financial resources. It would have been possible to export our experience to African countries, for example."</p>	<p>My results have fallen sharply in the last two years, as the people in charge in the commune with which I had many contracts have changed. I can barely cover my charges, I think that in the future, if it goes on like this, I'm going to stop the business</p>	
	<p>Entrepreneurial disappointment</p>	<p>I wasn't able to achieve my objectives, especially in terms of sales, and safeguarding the company's capital.</p>	<p>I created it because I wanted to be in the industry, but the market won't let me. to move forward. I can't go beyond the stage I'm at now. Because if I do, I risk going bankrupt. For me, the company was only envisaged as a first step towards a greater goal. I wanted</p>	<p>"I'm satisfied with the results</p>	<p>The results are not just financial. Overall, I'm satisfied with the results of the first three years, and also with the experience this activity has enabled me</p>	<p>Anyone who has gone bankrupt is bound to be disappointed. I set myself a lot of goals, and sacrificed a lot to reach them, but unfortunately, it didn't work out.</p>

			<p>to to be like those to whom I deliver milk. But I've come to realize that I have to face up to the giants of the dairy industry market, and we will make me disappear. I set myself the goal to increase my income, enter areas where the profit margin is higher, notably in real estate. "I'm not really satisfied with my experience because I should have earned more than I do now. Because my field of activity allows me few opportunities, if any. Another field requires more resources, so I'm forced to work in that field.</p>		to acquire.	
	Discontinuity entrepreneurial		<p>You can be eliminated by the market at any time through competition. All it takes is a competitor with more resources settles in with you, and you won't have anything left</p>	<p>there are tax problems, as tax rates are very high. And the fact that we face competition from the informal sector which is abandonment, whose players pay no tax.</p>	<p>As I've already told you, a lot of difficulties are starting to appear in front of me. If it goes on like this, I think</p>	

			<p>to do. A within the company, the employee is often a source of trouble. He can easily send you to prison. The first day he arrives, he shows you respect, but after a while, he starts to create problems. I hired employees who stole from me, others who didn't do their job properly, who behaved badly with customers</p>	<p>Third, is people who are not competent and create companies. They bring prices way down. Because if we earn more, we'll pay our employees what they're owed, and everyone will live well. But these are usually problems we can overcome.</p>	<p>I'll have to stop for good. and others will be the most appropriate decision.</p>	
<p>Graduality of entrepreneurial failure</p>		<p>the main responsibility lies with the environment reason for stopping business. The state requires certification that you've already worked on markets. So to do this, you have to go to the big companies to work as a subcontractor. To do this, you need to have a strong network of contacts. The most decisive factor in the life of a the company.</p>	<p>problems can come from all directions, but the environment is very decisive insofar as it's what motivates the entrepreneur</p>	<p>As I said earlier, the difficulty access to external resources, as well as high interest rates, do not allow for the development of new businesses. the contractor . we're keen to export our know-how to sub-Saharan African countries, but funding is lacking.</p>	<p>In the first three years, I achieved very good results because the market and economic conditions were unfavorable. Today, because these same conditions are unfavorable, I'm encountering a lot of difficulties, and because</p>	<p>If I have to summarize my bankruptcy process, it's very complicated. In the beginning, everything went well. I was making a lot of money, which I spent without distinguishing between what was mine and what belonged to the company. On top of that, I had a lot of confidence in the company's employees. I later realized that they were stealing from me by taking advantage of my trust. I was waiting for the company to grow so that I could give them raises and a job. registration with the</p>

					<p>of these, I'm going to possibly something else.</p>	<p>CNSS, but unfortunately I was disappointed by their behavior. I became embroiled in a series of conflicts with my employees, which had an impact even on the family coalition, and ended with the departure of several vendors to competitors.</p> <p>So activity fell steadily, until it reached its peak stop, in leaving a legacy of debts for which creditors are still demanding payment.</p>
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Source: Authors