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The Role of Failure in the Entrepreneurial Process: A Systematic Literature Review

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Abstract

Failure is a crucial event that can occur at any time during the entrepreneurial/start-up process. Understanding what influences the failure or survival of new ventures is increasingly attracting the interest of scholars, practitioners, and policymakers, mainly because of the role that startups play in innovation. Studying failure events presents a series of challenges that scholars should bear in mind when approaching this topic, starting from the definition of terms to the lack of data to analyze such events. The literature on business failures is scattered among different fields of research and lacks a comprehensive framework. We address this gap performing a systematic literature review. 74 papers focusing on new ventures' failure have been reviewed and analyzed to identify the main causes of failure. In doing so, we identify four main categories of causes of new venture failure. Namely, I) resources, with a specific focus on human and financial capital; II) strategic/managerial decisions; III) product-related aspects; and IV) contextual/environmental-related issues. By providing an up-to-date systematization of recently published contributions on the topic, we aim to provide practical implications for entrepreneurs/practitioners and future research directions to researchers in the field.

Keywords: entrepreneurial process, failure, learning, startup, systematic literature review

1. Introduction

Starting a new business is a high-risk activity. A startup[1] could be defined as "a temporary organization used to search for a repeatable and scalable business model" (Blank[2], 2013a, 2013b), "designed to grow fast" (Graham[3], 2001, 2012), and delivering "a new product or service under conditions of extreme uncertainty" (Ries[4], 2011). Accordingly, startups are subject to the liability of newness, i.e., the higher the degree of novelty, the higher the mortality risk (Aldrich & Yang, 2012; Guercini & Milanesi, 2016; Shepherd, Douglas, & Shanley, 2000; Yang & Aldrich, 2012). In this respect, failure is a crucial event that may occur at any time during the entrepreneurial/start-up process (Blank, 2011; Khelil, 2016; Pisoni & Onetti, 2018; Triebel, Schikora, Graske, & Sopper, 2018).

Business failures are increasingly attracting the interest of scholars searching for the causes behind these events (Cope, 2011; Khelil, 2016; Ucbasaran, Shepherd, Lockett, & Lyon, 2010). Given that startup survival is considered as "the flip side" of failure (Shepherd et al., 2000), the final goal of this scholarly search is to provide managerial and policy suggestions that help to prevent business failure. However, there is a series of elements that should be carefully taken into account when approaching this topic.

First of all, the definition of failure must be taken into account. According to Sharma and Mahajan (1980, p. 81) "*one of the most difficult tasks of researchers in analyzing failures is to define the term failure*". Bruno, Leidecker and Harder (1987) also states that "*no two experts agree on the definition of failure*". In this respect, Shepherd (2005) also argues that the lack of understanding of the phenomenon is also due to the lack of a common definition of failure. One of the most comprehensive attempts to systematize the different contributions on the topic was made by Pretorius (2009). By critically reviewing a large number of studies recounting definitions of failure, the author explored major theories behind the failure concept with the final goal of providing a universal definition of the failure phenomenon. Pretorius highlighted the differences between decline, turnaround, and failure by distinguishing them from closure. The latter fails to capture the differences between

an involuntary occurrence and a voluntary decision for alternative motives. In doing so, the author concluded that "*decline precedes failure, which is the end state of deteriorating performance. Turnaround focuses on signs and causes of decline, while learning from failure depends on the postmortem approach. While one can learn from both, the turning around of ventures during decline has more general value for both entrepreneurs and the economy as a whole*" (Pretorius, 2009, p. 12). Consequently, a venture fails when "*it involuntarily becomes unable to attract new debt or equity funding to reverse decline; consequently, it cannot continue to operate under the current ownership and management. Failure is the endpoint at discontinuance (bankruptcy) and when it is reached, operations cease and judicial proceedings take effect*" (Pretorius, 2009, p. 10).

Failure definitions generally acknowledge the negative connotation that failure has in the business-related fields of study. The negative effects that business failure has on the economy, both in terms of monetary and social costs (i.e., an increase in the unemployment rate), are manifest (Everett and Watson, 1998). Less discernable are the positive effects of learning and experience associated with business failure (Boso, Adeleye, Donbesuur, & Gyensare, 2019; Cope, 2011; Mitchell, Mitchell, & Smith, 2004, 2008; Singh, Corner, & Pavlovich, 2015). Taking it to the extremes, Ries (2011) also refers to early-exits as opportunities to "fail fast and learn quickly" for less promising startups/business ideas. Consequently, he suggests that start-uppers pivot their initial business ideas and continue focusing on the main goal of a startup, i.e., looking for a scalable and sustainable business model.

As anticipated, defining failure is fundamental for every scholar aiming at studying the phenomenon. Based on this, the paper aims to address the relevant question "why do new ventures fail", and, in the process, to provide theoretical and managerial contributions to existing knowledge. The literature on business failures is scattered among different fields of research and lacks a comprehensive framework. By offering a systematization of recent contributions published in the field, we aim at filling this gap by performing a systematic literature review.

The paper is structured as follows: first, we describe the research methodology (literature selection criteria and data analysis); then, we present and discuss the main findings emerging from the literature review; we conclude with future research directions to advance the understanding of failure with specific reference to the domain of new venture research.

2. Method

To provide a systematization of the contributions on the topic under investigation, we opted for a systematic literature review – SLR (Tranfield, Denyer, & Smart, 2003). We aimed to identify the main causes of new venture failure and, thereby, to provide a comprehensive framework able to shed new light on the proposed issue and to provide guidance for future research directions. The systematic approach to the review of existing literature on a specific topic allows one to: 1) analyze the state of the art (and the progress) of a specific stream of research; 2) evaluate authors' contributions to a specific topic; 3) provide future research directions; 4) develop a framework; and 5) answer specific research questions.

A multistep process was used to conduct a systematic literature review (Tranfield et al., 2003). The Web of Science[5] was chosen as the database of record, being often used in SLRs carried out in the field of management studies (Crossan & Apaydin, 2010). We conducted our search on title, abstract and/or keywords using the following terms: new venture, startup/start-up, combined with failure, mortality, and bankruptcy. The keywords were selected based on both a review of the seminal literature (Bruno et al., 1987; Bruno & Leidecker, 1988; Bruno, McQuarrie, & Torgrimson, 1992) and brainstorming sessions within the review team.

The bibliographic research was conducted according to the following limitation criteria:

- only articles in the "business", "management" and "economics" categories;
- only articles written in English, to facilitate comparison of different works;
- only articles published in the last twenty years, because we are interested in the latest studies on the topic;
- only articles published in academic journals.

The results were then combined with those emerging both from a further snowballing search as well as from cross-references. All materials were labeled and stored, and duplications from different keyword searches were deleted. After the screening procedure, 197 contributions were considered relevant to understanding the causes of startup failure. 123 contributions, although containing the key search terms, did not provide a relevant contribution to the objective of the study and were thus excluded. We ended up with 74 contributions (see Appendix A for the full list of selected papers).

The next steps involved the analysis of each article. A structured approach was developed to review the literature. Each one of the 74 contributions was read and coded according to the following categories: article type (empirical/conceptual/review), methodology issues (qualitative/quantitative), data analyzed (survey/interview/secondary data/sample size/geographic scope) and exploratory factors studied.

Furthermore, data regarding the objective of the analysis and key findings were collected and treated as qualitative information to describe the key aspects under investigation and to provide future research directions in this stream of research. "Inter-judge reliability" was measured by the ratio of coding agreements to the total number of coding decisions (Kassarjian, 1977). In this study, three academic judges were involved in the coding process, and the reliability coefficient was 95%.

3. Results

Why do startups fail? This is the main question guiding the systematic literature review performed in this study. An initial literature review of the selected contributions reveals that research on new venture failures could be divided mainly into three streams of research: i) the ones devoted to defining this event and its peculiarities; ii) the ones seeking to develop models to predict failure; and iii) the ones investigating causes of failure or - as a reflection – factors influencing startup survival. The failure phenomenon suffers from a lack of proper data to be analyzed. In this respect, Yang and Aldrich (2012) highlighted the fact that closed new ventures do not survive long enough to be registered in official records or might disappear from databases after closure. It is very difficult to perform financial analysis on those failed new ventures if their financial statements are not made public (Zacharakis & Shepeherd, 2001; Dimov & De Clercq, 2006). Besides, unsuccessful entrepreneurs may not be willing to discuss their business failures (Shepherd, 2003; Yamakawa & Cardon, 2015; Yamakawa, Peng & Deeds, 2015), and if they agree to be interviewed, their explanations are likely to have self-reporting and retrospective reporting biases.

New venture failure is a multidimensional and complex phenomenon (Bruno et al., 1987; Bruno & Leidecker, 1988; Bruno et al., 1992). It includes quite a large spectrum of analysis and deals with several aspects that are usually interrelated. Accordingly, we reviewed articles investigating the proposed issue by adopting a broad perspective of analysis – thus including an overall analysis of all the potential causes of failure – but also contributions focusing on specific causes of failure. As anticipated, we also considered studies focused on new venture survival – being survival considered as "the flip side" of failure (Shepherd et al., 2000) – even if these papers marginally refer to failure. Correspondingly, we classified the causes of failure into four major categories: I) resources; II) strategic/managerial decisions; III) product-related aspects; and IV) contextual/environmental-related issues. For each category, we first of all identify its importance, and then we review the relevant contribution of the literature addressing failure.

3.1 Resource Deployment by Startups

The RBV [resource-based view] suggests that resources and organizational capabilities (Barney, 1991; Wernerfelt, 1984) play a vital role in companies' survival and growth (Zahra, Sapienza, & Davidsson, 2006). With specific reference to the entrepreneurship field of research, resources have been conceptualized in terms of tangible and intangible assets, such as human capital, financial capital, physical capital, and relationship capital (Kellermanns, Walter, Crook, Kemmerer, & Narayanan, 2016). In this section, we specifically focus on human capital and financial resources, items that were reported in the studies reviewed as being critical causes of new venture failure (Table 1).

3.1.1 Human Capital

A considerable amount of literature focuses on the characteristics of the entrepreneur and the analysis of aspects related to human capital, thus signaling the importance of the quality of the team in the startup life-cycle.

In this respect, as regards entrepreneurs' *basic demographic factors*, variables such as gender and age have been taken into account by scholars investigating new venture failures. Concerning *age*, the literature provides controversial results. Specifically, Headd (2003) finds a positive relationship between young age and business closure, while an insignificant relationship regarding old age. By contrast, other scholars (Cheng, 2015; Coad, Frankish, Roberts, & Storey, 2013; Coad, Frankish, Roberts, & Storey, 2016; Honjo, 2004) show a positive relationship between the age of the entrepreneur and business survival. Regarding the *gender* variable, recent studies (Coad et al., 2016; Ebert, Brenner, & Brixy, 2019; Robb & Watson, 2012; Yang & Triana, 2019) also find that founding teams composed only by women are more likely to fail than men-led ventures. Other studies, in this respect, did not find any significant relationship (Cheng, 2015; Headd, 2003; Stenholm & Renko, 2016; Wennberg, Wiklund, DeTienne, & Cardon 2010).

Experience is the most important variable - among those referring to human capital - considered in the review (because of the number of reference ascribable to this issue). It is a multifaceted aspect, which is often related to *age* as it might reflect the accumulation of experiences in years. Experience can be considered as a reflection of lessons learned in different fields, such as education, work, and previous entrepreneurial ventures of the entrepreneur or the founding team members. It is usually operationalized in terms of years or number of experiences and is generally positively associated with startup survival. Entrepreneurs who have not previously experienced a negative event – such as business failure – might feel exempt from failure since they have previously yielded positive results (Ucbasaran et al., 2010). The learning effect increases the ability of the entrepreneur to face the new venture's difficulties more effectively, hence preventing the failure of the organization (Amankwah-Amoah, Boso, & Antwi-Agye., 2018; Boso et al., 2019; Headd, 2003; Mata & Portugal, 2000; Mitchell et al., 2004, 2008, Rauter, Weiss, & Hoegl, 2018). However, authors also point out that, in the case of one or more failure event of a considerable magnitude, the entrepreneur might also feel less overconfident of his capabilities (Nummela, Saarenketo, & Loane, 2006). According to Yamakawa and Cardon (2015), the odds of survival of a subsequent venture is negatively related to the extent of the previous failure. Moreover, a low level of experience is associated with poor venture performance and with failure. Specifically, a low level of experience affects the ability of the entrepreneur to handle external shocks and critical incidents (Nummela et al., 2006), to face the liability of newness (Guercini & Milanesi, 2016; Shepherd et al., 2000), or a simple decrease in sales (Kakati, 2003). However, as suggested by Aspelund, Berg-Utby and Skjevdal (2005), it could also happen that the experience of the entrepreneurial teams – locked in the so-called "Einstellung effect", i.e., the tendency to persist with the same approach to a problem – may also negatively affect startup survival. An entrepreneur's experience is also considered relevant in relation to the ability to raise capital (Cheng, 2015), and of selecting the most appropriate form of capital according to the startup's stage of development (Headd, 2003; Cantamessa, Gatteschi, Perboli, & Rosano, 2018). An entrepreneur's *educational background* is also found to be important (Honjo, 2004). A high level of education is not only associated with a higher probability of securing funding, but more specifically, according to Ebert et al. (2019), specific qualifications are more important than general qualifications for a startup's survival. By contrast, other authors (Nummela et al., 2016) point out the risk - for entrepreneurs with a high level of education - of overconfidence that might lead to company failure. More details about the relationship between financial resources and failure are to be found in sec. 3.1.2.

Three other important aspects of analysis are those related to *commitment/effort*, *motivation,* and *passion*. Time invested by the entrepreneur in the new venture – operationalized in terms of hours worked per week – is considered to be a proxy of his/her commitment/effort in the new venture. This variable appears to be positively correlated to startup survival (DeGeest, Follmer, Walter, & O'Boyle, 2017; Van Gelderen, Thurik, & Bosma, 2005). Emotions are also confirmed to be influential in the entrepreneurial field. Entrepreneurs' motivation and passion are negatively correlated to business closure (Fernandez Guerrero, Revuelto Taboada, & Simon Moya, 2018; Headd, 2003; Yamakawa & Cardon, 2015; Yamakawa et al., 2015). The relationship between passion and odds of failure/survival has been recently attracting the interest of scholars (Stenholm & Renko, 2016). They specifically examine the relationship between passion and the ability of the entrepreneur to manage resources to improve startup survival (Baum & Locke, 2004).

Last but not least, *team-related aspects* also influence startup failure/survival (Headd, 2003; Rauter et al., 2018). Team heterogeneity and size have divergent effects on a new venture's probability of survival. More precisely, team competencies – i.e., a mix of heterogeneous skills and functional diversity (Aspelund et al., 2005) – are overall considered to be key success factors for the new venture (Khan & Lew, 2018), and positively affect survival (Shepherd et al., 2000; Aspelund et al., 2005). By contrast, larger teams might present more relational-conflict problems, thus harming survival (Cantamessa et al., 2018).

3.1.2 Financial Resources

Equity capital acquisition is undoubtedly considered to be one of the most critical factors in the growth path of a startup (Shane and Stuart, 2002; Davila, Foster & Gupta, 2003; Talaia, Pisoni, & Onetti, 2016). Startups - due to their small size, young age, and ambitious expansion plans - usually face significant financial constraints. This is particularly important for startups in the early - and usually pre-revenue – stage.

The literature reveals that one of the biggest flaws that lead to the failure of a new venture is the shortage of financial resources (Honjo & Kato, 2019). The lack of adequate funds hinders a firm's growth and even threatens its survival. This is because it is strongly correlated to the resource acquisition (Cantamessa et al., 2018; Coad et al., 2016; Headd, 2003; Kataki, 2003; Khan & Lew, 2018; Laitinen, 2016; Puig, Gonzalez-Loureiro, & Ghauri, 2018) required to sustain the company's competitive advantage. Moreover, from a dynamic capability point of view, strategic resources must be constantly renewed to survive in a fast-changing environment (Khan & Lew,

2018).

Table 1. Causes of failure regarding a startup's resources – Key findings

Main Topic	Key aspects	References
Startup's resources:		
Human capital	Basic demographic factors (gender, age, …) Experience (business/industry, work and entrepreneurial) and age Education Commitment, motivation and passion Team-related aspects (heterogeneity and size)	Amankwah-Amoah et al. (2018); Aspelund et al. (2005); Bamford et al. (2006); Baum & Locke (2004); Boso et al. (2019); Cantamessa et al. (2018); Cheng (2015); Chorev & Anderson (2006); Coad et al. (2013); Coad et al. (2016); DeGeest et al. (2017); Ebert et al. (2019); Fernández-Guerrero et al. (2018); Gries et al. (2016); Grilli (2011); Guercini & Milanesi (2016); Hanage et al. (2016); Headd (2003); Honjo (2004); Kakati (2003); Khan & Lew (2018); Koellinger et al. (2007); Maddy (2000); Mata & Portugal (2000); Miettinen & Littunen (2013); Mitchell et al. (2004, 2008); Nummela et al. (2016); Oe & Mistuhashi (2013); Paik et al. (2014); Pena (2004); Persson (2004); Rauter et al. (2018); Robb & Watson (2012); Shepherd et al. (2000); Stenholm & Renko (2016); Ucbasaran et al. (2010); Van Gelderen et al. (2005); Wennberg et al., (2010); Yang & Triana (2019)
Financial resources	Availability Adequateness (amount, time, typology, …) Renewal of strategic resources	Cantamessa et al. (2018); Coad et al. (2016); Headd (2003); Honjo & Kato (2019); Kakati (2003); Khan & Lew (2018); Laitinen (2016); Laurie & Harreld (2013); Männasoo (2008); Persson (2004); Puig et al. (2018); Van Auken et al. (2009)

3.2 Strategic/Managerial Decisions

The proper deployment of resources, which enables new ventures to survive and grow, is highly dependent on the capabilities of the entrepreneur. Underestimating the importance of strategic resources (Kakati, 2003) or inappropriate management decisions might cause the startup to fail (Ooghe and Prijcker, 2008). In this respect, the literature focuses on the management of financial resources (Coad et al., 2016; Cheng, 2015), examining the relationship between "burn rate" and the likelihood of failure, the strategic choices regarding internationalization (Khan & Lew, 2018; Puig et al., 2018; Sleuwaegen & Onkelinkx, 2014), and innovation (Cefis & Marsili, 2011, 2012; Ebert et al., 2019).

In addition, a lack of focus on the Business Model is also a crucial aspect of new venture failure (Martin & Welsch, 2018; Anagnou, Handrich, Schnellbächer, & Heidenreich, 2019). According to Onetti, Zucchella, Jones, & McDougall-Covin (2012, p. 360), Business Model could be defined as "*the way a company structures its own activities in determining the focus, locus and modus of its business*". Business Model decisions strongly influence and characterize the way new technology-based firms operate and the strategy they put in place (Onetti et al., 2012; Onetti & Zucchella, 2014). Scholars also point out how "timing" is of critical importance in the balance between minimizing risk and maximizing opportunity while exploring new business models (Axelson & Bjurström, 2019; Martin & Welsch, 2018) (Table 2).

Table 2. Causes of failure regarding strategic/managerial decisions – Key findings

Main Topic	Key aspects	References
Strategic/managerial decisions	Innovation strategy (timing, patents, resource deployment, …) Business Model Financial resources management Internationalization strategy (timing, resource deployment, commitment, …)	Anagnou et al. (2019); Axelson & Bjurström (2019); Cefis & Marsili (2011, 2012); Cheng (2015); Chorev & Anderson (2006); Coad et al. (2016); Ebert et al. (2019); Kakati (2003); Khan & Lew (2018); Levesque & Shepherd (2002); Martin & Welsch (2018); Ooghe & Prijcker (2008); Puig et al. (2018)

3.3 Product/Service-Related Aspects

Factors related to product/market fit are among the most recurrent causes of failure in reviewed articles (Cantamessa et al., 2018; Song, Song, & Parry, 2010; Song, Di Benedetto, & Song, 2009; Nummela et al., 2016; Levesque, Zhao, & Bian, 2017). According to the seminal work of Bruno and Leidecker (1988), the factors refer to timing, design, distribution/selling, business orientation, and customers. Timing is often mentioned as being one of the most critical aspects for a product launch, which may lead to business failure (Levesque et al., 2017). Customer interest in the product/service is another crucial aspect. Ideally, to overcome such difficulties, new ventures should properly identify the market segment for their product/service (Cheng, 2015; Khan & Lew, 2018; Nummela et al., 2016; Scaringella, 2017). Accordingly, market validation is required to enhance the odds of survival (Aspelund et al., 2005).

Moreover, scholars also highlight the positive correlation between products based on radical innovation and the survival prospects of new ventures (Aspelund et al., 2005; Song et al., 2010). A possible explanation may involve the greater opportunities for new ventures to enjoy a leadership position once industry standards have become established (Aspelund et al., 2005). Also, Song et al. (2010) finds that new ventures may face higher failure rates in industries where technology standards are emerging rather than in industries where they are established (Table 3).

Table 3. Causes of failure regarding product/service-related aspects – Key findings

Main Topic	Key aspects	References
Product/service-related aspects	Product/market fit (timing, design, distribution/selling, business orientation, customers) Innovation (radical vs. incremental)	Aspelund et al. (2005); Cantamessa et al. (2018); Cefis & Marsili (2011); Cheng (2015); Chorev & Anderson (2006); Chung & Chen (2011); Khan & Lew (2018); Levesque et al. (2017); Mata & Portugal (2000); Nummela et al. (2016); Scaringella (2017); Song et al. (2009); Song et al. (2010)

3.4 Contextual/Environmental-Related Issues

The decision about where to locate the new venture is not marginal. It is acknowledged that unfavorable domestic market conditions are externally-driven variables that may influence the new venture's decision to go abroad. Startups might decide to establish their headquarters in countries that have a more developed financial market with the goal of having access to capital. The literature focuses first of all on localization/environmental externalities (Cheng, 2015; Ebert et al., 2019; Falck, 2007; Wang, Tan, & Li, 2018). More specifically, urban vs rural localization (Ebert et al., 2019), open environments (Battistella, De Toni, & Pessot, 2017), agglomeration in specific areas and proximity to similar firms (Ebert et al., 2019) may increase the odds of survival of new ventures (Table 4).

Moreover, poor market conditions and strong competition are also considered as causes of failure (Zacharakis & Shepherd, 2001). Fast-changing environments, in combination with scarce financial resources, can force new ventures into making wrong decisions, thus causing them to fail (Aspelund et al., 2005; Nummela et al., 2016).

Last but not least, developing relationships with external partners may provide benefits to the new venture and thus reduce the odds of failure (Dimov & De Clerq, 2006; Kee, Yusoff, & Khin, 2019; Pena, 2004). External support may also be provided by investors whose expertise, infused into the new ventures, seems to reduce failure occurrences. However, a strong influence of stakeholders may lead to overconfidence and the failure of early-internationalizing new ventures (Nummela et al., 2016). Moreover, external investors who are strongly

involved in the new venture tend to attribute failure to external causes to preserve their legitimacy (Zacharakis & Shepherd, 2001).

Table 4. Causes of failure regarding contextual/environmental-related aspects – Key findings

Main Topic	Key aspects	References
Contextual/environmental-related aspects	Company localization (urban/rural; openness of the environment; agglomeration and proximity) Market conditions External partners' contribution	Aspelund et al. (2005); Battistella et al. (2017); Cheng (2015); Chorev & Anderson (2006); Chung & Chen (2011); Dimov & De Clerq (2006); Ebert et al. (2019); Falck (2007); Grilli (2014); Honjo (2004); Katre & Salipante (2012); Kee et al., (2019); Mahmood (2000); Nummela et al. (2016); Pena (2004); Rothaermel & Thursby (2005); Short et al. (2009); Strotmann (2007); Wang et al. (2018); Zacharakis & Shepherd (2001)

4. Discussion and Future Research Directions

The starting point of this paper is that failure represents a crucial event that can occur at any time during the entrepreneurial/start-up process. That said, startup failure is a highly debated topic among scholars from different fields of research studying the topic from different perspectives. The literature review we performed reveals four main areas of research regarding the causes of new venture failure. Namely, I) resources, with a specific focus on human and financial capital; II) strategic/managerial decisions; III) product-related aspects; IV) contextual/environmental-related issues. In the previous sections, we described in-depth the main factors that influence startup survival and that may lead to the failure of the new venture.

In this section, we aim to highlight three main aspects: the fact that many of the above-listed causes of failure are deeply intertwined with each other, the importance of the "learning" part of the failure phenomenon, and, last but not least, the need for more empirical studies of databases that consider startups from different countries, in order to better analyze both the effects of human capital and financial constraints faced by startups.

First of all, by reviewing the literature, we observed that "resources" are a key explanatory variable in addressing the question, "Why do new ventures fail?". Almost every paper addressing startup failure considered this variable. As an example, human capital is strictly correlated to the ability to raise funds. More specifically, experience is thought to drive many strategic and day-to-day managerial decisions about the company and its product. Moreover, the ability to raise financial resources also derives from the context/environment in which the company is embedded, which also affects the entrepreneur/entrepreneurial team's resource organization which has been found to affect company survival. In this respect, we argue for more studies dealing with business model decisions, to better understand the specificities of resource deployment by startups, to advance knowledge in the field, and to eventually provide best practices.

Second, we point out how the literature that focused on experience - deriving from previous failures - provides controversial results. Several studies deal with this issue; however, results are country-specific, or limited to a few case studies, and do not allow for generalization. Further, there are few studies about the "pivoting" option, argued by Ries (2011), when suggesting to "fail fast and learn quick". Also in this respect, the literature provides controversial results about learning from early failure that need to be clarified with more empirical evidence.

Third, we argue for more empirical studies – either survey or interviews - approaching the phenomenon in the right moment "when it is happening", thus avoiding retrospective reporting biases. The vast majority of studies about new venture failure are referring to a specific country/region. The literature needs more cross-country comparison to expand knowledge and to substantiate findings.

5. Concluding Remarks

The primary goal of this paper was to systematize existing contributions on startup failure to better understand the reasons behind this event and, at the same time, to provide directions for future research. As said, an in-depth analysis of "What do we mean by failure?" should precede any investigation about "Why do new ventures fail?". In carrying this out, we reviewed the seminal contributions of Bruno et al. (1987, 1992), Bruno and Leidecker (1988), and Pretorius (2009) to define the boundaries of the research topic and to choose the proper keywords to perform the systematic literature review. Three main streams of research have been identified on the topic: i)

those devoted to defining this event and its peculiarities; ii) those seeking to develop models to predict failure; and iii) those investigating causes of failure or - as a reflection – factors influencing startup survival. The literature review, first of all, reveals that the failure phenomenon lacks proper data to be analyzed. Startups do not survive long enough to enter official records, their financials are not public, and - usually – failed entrepreneurs are not willing to discuss their business failures (Zacharakis & Shepherd, 2001; Dimov & De Clercq, 2006; Shepherd, 2003; Yamakawa & Cardon, 2015; Yamakawa et al., 2015).

The literature review has been organized around four main categories of the main causes of new venture failure identified by scholars. Namely, I) resources, with a specific focus on human and financial capital; II) strategic/managerial decisions; III) product-related aspects; and IV) contextual/environmental-related issues. Many of these factors are deeply intertwined with each other and need to be considered jointly to better understand the phenomenon under investigation. However, in the discussion, we also point out a lack of empirical studies dealing with cross-country comparison, given that the vast majority of contributions are country-specific. In this respect, future researchers will face the challenge of building/obtaining a comprehensive dataset on new ventures that allow longitudinal studies to be performed, to better analyze both the effects of human capital and financial constraints faced by startups.

Despite the limitations that SLRs typically present (selected database of records, keyword selection, qualitative analysis of literature key findings, framework systematization), our study provides two main contributions to existing knowledge. Under the theoretical perspective, by systematizing the relevant literature, we provide a clear picture of the factors that scholars have studied that affect new venture failure, but that also influence survival as “the flip side” of the phenomenon. In doing so, we identify potential future research directions to advance knowledge in the field. Our study also has important implications for entrepreneurs – or “wannabe” entrepreneurs – by suggesting the aspects to focus on when establishing a new venture. We also provide policy implications by pointing out the weaknesses of the entrepreneurial/start-up path that need to be addressed to allow entrepreneurial/startup ecosystems to grow/flourish. In this respect, future empirical studies based on a database of new ventures that will allow longitudinal analysis will be crucial to enhancing the understanding of the phenomenon.

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Notes

Note 1. This study prefers the term *startup*, but uses it interchangeably with new business and new venture.

Note 2. Steve Blank is an American serial entrepreneur - and now also educator. He is well-known worldwide as the “co-founder”, along with Eric Ries, of the Lean Startup “movement”. The Lean Startup process is not only considered as the way startups are built, but nowadays is an approach that is increasingly being adopted by large corporates to remain innovative by adopting continuous disruption.

Note 3. Paul Graham is a computer scientist, essayist, entrepreneur and startup investor (paulgraham.com). He is the co-founder of the Y combinator, a seed money startup accelerator headquartered in Mountain View (CA, USA) which has launched many successful startups.

Note 4. Eric Ries is an American entrepreneur, blogger and author of "The Lean Startup" – the famous book on the lean startup movement – a best seller in the startup community.

Note 5. The Web of Science is a multidisciplinary and comprehensive platform that allows one "to track ideas across disciplines and time from almost 1.7 billion cited references from over 155 million records." (See clarivate.com). It has been often used as database of record in SLRs carried out in the field of management studies (Crossan & Apaydin, 2010).

Appendix A

List of articles included in the systematic literature review

Nr.	Author(s)	Year	Journal
1	Maddy	2000	Harvard Business Review
2	Mahmood	2000	Small Business Economics
3	Mata & Portugal	2000	Strategic Management Journal
4	Shepherd, Douglas, & Shanley	2000	Journal of Business Venturing
5	Zacharakis & Shepherd	2001	Journal of Business Venturing
6	Levesque & Shepherd	2002	European Journal of Operational Research
7	Headd	2003	Small Business Economics
8	Kakati	2003	Technovation
9	Baum & Locke	2004	Journal of Applied Psychology
10	Honjo	2004	Applied Economics
11	Mitchell, Mitchell, & Smith	2004	Frontiers of Entrepreneurship Research
12	Pena	2004	Small Business Economics
13	Persson	2004	Small Business Economics
14	Aspelund, Berg-Utby, & Skjevdal	2005	Technovation
15	Rothaermel & Thursby	2005	Research Policy
16	Van Gelderen, Thurik, & Bosma	2005	Small Business Economics
17	Bamford, Bruton, & Hinson	2006	Journal of Small Business Management
18	Chorev & Anderson	2006	Technovation
19	Dimov & De Clercq	2006	Entrepreneurship, Theory and Practice
20	Falck	2007	Applied Economics
21	Koellinger, Minniti, & Schade	2007	Journal of Economic Psychology
22	Strotmann	2007	Small Business Economics
23	Männasoo	2008	Eastern European Economy
24	Mitchell, Mitchell, & Smith	2008	Strategic Entrepreneurship Journal
25	Ooghe & Prijcker	2008	Management Decision
26	Short, McKelvie, Ketchen, & Chandler	2009	Strategic Entrepreneurship Journal
27	Van Auken, Kaufmann, & Herrmann	2009	Journal of Small Business Management
28	Song, Di Benedetto, & Song	2010	IEEE Transactions on Engineering Management
29	Song, Song, & Parry	2010	Journal of Product Innovation Management
30	Cefis & Marsili	2011	Journal of Evolutionary Economics
31	Chung, Lo, & Chen	2011	Service Industries Journal
32	Grilli	2011	International Small Business Journal
33	Aldrich & Yang	2012	Entrepreneurship Research Journal
34	Cefis & Marsili	2012	Research Policy
35	Fernandez-Guerrero, Revuelto-Taboada, & Simon-Moya	2012	Service Industries Journal
36	Katre & Salipante	2012	Entrepreneurship, Theory and Practice
37	Robb & Watson	2012	Journal of Business Venturing

38	Yang & Aldrich	2012	Journal of Business Venturing
39	Coad, Frankish, Roberts, & Storey	2013	Journal of Business Venturing
40	Laurie & Harreld	2013	Harvard Business Review
41	Miettinen & Littunen	2013	Entrepreneurship Research Journal
42	Oe & Mitsuhashi	2013	Journal of Business Research
43	Grilli	2014	Industry and Innovation
44	Paik	2014	Strategic Entrepreneurship Journal
45	Sleuwaegen & Onkelinx	2014	Journal of Business Venturing
46	Cheng	2015	Journal of Small Business Management
47	Yamakawa & Cardon	2015	Small Business Economics
48	Yamakawa, Peng, & Deeds	2015	Entrepreneurship, Theory and Practice
49	Coad, Frankish, Roberts, & Storey	2016	Small Business Economics
50	Gries, Jungblut, & Naude	2016	International Journal of Economic Theory
51	Guercini & Milanesi	2016	Journal of Business-to-Business Marketing
52	Hanage, Scott, & Davies	2016	International Journal of Entrepreneurial Behaviour & Research
53	Leitinen	2016	International Journal of Management and Enterprise Development
54	Levesque, Zhao, & Bian	2017	IEEE Transactions on Engineering Management
55	Nummela, Saarenketo, & Loane	2016	International Small Business Journal
56	Stenholm & Renko	2016	Journal of Business Venturing
57	Battistella, De Toni, & Pessot	2017	European Journal of Innovation Management
58	DeGeest, Follmer, Walter, & O'Boyle	2017	Journal of Management
59	Scaringella	2017	Journal of Engineering and Technology Management
60	Amankwah-Amoah, Boso, & Antwi-Agyei	2018	Group & Organizatio Management
61	Cantamessa, Gatteschi, Perboli, & Rosano	2018	Sustainability
62	Ebert, Brenner, & Brixy	2018	Small Business Economics
63	Fernandez-Guerrero, Taboada, & Moya	2018	Ciriec-Espana Revista de Economia Publica Social y Coperativa
64	Khan & Lew	2018	International Business Review
65	Martin & Welsch	2018	Journal of Enterprising Culture
66	Puig, Gonzalez-Loureiro, & Ghauri	2018	International Small Business Journal
67	Rauter, Weiss, & Hoegl	2018	Journal of Organizational Behavior
68	Wang, Tan, & Li	2018	Journal of Business Research
69	Honjo, Kato, & Mastoshi	2019	Journal of Evolutionary Economy
70	Anagnou, Handrich, Schnellbacher, & Heidenreich	2019	International Journal of Entrepreneurial Venturing
71	Axelson & Bjurstrom	2019	Research-Technology Managment
72	Boso, Adeleye, Donbesuur, & Gyensare	2019	Journal of Business Research
73	Kee, Yusoff, & Khin	2019	Asian Academy of Management Journal
74	Yang & Triana	2019	Journal of Management