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Small Business.

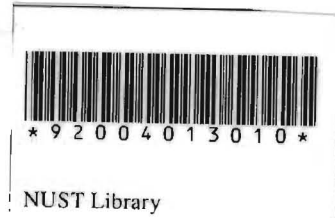
Manage

FINANCE

Start & Grow
a Business

GET THE BASICS RIGHT. WHAT IS FAILURE? BUSINESS FINANCE IN SMALL FIRMS.

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THE RESEARCH has been submitted in partial fulfillment of the requirements of the Bachelor of Commerce (Honours) Degree in Accounting (NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY).

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- RESEARCH TOPIC: Corporate financial management and small business failure. A Zimbabwean case.
- REGISTRATION NUMBER: P005 270A

"Failure sets us all back temporarily, but the pessimist takes days or even months to deal with what is sometimes only a small setback" – Martin Seligman

ABSTRACT

This study examines the factors that contributed to the failure of a number of Zimbabwean small firms over the past five years. Many of the factors contributing to the small businesses collapsing will be identified and recommendations that companies could implement in the future to limit the risk of failure will be made.

The study was descriptive, explanatory and qualitative in nature. Semi-structured interviews were specifically developed for this study to gather data. Questionnaires were not used due to their high failure rate in obtaining reliable responses. The researcher believed that the data gathered through the interviews was adequate. The study was conducted on ex-employees of a sample of companies that collapsed in Harare.

Many entrepreneurs emerged in Harare over the past five years but not all of them managed to survive in the harsh business environment. Although most of these entrepreneurs possessed the passion and energy to run their own businesses, the start-up firms inevitably collapsed.

Three major issues of concern were identified: The empirical results show that a company is more likely to fail if it is unprofitable, small, highly geared, and has liquidity problems and less financial flexibility to invest in itself. The study investigated the following issues:

- a) What were the challenges faced by small firms of which large corporations are spared?
- b) What are the causes of business failure?
- c) Of those companies that survived, what survival strategies did they use?

The findings of the study confirm that the main cause of business failure was the poor management of business finance. Detailed reasons of poor management of finance leads to failure are given and recommendations are also given on what a small firm can do when facing turbulent times.