From Business Success to Failure
*A study of Swedish gazelle companies and their use of management accounting*

**Keywords:** management accounting, accounting information, business failure, bankruptcy, entrepreneurship, entrepreneur, gazelle

**Authors:**
Magnus Forsberg 820503
Nicklas Mattsson 820502

**Tutors:**
Prof. Olov Olson
Johan Dergård
Entrepreneurship and Accounting
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SUMMARY

Authors: Magnus Forsberg och Nicklas Mattsson

Tutors: Olov Olson och Johan Dergård

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Background and Problem: Up to now, researchers and economists have been focusing on successful entrepreneurship and its success factors and not on business failure, with respect to the influence of management accounting. Earlier research has proven management accounting to be of importance, but its connection to, and importance for, entrepreneurship is still not established. Furthermore, with regard to Sweden’s future development and well-being, it is desirable to see increased numbers and efficient growth in small and medium size enterprises.

Purpose: The intention of this paper is to demonstrate possible reasons to why once successful businesses go bankrupt and the role of management accounting in this process. Our focus will be on previously very successful companies, namely gazelle companies, that subsequently been misfortunate and gone bankrupt.

Method: An analysis of rapidly growing companies will be conducted, by Dagens Industri called gazelle companies. In our search for companies that have gone bankrupt, we concentrate on companies being gazelles during the years 2001 and 2002, the two “oldest” gazelle lists on DI’s homepage. The study is of a qualitative character based on twelve questionnaire respondents. We believe that an electronic questionnaire method would be the most suitable in this case. Moreover, because of a limited survey group, the outcome can not be statistically secured.

Conclusion: In line with our thesis purpose, and our negative assumption/hypothesis that most companies have limited or no knowledge/ability/will to construct and use management accounting information, our findings show that no significant signs can be seen of that management accounting has played a conclusive role for the greater majority of the companies in their business failures.

However, the survey shows that the main internal factors of business failure are connected to financial aspects and the external factors show a shortage in company funds. It seems like they can not afford losing customers or handle a recession very well. This strengthens the fact, and also our belief, that management accounting is needed when a company grows.

Suggestions for further research: A more detailed examination of the companies’ business strategy, business plan and business concept is also sought. To see if these specific companies have used measurements, budgets and so forth in similar ways and how these tools are created and used would be interesting to read about. Lastly, we sought how management accounting could be of help in foreseeing a bankruptcy, especially in rapidly growing companies such as the gazelles.
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1 INTRODUCTION

1.1 BACKGROUND

Up to now, researchers and economists have been focusing on successful entrepreneurship and its success factors. In contrast to earlier research, our purpose is to put emphasis on the opposite, namely reasons for business failure, with a focus on management accounting.

Failure is always a possibility when conducting business and all entrepreneurs are aware of this fact. The market will present its verdict regardless of the quality of the company’s offer. The company must provide value to its customers and build a business that can deliver it in an efficient way; it is all about meeting expectations.

The importance of an increased number and efficient growth in small and medium size enterprises (SMEs), with regard to Sweden’s future development and well-being, was an influential factor in the choice of thesis topic. Entrepreneurs are believed to be carriers of change and creators of growth and wealth (Olson, 2004). During a recent lecture at School of Business, Economics and Law, Göran Malm (2006-01-26), a guest speaker and a former Chief of General Electric’s Asian Division, quoted former CEO of GE, Jack Welsh: "Sweden is definitely a country of well performing large companies and human prosperity, but Sweden lacks the important growth of SMEs and young innovative entrepreneurs”. In addition, “during recent years, many Western economies have faced high unemployment and slow economic growth. An increasing number of people argue that to solve these problems, the growth of small firms and an increased level of entrepreneurship are essential (Wiklund, 1998, p.1)".

While some firms are supposed to die with respect to the overall welfare of the society, and provide resources to more productive firms, we believe that some bankruptcies do not fulfil this purpose. Even though we find Schumpeter’s notion of “creative destruction” to be of interest, it can not be referred to in all situations. What Schumpeter wanted, was to describe the process of destruction and creation of activities, a function of entrepreneurs, which leads to the development and improvement of social welfare and economic growth (Dergård, 2004). We believe there are unsuccessful firms that could perform and generate “welfare” if their business was managed in a better way.

According to many researchers, mentioned in Dergård’s (2004) licentiate's dissertation, entrepreneurship of today is about understanding the possibilities of creating products and services of the future; it is all about exploration and exploitation and understanding the
consequences of the whole process. With this in mind, it seems obvious to also highlight the importance of studying cases were these creations, explorations and exploitations are not managed in an effective way and have lead to business failure.

Hansen (2005) also shows the importance of entrepreneurship for the creation of new jobs and economic growth, but he also stresses that many attempts to establish new businesses fail. Hansen (2005) says that entrepreneurial research concerning new start-ups is rather well recognized, but that there is an unmistakable lack of knowledge in the case of more established businesses. To sum it up, knowledge about business failure is and should be sought after.

Even though earlier research has, in many aspects, proven management accounting to be of importance, its connection to, and importance for, entrepreneurship is still not established. Research on the subject of entrepreneurship has not developed a deeper knowledge regarding the entrepreneur’s use of management accounting (Dergård, 2004). In addition, today there is no real explicit knowledge about the creation and use of management accounting information regarding the entrepreneurial process. In the same way as management accounting research has left out the entrepreneurial perspective, so has the written textbook literature. The textbook literature has shown to concentrate on the later phases with respect to the product life cycle (Dergård, 2004).

1.2 PURPOSE

The purpose of this thesis is to demonstrate possible reasons to why once successful businesses fail and the influence of management accounting in this process. Our focus will be on previously very successful companies, namely gazelle companies, that subsequently been misfortunate and gone bankrupt. By highlighting the possible factors to why some companies go bankrupt after previous success, our aspiration is that this thesis together with future research will provide some guidelines to what traps to stay away from; it should contribute to knowledge and understanding about business failure and in a later stage, help entrepreneurs to do a better job in a practical sense. The creation and use of management accounting information, or the lack of it, will constitute the lion’s share of the questionnaire, which in turn make up the basis of this thesis. The two most important questions for this thesis will therefore be:

- Why did things go wrong?
- How did management accounting influence these business failures?
1.3 Possibilities and Problems

This thesis is, to our acknowledgement, one of the first steps of many towards a broader understanding about entrepreneurship, business failure and its interplay with management accounting. In addition, it could provide an introduction to research regarding the continued existence of successful entrepreneurship; the type of entrepreneurship that could drive country development.

The degree of difficulty lies in the availability of relevant information. Too much information or data is often a problem for researchers today, but in our case the opposite is applicable. With this in mind, the connection to scientific research will be put to a test. Furthermore, this work will strive for originality and we believe this to be possible, as very few have really attempted to describe this area within business management before. It is not possible to avoid all risk. Choosing a topic, which is totally risk free, would probably lead to a dull thesis that neither we nor our future readers will be interested in.

The outcome of this study cannot be statistically secured, as the number of answering respondents is insignificant in the eyes of scientific researchers. Furthermore, since most entrepreneurs have been active in the companies since the beginning, and most companies have been active for more than 10 years, one would assume that the correctness of the answers, with respect to the more detailed sections of the questionnaire, could be questioned.

Since our thesis is based on a questionnaire there is always a problem of first, get names and addresses and second, make the respondents answer the questions. To confirm and secure a probable connection between failing companies, interviewing one company will not be enough. This thesis sought some sort of comparative element.

Since knowledge about these companies and the entrepreneurs in principle are non-existent, we do not have knowledge about how well their budgets, measurements, analyses are shaped and used. This is something that applies to all of the questions in the questionnaire.

The time frame for this thesis does not give the possibility to follow up the questions in more detail. Therefore, the knowledge of how different entrepreneurs consider buzz words and which attitude they have towards them is not known. We can not be sure that all stakeholders taking part in this study are meaning the same thing.
1.4 Delimitation

It is not in our interest to analyse companies in all its forms, since the occurrence of bankruptcy in general is far too common. Our focus is bankruptcy and not liquidation/closure or merger and acquisition. It should be said that many of those companies presented in the Swedish financial newspaper, Dagens Industri, have merged or been closed/liquidised (www.di.se/gaseller, 2006). Using year 2001 as an example, out of the 1455 gazelle companies, 101 have merged, 24 have been closed, 12 have been liquidated and 68 have gone bankrupt. Financial aspects concerning the bankruptcy itself will not be in the spotlight. With regard to management accounting information, our work will proceed within the lines of management accounting.

1.5 Hypothesis

- After going through Dagens Industri’s lists of gazelle companies, it seems like a higher growth rate is linked to a higher occurrence of bankruptcy.
- From the beginning of writing this thesis we have held the negative assumption that most companies have limited or no knowledge/ability/will to construct and use management accounting information.
- There is little or no correlation between the need for management accounting and the probability of business failure.

1.6 Definition of Key Concepts

- A gazelle company should, according to Dagens Industri (2006, www.di.se/gaseller), have:
  - Provided four annual reports.
  - They should have a turnover that exceeds 10 MSEK.
  - They should have at least 10 employees.
  - They should during the previous three years have increased their turnover continuously.
  - During the same period as above have doubled their turnover.
  - They should have an accumulated positive result for four years.
• **Success** is defined as becoming a gazelle company. Success is about providing a favourable or desired outcome.

• **Failure** in business is defined as bankruptcy and this is the definition used in this thesis.

• **Management accounting** is separable from the concept of “pure” accounting and is concerned with the provision of information to people within the organisation. This thesis focuses on management accounting, which could be described as providing both financial and non-financial information that help decision-makers to make good decisions. Management accounting should be of help in allocating costs between cost of goods sold and inventories for internal and external reporting; and provide information for planning, control and performance measurement (Drury, 2001).

• **Entrepreneurship** could be defined as “taking advantage of opportunity by novel combinations of resources in ways which have impact on the market” (Wiklund, 1998, p.13). Schumpeter (1934 from Wiklund, 1998) is of almost the same opinion, namely that entrepreneurship has to do with combining resources in ways that create disequilibrium in the economic system, which means that entrepreneurial firms are innovative and have an impact on the market.

  According to Dergård (2004), the contemporary definition of entrepreneurship regards entrepreneurial opportunities to explore and exploit new products and new markets. Another definition of entrepreneurship, which appeals to us, refers to the management skills, or the personal initiative used to combine resources in productive ways. It involves taking risks.

  Many researchers believe there is a difference between management and entrepreneurship in the sense that management is the same thing as business steering in the later phases of the product life cycle, while entrepreneurship is about innovation and the initial stages of the product life cycle (Dergård, 2004). This is not a theory we support, as we believe in a wider and more liberal view of the term entrepreneurship. Our definition of entrepreneurship is not radically different from the concept of management, but it also contains the earlier phases of business growth and operation in general.
• An entrepreneur is an individual who, according to us, starts a business and assumes the associated risks and responsibilities, even though many would say that the term entrepreneur should only apply to people who have shown outstanding ability and imagination in launching and succeeding with new business ventures. According to us, an entrepreneur is one who organizes, manages, and assumes the risks of a business or enterprise. When using the term entrepreneur in this thesis it means a small business manager.

1.7 The General Outline of the Thesis
2 LITERATURE REVIEW

The literature review is a guide to help build upon the work that has already been done. In our attempt to achieve high up-to-datedness, our main focus will be on scientific journals with the latest publication date, but with some exceptions regarding relevance and quality. When using, for example the Business Source Premier, we focus solely on journals that are “peer reviewed”. In the case of using Emerald Insight as search tools, this is unfortunately not possible. Textbooks will be use in proportion to their present relevance and a tool to attain knowledge of fundamental concepts and theories within this area of management accounting. Sources found in newspaper articles and free search on Google will be seen as additional material in those cases they complement, inspire or enrich the text.

There is a definite shortage in high quality journals with respect to the field of business failure, especially when combining management accounting/accounting and entrepreneurship in one search. In contrast to scientific search engines, a search on Google.com, typing in a keyword such as business failure, you get 220,000,000 hits in 0,57 seconds (2006-05-13, 19:22). Our belief is that the budgets and measurements used by the entrepreneurs and their companies, in general, are “old school” methods of economic research. Therefore, as the basics of these methods of management accounting have already been stated many years back, specific and resent research regarding for example cash budgets and budgeted income statements have been difficult to find. Since there are few papers covering this field and particularly studying the same questions within this field, it is difficult to arrange a consistent line through the literature review. When it comes to entrepreneurship and accounting, the difficulties of finding good information continues. Scandinavian researchers such as Olson (2004), Wiklund (1998) Davidsson et al. (2001), Dergård (2004) and Hansen (2005) make up the base for this part of the survey. One could say these authors are “pioneers” within the field of entrepreneurship and management accounting, at least from an Scandinavian perspective, and that we, by studying business failure, will take a side road from there path of research and hopefully to some degree broaden this area of management accounting.

2.1 INTRODUCTORY TEXTBOOK LITERATURE

Bessant, Pavitt and Tidd (2005) focus on managing innovation and according to this trio of researchers, success is determined by the overall business/innovation process rather than its constituent parts. Bessant et al. (2005) say that innovation alone may not always lead to
business success, even though there is a strong connection. In addition, they argue that innovation success should be valid only in the case of sustained growth through continuous invention and adaptation. Succeeding once could merely be a combination of luck, a new idea and, at the right time, a receptive market. This thought is interesting and one of the reasons why we chose to analyse gazelle companies.

Bessant et al. (2005) show that many studies have been done in the area of innovation management and successful management, but viewing their charts it is easy to see that very few have been writing about the opposite, namely business failure. The research base focuses on success. Innovation success has a strong correlation with project selection and management, coordination of different functions and how a company links up with its customers. The authors stress the terms integration and learning; firms must manage the whole process and reflect on what has happened (good or bad). Failure often occurs because strengths in R&D cannot be related to the marketplace or to end-users. Another reason could be that firms do not manage to link innovation to their business strategy.

Bessant et al. (2005) stress the importance of early involvement. Even though the information provided by Bessant et al. (2005) can not be applied on all types of firms, there are apparently, for example, estimates that show that 70 percent of a product’s cost can be determined at the design stage. It has though shown that firms spend less than five percent of their budget on the design stage and that they instead focus on manufacturing. By highlighting the earlier stage, substantial savings can be made in later stages.

Several different text sections make up Controllerhandboken, and each part has its own author. These sections constitute the different areas within the field of management accounting. The authors’ aspiration is to help and inspire companies, colleges and university student and assist them in their search for new methods of improving and controlling operations. Controllerhandboken is a well-respected textbook and will be our mainstay and point of departure when analysing the gazelle questionnaire. The editor of Controllerhandboken, Samuelson (2004), says that because there is such a great number of new methods and concepts, Controllerhandboken tries to balance the risk of novelty overshadowing the basic principles of management accounting. According to Samuelson (2004), the notion of business operations is to pursue a certain activity, so that in the long run, lasting profitability is achieved. It is about balance, working towards goals that are both realistic at present time and will lead to a satisfactory outcome in the long run. This textbook has a functionalistic view, meaning it believes that management accounting can contribute to higher efficiency in businesses and society. Like Strategic Management,
Controllerhandboken lacks instructive information about business failure and there are no headings containing these problems.

Not saying that our collection of textbooks could give a complete and correct picture of the current situation, but it does show that there is a definite shortage, or even absence, of knowledge with regard to business failure and its connection to management accounting.

2.2 LITERATURE – MANAGEMENT ACCOUNTING

In his dissertation, Hansen (2005) is in to how entrepreneurs are using management accounting in companies, which they lead and own. The author goes on with saying that management accounting and entrepreneurship could be seen as a state of opposition and that they cannot be over won. Therefore, he says, it is better to learn to live with them (Johannisson and Lövstål, 1995 from Hansen, 2005). Two of the roles or functions that have to be taken care of are the entrepreneurial role and the administrative role (Sahlin-Andersson and Engwall, 2002 from Hansen 2005). Management accounting will play an important role when it comes to manage and control the business. Businesses should be driven as sufficient as possible, so that companies can afford to be entrepreneurial. Hansen (2005) says that the connection between entrepreneurship and management accounting is delicate, but necessary.

Hansen (2005) continues and says that entrepreneurship can take form in many different ways. Firstly, it is through growth in their own business. Secondly, through acquisition and the setting up of new industries and thirdly, through changes being made through their contribution in their specific business of trade. We believe that these different ways of entrepreneurship need management accounting to get a company running as smoothly and profitable as possible.

In his dissertation, Hansen (2005) is talking about two types of management accounting. These are formal management accounting and cognitive management accounting. Formal management accounting is what forms the base for the different kinds of reports that exist within a company. These reports can be more or less standardised. The more formal types of income statements are often designed after the financial norms that exist in the market, while more short-term reports are constructed in a more informal way. The cognitive management accounting models show the variables that are important and that can be impressionable.

One aspect, when it comes to management accounting, is that there is a symbolic value. When choosing a specific model/system, a signal will be sent, throughout the organisation, on the things that are important to focus on (Feldman and March, 1988 from Hansen, 2005).
Doing so, management accounting will show what is important for the organisation. The use of management accounting could signalise to the organisation, within the company, which things are right and which things are wrong, and which things are important and which things are less important.

Management accounting could also be something that is being used as a tool to exercise power and/or to get legitimacy for measures, which the entrepreneur/management wants to carry through the organisation (Roslender, 1995 from Hansen, 2005). Therefore, it is interesting to see how management accounting actually works in organisations were (in many cases) the management and the entrepreneur is the same person (Hansen, 2005). Is management accounting forcible means or is it also something that could be used throughout the organisation to help it reach its goals.

Various activities within a company should, according to Drury (2001) be coordinated in lines of plans of actions with respect to future periods. These plans are often referred to as budgets. A budget reflects the financial implications of business plans and it is a way of identifying the amount, quantity and timing of resources needed. He continues and says that the difference between strategy and budgeting is the time-span of planning. Budgeting is more about planning for the short-run. Therefore, a strategy is often needed for the creation of useful budgets; you need to understand what the organisation is to achieve. The future will always be an influential factor and therefore, all managers must anticipate problems before they arise. If you do not have an annual budget process, then the demands of day-to-day work might pressure managers not to plan for future operations.

Regarding a specific budget, the cash budget, Drury (2001) says that in many cases, and practically, a monthly or even weekly cash budget will be required. Because of uncertainty, it is often necessary for companies to create cash budgets that provide for more than the minimum and allow for some margin of error in planning. By working with cash budgets, a company can defend themselves against cash deficiencies.

Wickham (2004) finds, in his book Strategic Entrepreneurship, cash to be the most flexible resource, but also the least productive. Cash in itself does not create value; it has to be put to work. It is up to the entrepreneur to strike a balance between being liquid and creating “excess” value. If the entrepreneur does not invest sufficiently, the business potential will not be reached, but if he/she becomes too illiquid, he/she might fail to overcome short-term financial problems that would not have been a problem in the long run. The access to cash depends heavily on the market where the company is active. In the west, even if some find it to be troublesome, cash is provided by explicit and open institutional systems.
As a business starts to grow, as in the case of gazelle companies, it needs to attract new financial resources to support the growth. The entrepreneur needs to be good at managing this process and also convince the lenders/investors of the company’s opportunities and predicted success. It is difficult to access cash if the investors do not believe in the company’s future performance. Investors are rational in the sense that they seek the best possible return on their investment for a given level of risk. Therefore, they feel they are in the need of good information in their work making decisions and to do this in an efficient way. The problem is just that there is always informational asymmetry between investors and entrepreneurs. Both *Strategic Entrepreneurship* and *Management Accounting for Business Decisions* are very instructive textbooks, but as with many comprehensive textbooks, they do not provide a deeper analysis of pros and cons regarding budgets, performance measurements and so forth.

**2.3 LITERATURE – BUSINESS FAILURE**

**2.3.1 Internal Factors of Business Failure**

It is interesting to read that Lehmann and Norman (2005), in *Teaching Business Students to Recognize a Firm in Distress: What Information Is Important to Experts?*, stress the importance of teaching business students how to recognise firms suffering from financial distress, since research within the field of business failure is limited. They find this to be a vital area of research and understanding.

In *The prediction of bankruptcy of small-and medium-sized industrial firms*, Pompe and Bilderbeek (2005) have analysed data from small- and medium-sized industrial companies and their results show that it is harder to predict bankruptcy in young firms than in established companies. This is interesting since we are interested in rapid growing companies that have left the start-up phase. Furthermore, the reason for this, according to Pompe and Bilderbeek (2005), is that a long slide towards bankruptcy is less likely and therefore the bankruptcy is often more unexpected. The finding of the study was that the ratio cash flow/total debt achieved the best overall accuracy with both old and new companies. On the downside you find that this study focuses on industrial firms and another objection is their lacking presentation of underlying causes to why companies go bankrupt, which would have been interesting.

To continue, in their article, *Learning the hard way: the lessons of owner-managers who have closed their businesses*, Stokes and Blackburn (2002) stress that a closure/failure process
can represent something positive, in the sense that it could be instructive. One conclusion of theirs is that many models have been built to prevent and avoid failure and that they give the impression that failure is all negative and not something that you can learn from. Furthermore, when viewing research within this field, Stokes and Blackburn (2002) have found that failure lies in three different areas. These are the individual characteristics of the founder, attributes and strategies of the business and finally conditions of the business environment. One of the conclusions that the authors make is that many entrepreneurs, that close their businesses, are willing to come back and start new companies, and that they believe that they can handle situations better in the future, because of the lessons learned from the previous closure. We find the learning process to be of great importance and it has been included in the questionnaire. Another conclusion is that previous research has associated closure with failure and that closure often is associated with unsuccessful ventures. In this thesis, the concepts of closure and failure have been separated. In this thesis failure means bankruptcy.

To continue, business failure is, according to Lehmann and Norman (2005), the outcome of many choices and decisions made within the individual company. To strengthen this statement, according to an article in Strategic Direction (2005), *Intelligent success and intelligent failure: where’s the difference?: Why some business models work, and some do not*, the term “failure” is often described as commonly an outcome of problematic decision-making. Furthermore, “often the wrong model is adopted for a strategy despite the most careful planning because assumptions are made that could easily prove incorrect” (Strategic Direction, 2005, p.5). The concluding remark is the importance of arrangement for the unexpected; “Any manager asked to provide a prediction regarding performance, is put in an invidious position” (Strategic Direction, 2005, p.5). The difference and influence of internal and external factors will be discussed further in this thesis.

The article also says that companies have never before spent so much time, effort and money on market research and information and even though this seems to be the case, the numbers of failing businesses have not decreased. It is actually more likely that the failure rate has increased. This statement creates a question: have we not learned anything? This article definitely shows the importance of studying business failure more closely.

Lehmann and Norman (2005) strengthen the importance and urgency of their work by referring to the recent management accounting scandals, which have shocked the business world. They continue, and say that it is of great importance to improve junior and mid-level staff competencies within the field of business failure. The outcome of Lehmann and Norman’s work does not provide a solution to the problem of business failure, nor does it
provide its underlying reasons, but it provides necessary tools in recognising firms in financial distress. The outcome suggests that experts request less information and fewer tests in the recognition process than do intermediate-level personnel. Furthermore, by supplementing traditional instructional information with those methods used by professionals, with respect to decision-making, lecturers should be able to provide their students with a better understanding (Lehmann and Norman, 2005). Our belief is that learning, as a combination of academic knowledge and real business practice, should be sought. This is also the type of foundation we try to build this thesis upon.

Richardson, Nwankwo and Richardson (1994) discuss in their article, *Understanding the causes of business failure crises*, that companies often fail in the sense that they run short of money. The reason for this is usually that they fail to remain competitive and fail to attract customers and other suppliers.

There is definitely a link between product innovation and attracting customers, but innovation can also create difficulties. According to Min, Kalwani and Robinson (2006), the authors of *Market Pioneer and Early Follower Survival Risks*, a pioneer that provides a really new product will be challenged just to survive. In contrast, in markets started by an incremental innovation, market pioneer survival risks are much lower. Results show that a really new product, and if it is the first product into a market, then this product is often the first to fail. The costs and risks are unusually high, which makes survival more difficult. An early follower can on the other hand learn from the mistakes that the pioneer did and avoid repeating them. The authors describe, in a pretty good way, the pros and cons with being the pioneer on a new market. On the other hand, they do not give any answers to the question: when should a follower should enter the market? Entrepreneurs failing because they were pioneers are probably not a common case for the gazelles in this study; with the exception that it happened just after the gazelle distinction and that they very quickly changed their strategy thereafter and maybe launched a new product. Still, this being our belief, it should be said that if a business is to survive over time; it needs to renew itself and at the same time be as sufficient as possible (Hamel, 2000 from Hansen, 2005).

### 2.3.2 Management Factors of Business Failure

In *Understanding the causes of business failure crises*, Richardson, Nwankwo, Richardson (1994), divide different types of business failure into frogs (metaphor used by C.Handy, 1991 and C.Villiers, 1989 from Richardson et al. 1994), so in their meaning it will be easier for the
reader to distinguish between the different types. There is a table in the article that divides organizations into the different types of frogs, namely boiled frog, drowned frog, bull frog, and tadpole.

The boiled frog failures are when organizations become slow in adopting new things so that they cannot keep up with the environmental change. Some of the causes regarding the boiled frog syndrome are, top management blindness to new and different business natures, rising “white-collar” costs and low motivation among employees. We find the question of continues innovation to be of great interest and also the rapid and global change in technology, which affects most businesses.

A second type of business failure is the drowned frog. A drowned frog feels that he needs to be all over the place at the same time, which will lead to the frog drowning in its own making. The company that suffers from this dilemma lacks free space and does not offer security. In the organizational setting the drowned frog represents the failed ambitious entrepreneur and in a bigger industry it is a conglomerate kingmaker. Causes for business failure in the drowned frog case are, one man rule, “he knows it all”, and a non-participating board, which works for the one man instead of working with him.

The third category is the bullfrogs and these are show-offs. Status and power are important factors to the bullfrog. The last one is tadpoles and these are failed start-ups that will never become frogs. Tadpoles are of no interest to us. There are several reasons for failing and some of these reasons are that the companies often are over optimistic about their own products, sales volumes and sales prices, actual costs compared with the actual revenues and so on. The article gives a broad perspective on reasons for failure within the different groups, but in a negative way, it is also all it does. It has a focus on the person-specific characteristics, which could be good, but only regarding the problems that the authors are describing in the article. The article does not give a broader perspective on things, nor does it give a broader understanding for the bigger picture on how these things are connected.

2.3.3 External Factors of Business Failure

In their article, *Attitudes of venture capital investors towards entrepreneurs with previous business failure*, Cope, Cave and Eccles (2004) start with saying that business failure is an important outcome of entrepreneurial activity, but a highly underdeveloped area of research. The article is interesting although it is written from a venture capitalist’s perspective; an investor’s interest in entrepreneurs that have been part of a previous business failure. This
article provides interesting information about the relationship between previously successful entrepreneurs and those who are to finance the return of these entrepreneurs, give them a second chance, and provide them with the possibility to once again exploit new opportunities. This could be seen as taking the research one step further, which is not our attention, but this article also stresses the influence of external factor in the failing process and it shows that venture capitalists do not always blame the entrepreneur.

Hemraj (2004) on the other hand focuses, in his article *How to Combat Business Failure*, on bank loans and the influence they have on businesses. He wants to analyse the causes of business failure and what can be learnt to prevent them from reoccurring. Business failure, according to Hemraj (2004), is often about borrowing money from the bank for unviable projects, simply being an inexperienced borrower, use short-term borrowing for long-term financial needs of business, borrowers not being in the right market at the right time and borrowers not earning enough money to repay their loans. In the conclusion, Hemraj (2004) highlights the strong impact of lenders on business failure. Our own view of the matter is that there have been more discussions concerning the inability of small- and medium enterprises (SMEs) to get their hands on a bank loan. Hemraj (2004) seems to be of a different opinion, saying that lenders are not concerned about how well borrowers manage their business, not for what purpose they borrow or if they have ever been successful. Lenders focus solely on the surety and as long as they are guaranteed to be paid back, they do not hesitate lending money. Hemraj (2004, p.183) stresses that both lenders and borrowers must act in line with viable business, and he goes even further and says: “It is high time that judges should penalise lenders who rely solely on guarantors, rather than viable businesses, to repay the loan”. The thought, that it would be too easy to get a bank loan, goes against our previous belief and knowledge, always hearing that borrowing is an impediment for SMEs.

Returning to Cope et al. (2004), venture capitalists are said to be very tolerant, flexible and open-minded when referring to business failure. They are often interested in understanding the circumstances surrounding the failure. The entrepreneur him- or herself is often not perceived to be the primary cause of business demise (Cope et al., 2004). In conclusion, previous failure will not significantly affect the choice of investing more or new capital in an entrepreneur; the entrepreneur is not even necessarily the most important factor in the venture capitalist’s decision-making process. Business failure very often has to do with external factors that are outside the entrepreneur’s control and also outside the venture capitalists control (Cope et al., 2004). As said before, this is interesting information for our study, which we will evolve around later in the analysis.
For example, Pearce II and Michael (2006) stress a possible external factor, namely the negative influence a recession have on company business. During each recession since the 1990s in the U.S., 500,000 companies have failed. The authors say that even though this is a fact, very few practitioners and scholars have the understanding of how to prepare and respond to challenges following an economic downturn. In addition, which will be discussed further down on this page, a recession hurts more if you recently lost a big client (Harding and Pines, 2005). This relationship will be put to test, if possible, in our thesis analysis.

Pearce II and Michael (2006) suggest a program of action that is to be of help in managing through recession. A solution to the problem of failure is not what we primarily sought after, but this article gives an interesting insight on how a global “problem”, like a recession, affects businesses around the world. Recessions are said to make up a lot of the complexity in our economy. Where we are going is hard to predict, but we know that recessions drive change. Pearce II and Michael (2006) think recessions have positive sides as well, as new opportunities are created. “Creative destruction” as it often is referred to, dramatically affects the availability of resources used by firms, but firms being better at conserving, maintaining and attracting resources relative to competitors will improve and build on their competitive advantage. According to the authors, the traditional way of acting during an economic downturn, which is to reduce expenses in any possible way, is not the most effective way to handle the situation. Pearce II and Michael (2006, p.208) believe that “reducing R&D expenses, reducing customer service, and laying off employees may have the desirable effect of improving near-term results, but they increase the likelihood of permanent damage to competitive advantage and market share growth”. Too great reductions in important business “resources” can therefore lead to business failure in the future.

Even though the problem of money shortage, as a main source of failure, should be positioned under internal factors, there are in turn other factors, frequently external factors, affecting this money shortage. In, *Lessons in revenue Risk Management*, Harding and Pines (2005) take up several reasons for revenue collapse. They discuss risks. The first risk is the risk of putting all eggs in one basket. Here lies the client risk and the industry risk. In the first case the risk lies in having too few clients and in the second case the risk is to have all your clients in one industry. The second risk is when a company has too few hens, if one of the hens goes away, no more eggs will come from that source, which means that the company will get a loss of income. A third risk concerns fashion; the risk that something is very popular at one point in time, but that it then suddenly falls rapidly in popularity. The fix with
Y2K (the predicted crash at the turn of the millennium) is an example of this risk. A forth risk is the normal cycle risk; a recession hurts more if you recently lost a big client.

Harding and Pines (2005) take up some of the problems that companies face. They do not give a broader perspective on the subject; they only scratch the surface a little bit. According to the authors, the solutions to the problems with the different types of risk are increased diversification and increased reserves. Companies should also focus more on the risks, but it is quite easy to say that they need to focus more and diversify more, but the authors give no examples of how this could be done.

2.3.4 Obstacles to Growth as Possible Factors of Failure

To reach understanding about why certain companies do not want or cannot grow, it is important according to Davidsson, Delmar and Wiklund (2001) to study obstacles to growth and how these obstacles can relate to entrepreneurs. Depending on several reasons such as size, age, branch of industry and so forth, different companies will react differently to obstacles to growth. An obstacle is something that could be conceived as both material and immaterial objects/phenomena that prevent expected results from happening. If the executive of a company sees that the company will not be able to make a bigger profit if the company expands its business, then this is not an obstacle to growth. On the other hand, if an executive is afraid to employ more co-workers because he/she feels that doing so he/she will impair the well-being of the employees, then this is an obstacle to growth. Parallels from obstacles to growth can be drawn towards failure. If the specific obstacles to growth will be too big of a problem then these obstacles could lead to, or at least be a factor of, failure.

With a takeoff from the origin of the different kinds of obstacles, a distinction can be made between firstly, internal (corporate internal conditions) and external obstacles (corporate external conditions) and secondly, material and immaterial obstacles (see figure below).
Internal and material obstacles comprise a lack of systems and methods for control of the process, but they also include a scarcity of routines to identify knowledge requirements, market needs, new technology and so forth.

Internal and immaterial obstacles are limitations that are mainly based on management and resource factors. These obstacles can be seen as how good the companies are at taking advantage and develop their immaterial resources. These obstacles relate to psychological factors and can have to do with the entrepreneur’s work situation and attitude.

The external and material obstacles include different kinds of governmental rules and regulations on how a company should do its business. An obstacle that belongs in this category is for example, how often the government will change different systems, for instance changes in the tax system. When the system changes, the entrepreneur is required to follow up these changes, and since many companies are small, the expenses that follow can be too big bear. Another obstacle that is related to external and material obstacles is financial limitations, which more often affects small companies than big companies. Moreover, this is related to the fact that small companies are force by the credit institutions to pay higher interest and to provide higher securities for there loans (Hall, 1989 from Davidsson et al. 2001).

The last types of obstacles are those that lie within external and immaterial obstacles. These consist of cultural factors like the present values of the population. People will in general search for “safe” jobs and it can therefore be a problem for entrepreneurs and small firms to attract and keep personal (Keegan 1997 from Davidsson et al. 2001).

According to Davidsson et al. (2001), three main types of obstacles can be identified in consideration of origin and mentality. The first type is management and resource obstacles

<table>
<thead>
<tr>
<th>The Growth Obstacle’s Character</th>
<th>Material obstacles – Immaterial obstacles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Obstacles</td>
<td>Lack of routines and methods e.g. a control system for stocks and costs</td>
</tr>
<tr>
<td>Reluctance from the entrepreneur to expand, lack of competent co-workers, deficient management skills etc</td>
<td></td>
</tr>
<tr>
<td>External Obstacles</td>
<td>Lack of external risk capital, deficient infrastructure, unfavourable rule and regulations etc</td>
</tr>
<tr>
<td>Negative perception about the business, tendency to search for “safe” jobs etc</td>
<td></td>
</tr>
</tbody>
</table>

Source: Davidsson et al 2001, p. 236
that belong to the company internal conditions, both material and immaterial. The immaterial obstacles are lack of trained employees and difficulties to attract and keep labour, but also the entrepreneur’s inabilities/abilities to expand (Green and Ashton, 1992, Delmar, 1996 from Davidsson et al., 2001). Material obstacles deal mainly with the lack of methods, systems and routines that shall compensate the direct control from management (Dodge and Robbins, 1992 from Davidsson et al., 2001).

The external, material obstacles are unfavourable rules and regulations, which the government has legislated. In this category there is also the problem with external financing and small firm’s unfavourable situation with credit institutions (Hall, 1989 from Davidsson et al. 2001). These obstacles can not by them self create growth but they can create more or less favourable conditions for the companies. Obstacles in this category can also be called institutional obstacles.

Obstacles that are external and immaterial can be called cultural obstacles, which in turn mean present values and interpretations in the society. An example of an obstacle in this category could be a small company’s inability to pay salaries adjusted to conditions on the market (Bosworth, 1989 from Davidsson et al 2001).

As a summary, it could be said that obstacles to growth can take many different shapes and forms. Some of these are related to the different stages of development, in which the companies are found to be at, and others demand continuous attention if the company should be successful.

Internal obstacles relate to resources and management and external obstacles relate to institutions and culture. Immaterial obstacles are often characterised by management factors, but it can also be an unfriendly entrepreneurial business climate in the society. Finally, material obstacles can be conceived as lack of routines within the company and lack of suitable regulations, which can be perceived to have a negative effect on small companies’ growth. All these factors mentioned above in the text are incorporated in the questionnaire and will be analysed further in chapter four, and could in a broader sense be seen as factors of business failure.
3 METHODOLOGY

It is doubtful that, with respect to the time limit, a broad and representative overview of business failure and the influence of management accounting can be conducted. Therefore, we have moved away from a more quantitative thesis to a more qualitative thesis. Having “interviewed” twelve business entrepreneurs in a questionnaire survey, this thesis characterises what would be regarded as a case study. To statistically guarantee the outcome of this work, a higher answer frequency would be insisted upon. A case study is also commonly used when describing a process, which is what this thesis is about. It will show the process from business success to failure, with a focus on management accounting. In addition, some researchers might say that a questionnaire is not to recommend when doing a case study, but according to Fisher (2004), it is possible to use any of the research methods to produce both qualitative material and quantitative material. It is also possible to use any research method irrespective of choice with regard to research approach.

As academic researchers, doing a qualitative study, we have no involvement or connection with the companies presented in this thesis, except that we have been allowed to access information about the companies through a written questionnaire.

Our point of departure will be Dagens Industri’s definition of a rapid growing company, by them called a gazelle company. The two main reasons for choosing gazelle companies to answer our questionnaire are that we find this business concept to be well known in the Swedish business society and that gazelle companies, in all probability, are role models for Swedish entrepreneurs. Furthermore, it is also much more interesting to “analyse” a concept regarded as more exceptional. We believe it would be of no real interest analysing companies in general, since the reasons for them failing could be anything from foolishness to bad luck. Even though this could be the case also for gazelle companies, these have at least proven themselves at one point in time to be successful. The reason for choosing Dagens Industry as our primary source in search for gazelle companies is that they provide a well-defined gazelle definition (see key concepts above).

In our search for companies that have gone bankrupt, we concentrate on companies being gazelles during the years 2001 and 2002, the two “oldest” gazelle lists on DI’s homepage, as the probability of finding failing companies from earlier periods is higher than that for later periods. Older gazelle companies have had more time to go bankrupt. The overall timeframe for the thesis did not allow us to extend our research to another year.
In 2001 and 2002, Sweden housed 1455 contra 1272 gazelle companies. For us to see which of all these have gone bankrupt, we needed to go through these two lists, company by company, and analyse them in *Affärsdata*. *Affärsdata* is a data bank containing information about all Swedish registered companies. The outcome of this extensive process gave us a list of 107 companies that had gone bankrupt, 68 companies from 2001 and 39 companies from 2002. By thoroughly going through these two lists, provided by Dagens Industri (www.di.se/gaseller, 2006), we know that the number of companies that merge or are objects for liquidation is much greater than the number of companies gone bankrupt. Furthermore, it should be said that not all companies on Dagens Industri’s list over gazelle companies could be found using Affärsdata, but since this number (approximately five percent) is of minor importance we do not believe it deserves a deeper discussion.

Except from the bankruptcy information, *Affärsdata* provides some basic information of who led the company; who was the entrepreneur or the managing director of the company. The data bank provides an address and a phone number to the once well functioning company, which are of no use for us, but by providing the name off, for example, the managing director or a member of the board, there is at least a small possibility to track him/her down by using search engines such as *Eniro.se, Hitta.nu* and *Google.com*. As a result, we managed to track down 90 entrepreneurs. The next step in the quest finding respondents, who were willing to provide us with an e-mail address, was to first contact a company board member, another company where he/she is active today or a family member before reaching the CEO/entrepreneur/managing director. This work resulted in sending out 41 questionnaires and receiving 12 answers.

![Figure 3.1: “The Gazelle Cone”](image-url)
From the beginning, we knew it might be a problem getting our subjects of experiment, which are bankruptcy experienced gazelle entrepreneurs, to answer questions in line with our thesis purpose. We felt that we could not be too fastidious, and choose entrepreneurs after specific criteria like for example, line of business or level of education, but instead work with everything we could “get our hands on”. This choice, with respect to the method of tackling the objective of this thesis, is motivated by a limited population of “failing” gazelle entrepreneurs.

Our study contains many different lines of business, but there will be no real comparative analysis conducted, neither with regard to different lines of business nor to geographical areas. We feel that we would have needed both more time and a higher answer frequency for each line of business to conduct an analysis of that kind. Instead, there will be a presentation and analysis of more general business behaviour, ways of doing business and authors’ observations.

We are aware that it is not possible to secure the outcome of our study statistically, but we believe it is possible to show some kind of relationships and trends between entrepreneurship, factors of failure and management accounting information.

The choice of literature is based on availability and content. The reason for a quantitative overweight in business failure literature is our, but also many of our readers’, shortage in knowledge within this area in comparison to accounting in general. Most management accounting literature referred to in this thesis is about models in general, budgets and cash flows in particular. In the process of finding good literature and creating a broader understanding of the subject, we have come across overall good literature, but not specific enough to be a part of this thesis. However, it has made us think and it has given us a foundation to build upon.

3.1 QUESTIONNAIRE

By distributing a questionnaire, to gazelle entrepreneurs, we are to examine possible reasons for why some of these previously successful companies gone bankrupt and if management accounting information played a role in the bankruptcy. If that was the case, what kind of role did management accounting information or the lack of management accounting information play? Moreover, we want to know how they used this information in their work.

Furthermore, we will use the scarcely written literature on the subject to more fully describe these reasons for business failure. The questionnaire survey will be carried out
electronically, as an attachment via e-mail. Even though the companies we are to “interview” have Swedish heritage, the timeline of this thesis limits us to travel the country in search of eye-to-eye interviews with business entrepreneurs. We believe the electronic questionnaire method will be the most suitable in this case and because of this, we understand the importance of a well-designed questionnaire, with no room for misinterpretation or dissolute answers. This will be a qualitative study and we aspire a deeper and broader understanding of the course of events from success to failure.

The questionnaire has been tested throughout its construction period. Except from our tutors, two business students and two entrepreneurs have been involved in the tests.

Our presumption that some entrepreneurs might interpret the concept of management accounting in a different way than we would, is the main reason for also incorporating accounting as a term in our questionnaire; writing management accounting/accounting. Since there is a connection between the two “subjects”, we believe this solution was a way to assure an outcome that was workable, although not perfect.

The questionnaire will be of retrospective character, which means the interviewee will not give an answer that corresponds exactly to the time of the bankruptcy, but instead give an answer that he/she today believes correspond to what really happened at that time (Dergård, 2004).

Our respondents will be offered the possibility to stay anonymous, as some degree of discretion probably will generate a higher answer frequency. The choice between open and pre-coded directed questions depends upon our belief in probability of the highest possible answer frequency. With this in mind, we have chosen to use mostly pre-coded questions for our questionnaire. The open questions are most often linked to previous pre-coded questions to in greater detail describe the entrepreneur’s choice of answer.

The questionnaire as such will consist of 35 main questions and is divided into four separate headings: opening questions, management accounting questions, factors of business failure and concluding questions (See appendix A). Since this thesis has a strong focus on management accounting information, questions concerning management accounting will make up a lion’s share of the questionnaire.

The main reasons for why the questions about management accounting are being asked are that they constitute basic knowledge within the area of management accounting and since we do not believe they use any sophisticated or more “fashionable” methods. The questions will hopefully give a broader picture over how the companies worked with management accounting information and if the use of this information changed over time.
A critical/negative element to this questionnaire is that there has been no time for a follow up on the questions. Understanding about, to which extent that the companies actually have used the management accounting models, and to what purpose, is in many respects absent.

Furthermore, there is a possibility that the outcome of the questionnaire could be biased to some degree, as the respondents might not be representative for the whole population of previous gazelle entrepreneurs. A greater majority of the respondents who answered the questionnaire are back on track, which could be the reason they chose to answer. However, this is not a statement, but merely a possibility that we would like the reader to bear in mind.
4. THE GAZELLE STUDY

The focus will be on the information provided by the entrepreneurs, the material/answers we have received from our questionnaire study, and not the overall information we have gathered using DI’s Gazelle List or Affärsdata. However, as a first introduction to the empirical section, the reader will be given a short overall analysis of the macro picture.

Looking at the whole population, the 107 gazelle companies from 2001 and 2002 that went bankrupt, it seems like the upper quartile of the gazelle list (Dagens Industri, 2006) hold a greater number of bankruptcies (38 percent and 35 percent); meaning that there is some sort of correlation between business failure and high rapid growth. This could not be statistically guaranteed, but both list show signs of this. Our conclusion is that this makes it even more interesting to analyse gazelle companies. Economic growth is requested by most companies and therefore, investigating the risks and downsides of rapid growth must be of utmost interest. Examine rapid growth is not the sole purpose of this thesis, but rather a point of departure, as we study gazelle companies. As stated many times before, this thesis will focus upon the influence of, and use of, management accounting and not, even though it will be discussed to some degree, the whole spectra of possible factors of business failure.

Going through the answers given by the gazelle respondents, the majority of those who answered are back in business again. This was, to some degree, expected, as it is always easier to get people talking about their successes in life. In this case, being back in business can be seen as a success and all of the entrepreneurs say they have learned a lot from their previous bankruptcy, which will be addressed later in this chapter.

All of the entrepreneurs in the survey held influential positions within their companies. A majority is both founder and CEO, chairman of the board and majority owner. In other words, they held the main responsibility for company survival, strategy and business operations.

Out of the twelve entrepreneurs surveyed, eight have some kind of university education. We know that at least three have attained a bachelor’s degree in language/literature, law or IT. The rest of those who studied at university have taken courses in either pedagogics, economics/ accounting, behavioural science or computer science.

4.1 OPENING QUESTIONS

Many different types of businesses are presented in the study, but they are presented in a more rough way, as either manufacturing firms or services firms. Out of twelve companies, four are
manufacturing firms and eight are service firms. It is not possible to state that there is a correlation between the line of business and bankruptcy with such a limited group.

The companies, in which the entrepreneurs are active, have a mean of 40.5 employees and a median of 27.5 during the peak of their gazelle era.

As can be seen in table 4.1 below, the entrepreneurs themselves remember to have worked long weeks planning for the start-up of the company. In addition, eight out of twelve respondents also worked with something else during the construction period of the company, and six out of these were either CEO or founder of another company. To have a demanding job with a lot of responsibility parallel to this preparation work must sum up to very long weeks and a heavy workload. It is possible that long hours and distraction influenced the quality of business planning.

Table 4.1: Hours of working with the gazelle company before the start-up.

<table>
<thead>
<tr>
<th>h of work/week</th>
<th>X out of 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 10</td>
<td>1</td>
</tr>
<tr>
<td>11 – 25</td>
<td>2</td>
</tr>
<tr>
<td>26 – 40</td>
<td></td>
</tr>
<tr>
<td>41 – 55</td>
<td>2</td>
</tr>
<tr>
<td>56 – 70</td>
<td>5</td>
</tr>
<tr>
<td>71 –</td>
<td>2</td>
</tr>
</tbody>
</table>

A majority of the respondents were active within another line of business, while merely two of the respondents worked within the same line of business. Therefore, for a majority of companies, business inexperience can have influenced the bankruptcy. However, most entrepreneurs asked have been active in the company since the beginning and most companies have been active for more than ten years, which reduces the probability of any stronger parallel between inexperience and bankruptcy.

Only one entrepreneur says that he/she was lacking a proper business concept when starting up the business. Most entrepreneurs imply that they conducted some sort of market analysis before opening up their business. They also carried out a competitor analysis and a profitability analysis. In contrast, only half of the respondents say they carried out a product/service price analysis. A detailed examination of these analyses has not been carried out, so their quality is questionable. However, it shows that the entrepreneurs have put in some effort into understanding their business environment and business opportunities. Since looking at companies that have become gazelles, and since they have been active for a longer
period of time, this information could be of less importance in determining the cause of business failure. Nevertheless, it feels like an informative foundation to start from. It also shows behavioural trends among the entrepreneurs. We believe it becomes more interesting if there is some kind of company presentation, as a promise has been given the entrepreneur regarding anonymity, the reader will not be provided with company specific names.

Table 4.2: Number of entrepreneurs that conducted different types of business analyses.

<table>
<thead>
<tr>
<th>Type of analysis</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis of Competitors</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Analysis of Market</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>Analysis of Prices</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Analysis of Profitability</td>
<td>11</td>
<td>1</td>
</tr>
</tbody>
</table>

The main motives for why the entrepreneurs started their companies differ, but there are a few motives that keep coming up. These motives are presented below in table 4.3.

The motive that is seen as the most important by the respondent is given three “points”, while the third most important motive is given one “point”. The total number of points that one motive can obtain is therefore 26 (3 x 12). The respondents were also asked to merely highlight all influential motives without ranking them and these results are presented in the last column.

To hold an interest in the product/service has shown to be of great importance and a strong motive for many entrepreneurs. The opportunity to build something from zero has also shown to be a strong motive. In addition, as can be seen in the figure below, the wish to decide over your own future and time, and making money are important for the questionnaire respondents. The belief in a strong future market has also shown to be an influential motive.
It is probably important to hold an interest in what you are doing. It will most likely give you the energy to put in that extra effort that is often essential to succeed. However, it must be important to also have strategic motives if you want to succeed, like for example a belief in a strong market, which has been put forward in the questionnaire. Spreading the risks and learning for the future are other motives of this type. Strategic motives are not really stressed by the respondents in the survey and maybe this has influenced the negative outcome of their businesses, but as mentioned before, since they have been in business for a longer period, it is doubtful. However, this survey does not cover the companies’ situation before the gazelle era, and it is possible that they performed poorly in the beginning. As stressed by Bessant et al (2005), succeeding once could merely be a combination of luck, a new idea and, at the right time, a receptive market. If this was the case; if it was luck or a temporary opportunity that led to success, then a deficient strategy could be the reason for business failure.

Of those who produced management accounting information, eight out of twelve had some kind of university education, while four out of twelve had finished upper secondary school. In the majority of companies, only one person worked with putting together management accounting information. This means that, in most cases, only one person’s knowledge of management accounting will be of help to the company. In addition, only one person’s view of what is good management accounting information, with respect to one’s line of business, will enrich the overall knowledge in the company. If you are singly responsible

### Table 4.3: Motives for starting a business

<table>
<thead>
<tr>
<th>Motives</th>
<th>F1</th>
<th>F2</th>
<th>F3</th>
<th>F4</th>
<th>F5</th>
<th>F6</th>
<th>F7</th>
<th>F8</th>
<th>F9</th>
<th>F10</th>
<th>F11</th>
<th>F12</th>
<th>Sum</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great interest in the product/service</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>x</td>
<td>13</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>It seemed fun</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td>3</td>
<td></td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>The wish to decide over your own future and time</td>
<td>3</td>
<td></td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>x</td>
<td>8</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Make money</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>x</td>
<td>8</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The opportunity to build something from the ground</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>x</td>
<td>16</td>
<td>5</td>
<td></td>
<td></td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Create experience for future employment or businesses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Unemployed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Believed in a strong future market</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
<td>9</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expand the number of companies within the business group</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td>3</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spread the risks within the business group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other: new partner</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3</td>
<td>3</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** *Thesis questionnaire* (2006)
for putting together management accounting information, and in the case that you have never attended a university or never taken part in business studies, you might not know or control the options, sources and methods that could be used to improve your work. The outcome of such situation is most probably a quicker decision-making process, but a less innovative and diversified way of doing things. However, it would be wrong to say that it is a bad way of doing things, since roughly only four percent of the gazelle population we have examined went bankrupt. Even though successful gazelle companies have not been examined, small accounting departments are probably not a reason for business failure.

Moreover, when it comes to the degree of education among the leading individuals within the companies, the majority has at least some employees with a higher degree or university attendance. It is hard to compare these companies, since the number of employees differs so much. When it comes to the education level among the respondents, the employees within the accounting department and among “managers”, the time limit keeps us from comparing successful and unsuccessful businesses. With this in mind, it is still interesting to see what is common among these companies.

Six out of eleven say they planned to grow as rapidly as they did. Out of the twelve entrepreneurs, six say that rapid growth was one of the reasons they went bankrupt, but only one entrepreneur, who finds it to the most significant factor, rank rapid growth higher than the fourth most influential factor of business failure. This finding does not support our theory of a strong correlation between rapid growth and bankruptcy. Those who did not plan to grow as rapidly as they did, believe the reasons for it to be weak competition, a non foreseeable increase in demand, large orders at the same time, or the possibility to grow as a central supplier because of new start-ups and acquisitions.

4.1.1 Opening Questions in Relation to the Literature Reviewed

Only six out of twelve said they conducted a price analysis and therefore, the remaining six could not really have known what level of production costs they could bear. Bessant et al. (2005) say there are estimates showing that 70 percent of a product’s cost can be determined at the design stage and that companies can make substantial savings in later stages by doing this.

In contrast, when it comes to market analysis, our findings show that an obvious majority has conducted one. This is in line with the outcome of an article in Strategic Direction (2005), which states that companies have never before spent so much time, effort and money on
market research and information, but that it has not led to a decrease in business failures. The reasons for this could be the same in both studies, namely that it is really difficult to plan for the unexpected.

Given that not even properly educated business students and their tutors are educated in recognising firms suffering from financial distress (Lehmann et al., 2005), it might be difficult for uneducated entrepreneurs and employees to predict and manage such a situation. Especially if they do not possess the appropriate business experience, which we believe could be at least as efficient as any three-four years at university.

We have tried to, in the same way as Stokes and Blackburn (2002), show that business failure can be connected to the individual characteristics of the founder and the company’s business strategies. Except from what has already been said in the previous chapter, a final remark will be made in the thesis conclusion. A belief in the influence of the company’s business environment is also put forward by Stokes and Blackburn, but discussed in more detail in the next part.

4.2 Internal and External Factors of Business Failure

We have chosen to, besides our focus on management accounting, present overall internal and external factors that affected company operation. Some of these factors can be connected to management accounting, which constitute the novelty of this thesis, while the other factors are of more common research character. For our analysis, the value of the latter lies in their secondary effect on management accounting information. Everything that affects business in a bad way will end up in declining profits, and if you are a believer in the importance of management accounting, understanding and calculating these changes will maybe help you prevent business failure.

The factor found to be the most influential according to the respondent is given five "points", while the fifth most important factor is given one “point”. The total number of points that one factor can obtain is therefore 60 (5 x 12), which would mean that all respondents ranked it as the most influential factor of business failure. Some respondents did not fully complete the questions regarding internal and external factors of business failure, which means that table 4.4 below is imperfect, but still “reliable” and useful. The table is divided into two parts, namely internal and external factors (Table 4.4.1 and Table 4.4.2). The respondents were also asked to merely highlight all influential factors without ranking them and these results are presented in the last columns under Frequency.
Table 4.4.1: Internal Factors of Business Failure

<table>
<thead>
<tr>
<th>Internal Factors of Business Failure</th>
<th>Total number of points</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Too rapid economic turnover/sales</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>Low differentiation; all eggs in one basket</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Too large of a reduction in resources during a recession</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Reluctance to invest in future product technologies</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Lack of product innovation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poor cash flow in operations</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>A rigid decision-making process</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poor cash reserves for &quot;bad days&quot;</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Lack of operational routines</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Low competence among the employees</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>The company got a bad reputation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difficulties hiring qualified employees</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Too large fixed costs</td>
<td>18</td>
<td>6</td>
</tr>
<tr>
<td>Limited knowledge regarding this type of business</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Limited knowledge regarding the market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer desires and requirements were not satisfied</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>An unsuccessful investment/drive in a new market</td>
<td>15</td>
<td>4</td>
</tr>
<tr>
<td>An unsuccessful investment/drive in a new product</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>The business plan was proven to be defective</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>A problematic relationship between employees and management</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>A problematic relationship between employees</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td><strong>Other factors:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank actions</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>More than one customers refused to pay in one period of time</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Sister company undermined the liquidity</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Deceive by the company you performed a job for</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>New partner seized the personnel and started a competing business</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td><strong>Frequency</strong></td>
<td>131</td>
<td>47</td>
</tr>
</tbody>
</table>

4.2.1 A Quantitative Approach to Internal Factors of Business Failure

Too large fixed costs is seen as the most influential factor of business failure, both in terms of highest score point and answer frequency, followed by unsuccessful investments/drives in a new market. Too rapid economic turnover/sales got a higher answer frequency but a slightly lower score point than the latter, it qualified as the third most influential factor in terms of points. Poor cash flow in operations, together with poor cash reserves for "bad days", qualified as the fourth most influential factor of business failure.
None of these factors reach a particularly high score point, but they did however distinguish themselves from the broad. It is interesting to see that they on many points are connected to financial aspects. In addition, this is interesting with respect to the thesis purpose, as it is possible to obtain and work with this information using the methods of management accounting. To what degree the entrepreneurs and the employees, working with management accounting information, put together, follow-up and use this information will be discussed further in section 4.3.

4.2.2 A Qualitative Approach to Internal Factors of Business Failure

One entrepreneur said that he/she failed to adjust to a slower speed and that inexperience was an influential factor in the bankruptcy. The same entrepreneur said that he/she had a naïve approach towards the company’s most valuable resource, namely the employees. They are not fixed assets and when things are heating up, you, as the company owner, are totally alone.

Another entrepreneur said that, when the size and number of orders rose, more employees were needed and they had to be covered. In turn, the increase in accumulated wages drained the cash reserve and because of long terms of notice for employment it was difficult to do anything about it. In addition, he/she said that this also applies to high rental charges.

In resemblance with the acknowledgement above, one entrepreneur said that increases in sales happened really fast, faster than he/she was expecting. Even though the production facilities/machines could be used in a more efficient way, and the turnover increased, the costs mounted during the transition period as well. According to the entrepreneur, the company was promised an increased overdraft facility in its cheque account, but without a warning, the bank later refused to go through with it and with closed accounts the bankruptcy was unavoidable. There had been no signs of a business decline or anything like it according to the entrepreneur. After the bankruptcy, even the bank has admitted that there was no real reason for bankruptcy. In addition, all people involved in the company were fully paid. The entrepreneur does though admit that the company’s statement of account had every right to be heavily criticised and that it should have been pointed out by the company accountant at an earlier stage. It was, among other things, difficult to confirm the company’s outgoing balances.

Furthermore, one entrepreneur merely stresses the importance of knowing the market and not become a victim of too large fixed costs. As he/she put it, “have more Pay as You Go.”
It feels like there are clear signs of a greater need for some kind of management accounting information to structure the business development and transition periods.

### 4.2.3 Internal Factors in Relation to the Literature Reviewed

According to Lehmann and Norman (2005) and an article in Strategic Direction (2005), business failure is often the outcome of choices and decisions made within the individual company and the rigidity in the process. In the case of the companies surveyed, our findings do not stress any higher influence of a rigid decision-making process.

Bessant et al. (2005), always highlighting the importance of continuous innovation, believe that, business failure often occurs because strengths in R&D cannot be related to the marketplace or to end-users. They also say that the way a company links up with its customers influences its success. One entrepreneur says that the development within his/her line of business, and as he/she puts it Time to Market, happened to rapidly. Moreover, one respondent in our survey said that customer desires and requirements were not satisfied, and he/she ranked it as the most influential variable, but this has not been stressed at large. A lack of product innovation has otherwise not been brought forward by the respondents, who have not even touched the subject.

Furthermore, a low degree of company differentiation, as stressed by Harding et al. (2005), has not proven to be an influential factor of business failure.

Too large a reduction in resources and expenses during a recession is found to be the traditional way of acting during a recession (Pearce II et al., 2006), but it has merely been brought forward by one entrepreneur in the survey. The weak assumptions made here of what is really an influential factor is unfortunately a recurrent problem. With such a limited group of entrepreneurs, in many cases we can not more than retell our findings. However, according to our survey, it is possible to show that a great reduction in important business “resources”, during a recession, can lead to business failure in the future.

Davidsson et al. (2001) say that, when discussing immaterial obstacles to growth, a lack of trained employees and difficulties in attracting and keeping labour can lead to low growth and poor performance. Similar factors of influence have been stressed by the respondents in the survey; factors such as difficulties hiring qualified employees and low competence among the employees.

Although not ranked as one of the most influential factors, Davidsson’s (2001) material obstacles, namely the lack of methods, systems and routines that shall compensate the direct
control from management, have also shown to be of some negative influence for businesses in the survey.

Table 4.4.2: External Factors of Business Failure

<table>
<thead>
<tr>
<th>External Factors of Failure</th>
<th>Total number of points</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental rules and regulations</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Too frequent and time-consuming changes in regulations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difficulties getting loans from the bank</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>Difficulties getting access to venture capital</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Too rapid changes in production technology</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Too rapid changes in product innovations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>An economic recession</td>
<td>16</td>
<td>6</td>
</tr>
<tr>
<td>The regional infrastructure did not support the business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The market had reached saturation point</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Too high a level of competition</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Too many new competitors</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Losing important customers</td>
<td>13</td>
<td>3</td>
</tr>
<tr>
<td>Losing important suppliers</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Other factors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wrong in Time to Market</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Exchange rate variation</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Frequency</td>
<td>64</td>
<td>24</td>
</tr>
</tbody>
</table>

4.2.4 A Quantitative Approach to External Factors of Business Failure

The three most significant external factors of business failure, both in terms of total number of points and answer frequency, are in order of influence: economic recession, losing important customers and difficulties getting loans from the bank. This outcome indicates that the companies surveyed are short of funds. It seems like they can not afford losing customers or handle a recession very well.

4.2.5 A Qualitative Approach to External Factors of Business Failure

One entrepreneur said that, along the way towards the turning point, he/she had no problems with the bank, but thereafter, when they were in real need for a loan, the bank refused. As mentioned in chapter 1.1 (background), the notion of "creative destruction" is applicable. We said that we believe there are firms that could be beneficial to the society in large even if they at one point in time are proving to be inefficient. With regard to this specific case, it is not
possible to say if the bank acted in a correct way. However, the bank has shown to be a recurrent factor of influence and a concluding thought must be that a more structured statement of accounts could be a way of persuading the bank of the company’s prospects and condition. In addition, it would probably lead to a fair and comparable outcome, with respect to the bank’s previous decisions.

Another entrepreneur stresses the influence of an economic recession, which hit the company hard and quick. The company expected a large order, which got delayed. As a result, the company was in need of an overdraft facility in its cheque account, but the bank would not grant that if the entrepreneur him- or herself did not provide a personal 100 percent guarantee. Despite employee cut downs and an unpaid managing director, a three year leasing contract on the facility and on the computers, which was non-negotiable, was too much to bear.

An entrepreneur, with a more unique direction within his/her line of business, said that it, during an economic recession, became evident that their way of doing things was very uncertain. Their problem was that they put down a lot of money in “products” that then ended up as stock-in-trade during indefinite time. Their business was divided into two divisions and during the recession, none of the two divisions could support the other. Even though the entrepreneur said that it was tough to estimate the costs of their type of operations, he/she admits that a better method of estimate, more frequent follow-ups and a more careful monthly report would have been helpful. As the literature states, it is important to be updated on the situation and sometimes monthly reports are not enough, but weekly reports are needed.

Other entrepreneurs have said that they launched their product to early and that it involved to great of an investment, that their capital stock was insufficient when the IT recession hit them, that labour unions make rapid changes impossible, that the bank does not provide loans to companies in temporary crisis and finally, one entrepreneur said that more global factors such as terror, war, Sars, fluctuating exchange rates and the IT-bubble affected the business in a very negative and powerful way.

4.2.6 External Factors in Relation to the Literature Reviewed

As stressed by Cope et al. (2004), and brought forward as an influential factors by the entrepreneurs, business failure very often has to do with external factors that are outside the entrepreneur’s control. This must also be the reason why many companies find it so difficult to get their hands on venture capital. The uncertainty in most businesses affects the possibilities to finance operations. On the positive side, the entrepreneur him- or herself is not
often perceived as being the primary cause of business demise. In addition, as emphasised by Davidsson et al. (2001) and by us found to be of great negative influence, a material obstacle such as financial limitations has a powerful effect on smaller businesses.

The findings of Min et al. (2006), which show the problems of being a pioneer, apply to one of our entrepreneurs as well. A pioneering product, and one that is the first product into a market, is often the first to fail.

The concept of the boiled frog failure, presented by Richardson et al. (1994), could possibly be the outcome of labour unions making rapid changes impossible, which was stressed as an influential factor by one of the entrepreneurs in this study. Richardson et al. (1994) describe it as organizations becoming slow in adopting new things, so that they cannot keep up with the environmental change.

Pearce II et al. (2006) underline something that can be seen as obvious, namely the negative influence of an economic recession. Although obvious, it has been ranked by the survey respondents as the most influential factor of business failure. Harding et al. (2005) say that a recession hurts more if you recently lost a big client. This was also confirmed in at least one survey case.

4.2.7 The Concluding Section Analysis

Figure 4.2 is an inverted version of Wiklund’s model (figure 4.1) below. Instead of the outcome being performance and growth, the purpose of the model is to show what influences business failure.

Figure 4.1: A theoretical model, by Johan Wiklund, integrating different perspectives.

Each box in figure 4.2 represents an area of influential factors. This figure shows that the factors we have described so far can in many ways be connected to accounting information in general. Even if it does not show in the figure, accounting information can in turn also affect the other boxes. The figure shows that there are many factors that can affect the outcome. Some are possible to foresee, while others are not. The “bullets” in each box are factors, which have been stated by the respondents to have influenced their businesses. All of these factors can by themselves or in interplay affect the outcome of the business and as seen in this survey, even lead to failure. In some cases, accounting information can be of help anticipating for example a decrease in profitability. Accounting in itself can also reinforce the impact of the other factors. The two boxes Learning and Success, which in some cases could be the
positive outcome of business failure, will together with the accounting perspective be discussed in more detail below.

### 4.3 Management Accounting Information

In the part of the questionnaire that is named *management accounting questions* (see appendix A) are, as the heading is saying, questions asked about how the companies handled management accounting within their organisation. When doing this kind of survey, the reader should have in mind, which is also mentioned in the problems and possibilities part, that it is an entrepreneur that answered the questions and it is his/hers perspective and view on things that is being rendered. Hopefully, changes in the use of management accounting information could be deducted and in which way these develop over time and how the companies handled the different kinds of management accounting information.

The first field that is being discussed in this part of the questionnaire is about the cash flow, since the cash flow and its analysis is one factor that is important for the entrepreneur to have control over. Given that a part of the core in this thesis is about bankruptcy, it is especially interesting to see how the companies managed their cash flows. One could also say that it could be of importance to the companies that they produce and work with cash flows analyses, since the analysis is one tool to see how the company’s solvency is developing.

Different kinds of measurements are the next area the respondents are being asked questions about. The main areas of interest are: what measurements were used to measure the business by the companies and how often were these measurements measured?

Budgeting has captured the third area of interest regarding management accounting information. Have the companies made and used budgeting in their work? How have they worked with this tool in their businesses? The answers to these questions could give an indication to if the entrepreneurs put a lot of effort into their companies and if the businesses were in some extent well thought-out.

The final questions in the management accounting information part regards external stakeholders’ influence on the company, during which phase (Start up, Growth, Turning point and Decline) this occurred, if these stakeholders’ influenced the management accounting information and if the companies then used this information.

In the questionnaire, nine out of twelve respondents gave the answer that they used some form of a cash flow analysis when they handled the operational part of the company. Cash flow can be used as an indication of a company's financial strength, which hopefully also was
one of the companies’ goals. Obviously, this did not work out especially well, or maybe it did, and there were other factors that were the main reasons for the bankruptcy. It would have been very surprisingly if the cash flow analysis was the reason for the bankruptcy itself, but it could have been poorly managed and therefore they did not see the shortage of funds and the bankruptcy that was coming.

An important conclusion that could be drawn is that all but one company increased the pace, during the decline phase in comparison with the growth phase, with which they produced the cash flow analysis.

When putting together the findings concerning the different kind of measurements that the companies used, the answers are put into a similar figure as in the introductory questions seen above. (Every number in table 4.5 below stands for the number of companies that followed up that specific measurement at one specific point in time. For example, a company could check on their cash flow daily but also monthly and therefore, the total number for cash flow is thirteen, even though it is only twelve respondents in the survey.)

**Table 4.5: Measurement overview**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2</td>
<td>6</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>Cash flow</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td></td>
<td>13</td>
</tr>
<tr>
<td>Contribution margin</td>
<td>1</td>
<td>3</td>
<td></td>
<td>1</td>
<td>2</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>Backlog</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>Profit margin</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td></td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Stock turnover</td>
<td>1</td>
<td>2</td>
<td></td>
<td>2</td>
<td></td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Company specific</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Frequency</td>
<td>4</td>
<td>13</td>
<td>15</td>
<td>8</td>
<td></td>
<td></td>
<td>6</td>
</tr>
</tbody>
</table>

The information in the table above is from the ten respondents that gave their answers on which measurement that is of most importance for them and how often they measured these measurements. One of the twelve respondents said that they did not use any measurement at all and one did not answer the question at all.

One conclusion of the table above is that, of the entrepreneurs that answered the question, all of them state that they checked on their favourite measurement every week and/or every month. As can be seen in the table, no sharp lines can be drawn, even though many of the respondents said that sales and cash flow were important for them. It is even harder to draw any sharp lines when it comes to the following question: within which field of application did
the entrepreneurs use these measurements? The answers we got differ a lot, but a majority of them were about the companies’ economic situation, such as liquidity, profitability, sales and turnover.

This could give a picture of that it is important for the entrepreneurs to know if they have money to pay salaries, suppliers and so forth. We can not know without further research if this truly is the case.

The most accurate insight that could be drawn from this part of the survey is that it is very rare for the respondents to use company specific measurements, only one entrepreneur answered that he/she used a specific measurement, the others used the traditional ones.

The use of budgets could give a hint concerning if entrepreneurs have made careful planning of their businesses, even though it has been mentioned before we can not know how well designed these budgets are and therefore, what they gave for type of information in reality.

Regarding the use of budgets in their work, all but one stated that they did use budgets in their work. One entrepreneur stated that they used more than one kind of budget, therefore the total sum, in table 4.6 below, is bigger than twelve. Seven of the respondents used a budgeted income statement as a tool, nine used cash budgets and four used budgeted balance sheets.

In the table below, the results are put together of how often the individual respondents followed up their budgets of choice. As it is arranged in the table, one can see that it is most common for the companies to look on their budgets monthly or quarterly. Since it could be discussed if the budget, as a management accounting tool, is good or bad and what kind of budget that should be focused on, this particular information does not say so much.

**Table 4.6: The different budgets**

<table>
<thead>
<tr>
<th>Budgets</th>
<th>Daily</th>
<th>Weekly</th>
<th>Monthly</th>
<th>Quarterly</th>
<th>Half year</th>
<th>Yearly</th>
<th>Freq</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeted income statement</td>
<td>6</td>
<td>3</td>
<td>1</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Budget</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Budgeted balance sheet</td>
<td>2</td>
<td>3</td>
<td></td>
<td></td>
<td>1</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>1</td>
<td>3</td>
<td>10</td>
<td>9</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

A conclusion could at least be drawn that the companies followed up their budgets, in most cases several times each year, which should give a hint about them knowing about their specific economic situation. That is, if they knew how to interpret and use the information.
As with all of the questions in the survey, no judgements about if the budgets gave a true picture of the companies can be made, but at least nine out of the twelve respondents said that they thought the budget was a good tool to govern the companies. With the information provided by those who said that the budget was not a good tool, no distinguished lines can be drawn without further research.

To see if the companies had made any good estimations of their product/service, the entrepreneurs were asked if they had made these cost estimations. Eight out of twelve said that they had done these cost estimations, but only four of these eight said that their cost estimations gave a true picture. Even though this could not be seen as statistical secured, it is all the same an interesting conclusion. Could this mean that the companies did not do a correct analysis of all costs associated with their product/service. Did they not have the right knowledge for this task? Could this be one cause to why the companies went bankrupt? Hopefully, future research will tell.

If external stakeholders entered the companies, then it would be interesting to see if these stakeholders made any changes in the way that the companies in the survey worked with management accounting information. It would also be interesting to see if these stakeholders had different kinds of demands regarding the usage of management accounting information. One half of the companies, of those who answered the survey, said that there have been external stakeholders in their companies and only four of these six said that they changed their way of using management accounting information. In turn, they gave four different kinds of answers. Since this was the case, especially for this small survey, no significant change in their way of working can be seen. One company stated that it brought more work while another said that it became a bigger focus on the economical questions in the company when external stakeholders entered.

Four out of the six companies, that said that external stakeholders influenced their use of management accounting information, also said that they used this “new” information. If this had not been the case, then it would have been interesting, since the companies perhaps thought that the stakeholders’ demands were nothing to have, but since the entrepreneurs changed their routines regarding management accounting information, then this must be of some importance. There are two possible answers to the question to why the entrepreneurs implemented the new demands. The first answer is that it was needed to get external help with capital and expert assistance. The second answer to why the entrepreneurs implemented and used the management accounting information is that they actually believed that this information would help them in their work and perhaps help them to avoid the bankruptcy.
This thesis will not give an answer to neither of these two explanations, but it could be a subject for further research in the future.

In table 4.7 below, the respondents have entered their answers regarding the management accounting information in the left column and if/when this information and the use of it changed. Each company can give several answers. Nine out of twelve companies answered the question. As the table shows, the top three things that changed over time are: cash budget, cash flow analysis and profitability follow up. Since all in broad outline deal with finances, the three are closely related to each other, which give a glimpse of that hands-on economic result, and cash in general, are important for the companies to have an overview of. When it comes to when the companies changed their way of using the management accounting information it is evenly distributed over the three phases of Start up, Growth and Turning point. These three have between fifteen and seventeen “hits” a phase. It is the Decline phase that differs from the others; it gets twenty seven hits, which is far more than any of the other. The information that is presented here could give a view of when things are going bad and then, people are much more interested in economic results and management accounting information, which was also expressed in words by one entrepreneur. Two other entrepreneurs said that there will be closer follow ups as a result of the revised routines. As with all of the questions, nothing can be said about the correctness of these conclusions. Perhaps this question can be placed in the spotlight for further research.

<table>
<thead>
<tr>
<th>Table 4.7: Changed use of management accounting information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Start Up</strong></td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Budgeted income statement</td>
</tr>
<tr>
<td>Cash budget</td>
</tr>
<tr>
<td>Budgeted balance sheet</td>
</tr>
<tr>
<td>Analysis of Prices</td>
</tr>
<tr>
<td>Analysis of Market</td>
</tr>
<tr>
<td>Analysis of Competitors</td>
</tr>
<tr>
<td>Cash flow Analysis</td>
</tr>
<tr>
<td>Product calculation</td>
</tr>
<tr>
<td>Investment calculation</td>
</tr>
<tr>
<td>Profitability follow up</td>
</tr>
<tr>
<td>Frequency</td>
</tr>
</tbody>
</table>
The most interesting information regarding this thesis is if the companies in the survey thought that management accounting information was a contributing cause to the bankruptcy. As written in the hypothesis, our belief is that this is not the case. In this survey, this was unfortunately or fortunately, depending on how the reader sees upon things, not the case, even though it was two out of twelve that said yes to this question, naturally this can not be seen as statistical secured.

Of the two respondents that answered, one gave it a four and the other a seven, on a one to seven scale. One stands for "insignificant effect" and seven stands for "determining effect" on bankruptcy. So even though it was only two who answered, these answers were pretty strong respectively very strong.

Three of the respondents said that it could be a help to have better management accounting information before the bankruptcy, it could have helped them to avoid the bankruptcy. For example, the respondent whom gave it seven on the previous scale and his/hers problem with management accounting information was that it was, by an accountant, very poorly execute. If the information had been better, then he/she would never have bought that specific company, which later arose to have many faults with their management accounting in general. So the conclusion is, if he/she had better knowledge about management accounting, then would this never have happened.

As written before, but never to many times, this can not show of any significant importance for research what so ever, but if someone in the future is interested in doing some more research on this subject, then the authors to this thesis believe that it would be most giving.

4.3.1 Management Accounting in Relation to the Literature Reviewed

Management accounting and entrepreneurship could, according to Hansen (2005), be seen as a state of opposition. The author goes on with saying that there are two types of roles that have to be taken care of and these are the entrepreneurial role and the administrative role. The reason for that both roles have to be taken into consideration is that a business that shall survive needs to renew itself and at the same time be as sufficient as possible. Since the companies in our survey all went bankrupt one can ask oneself if they have had Hansen’s thoughts in consideration when running their businesses.

As Hallgren (Controllerhandboken, 2004) says, the cash flow analysis has gained more and more importance for companies, since this analysis gives a superior understanding compared to the financing analysis. The cash flow analysis is superior in the way that the
companies’ allocation of capital is much more in focus and could be the reason to why many of the companies in our survey, to such extent, have chosen to work with cash budgets and cash flow so much. Nothing special regarding companies that gone bankrupt in general and gazelle companies in particular can be seen in this survey, as no comparison between these companies and successful ones has been made. This is a subject for future research that should be most giving to look into.

One of the underlying factors to why the companies are focusing on the cash flow could be as stated by Richardson et al. (1994), that companies often fail by running short of monetary funds. This might be obvious, but it can not be stressed enough and therefore, it could be one reason for that the companies in most cases are rating the cash flow analysis so high and putting so much time and effort in to it. The companies want to see the economical currents and to be able to be on top of things. Furthermore, Harding and Pines (2005) are writing about several reasons for revenue collapse, as they talk about different kinds of risks, to avoid a revenue collapse, a good cash flow and liquidity are important. As a conclusion, this article gives more fuel to the fact that companies find it important to use cash budgets, cash flow analysis and profitability follow ups, which is also exactly those areas that many of the companies in our survey have focused on. Since all of the companies in the survey went bankrupt, one could ask oneself if they did a good job with the models and system they used, but that this question has to be answered by someone else in the future. A suggestion for future research could be to compare gazelle companies that went bankrupt with successful ones, but also to compare these companies with companies that are not gazelles, both failures and successes.

When the companies in the survey are using measurements and management accounting information in their businesses, Hansen (2005) says that there are two types of management accounting information. These are formal and cognitive management accounting. Conclusions can be drawn from seeing what kind of management accounting information that these companies use. In substance, they are using management accounting information based on formal management accounting, as this type of management accounting information, such as cash flow analysis, according to Hansen is formed after standardised financial norms that exists on the market. The companies in the survey are often small and they have a relatively low share of educated personnel, which could be one reason for why they are using more standardised models and systems for their management accounting information.

Richardson et al (1994) go on and say that reasons for business failure could be that companies often are too optimistic about their own products, sales volumes and sales prices
and so forth, compared to their actual revenues. To improve this, one solution could be to create, use and build better measurements and budgets. Since the time frame for a thesis of this kind does not allow for deeper research, it is not possible to see if the companies in the survey used the different kinds of measurements and budgets in full. Therefore, it could also be a subject for further research to see how successful companies work with these problems and compare them with companies that failed.

In his dissertation, Hansen (2005) is mentioning the importance of the symbolic value that lies within management accounting. With the help of management accounting, an entrepreneur can steer a company and point out to the organisation, within that company, the areas he/she wishes to focus on. In this thesis, some kind of a pattern can be seen regarding this aspect, but as a whole, we can not make any further analysis since there have been no following up questions regarding this matter.

All but one company in the survey stated that they used at least some kind of the three budgets. According to Drury (2001), various activities within a company should be coordinated in budgets. Drury goes on and talks about the cash budget and that a monthly or in some cases even a weekly cash budget is needed. In the survey, nine of the respondents said that they use cash budgets, which make it the most commonly used budget among the companies. Furthermore, Drury says that because of uncertainty, it is necessary to make cash budgets that allow for some margin in planning, if the companies in our survey had followed his advice we do not know what would have happened, we do not know if the gazelle companies in the survey lived more on the edge with smaller margins for errors and miscalculations than other companies, but it could be subject for future research.

4.4 CONCLUDING QUESTIONS

Not to have too many employees is one thing that the respondents in this survey would like to change if they have the possibility to travel back in time. Another factor that they want to change, if possible, is the Swedish law, Las, “Lagen om Anställnings Skydd”, freely translated into The Law about Employment Protection, which is legislated to protect the employees with the device last in, first out. This law prevents employers to discharge who ever they want; instead they are obligated to discharge the person that was most recently employed.

Less economic risk and doing/staying with the business you know are two other things that the respondents would like to change if they could travel back in time. Another factor that
the entrepreneurs would like to change if they had the possibility to make changes in the past would be to have increased economic possibilities and security. Some of the entrepreneurs said that a bigger overdraft facility regarding their cheque account or some more external financiers should have been better.

Surprisingly, eight out of twelve respondents in our survey answered yes to if it was hard to foresee the bankruptcy, three said no and one respondent answered both yes and no. Without having done any deeper research into this matter, it feels a little bit surprising that so many did not see the bankruptcy coming. Perhaps this is one area where future research can do a lot. Not having investigated the matter, probably this has already been done, but it feels like through a better use of management accounting, a coming bankruptcy could be an easy thing to discover and hopefully avoid.

Really positive for the entrepreneur as a person, for the future and the welfare of the whole community, all of the respondents said that they did learn something from their bankruptcies. Hopefully this will lead to them avoiding the problems they encountered the previous time and instead run successful companies. Some of the answers that reappear among the respondents are that it is important to grow with profitability, to minimise risks and that liquidity comes first. One entrepreneur actually gave the answer that it is important to work with reports that are more up to date and get a deeper and better understanding about economic questions that affect the company.

4.4.1 Concluding Questions in Relation to the Literature Reviewed

Pompe and Bilderbeek (2005) came to the conclusion that it is harder to predict bankruptcy in young firms than in old and established ones. It is hard to draw a line between young and established firms. Even though the majority of the companies in the survey are not exceptionally young, they were recently experiencing an expansive phase, and could therefore not be regarded as very stable or established. This could be the reasons to why eight out of twelve answered that it was hard to foresee the bankruptcy.

External stakeholders in general and venture capitalist in particular are, according to Cope et al. (2004), tolerant, flexible and open-minded. In our survey, this is not the picture given by the companies. When having problems with external stakeholders, it is often banks that are in focus for the companies in the survey, they are in the eyes of the entrepreneurs causing more trouble and problems than they are trying to solve. However, hold in mind that the companies
that are a part of this thesis all went bankrupt and that this could be a reason for some of them thinking that banks are not to rely on.

It could also be said that rules and regulations are causing problems and taking effort from companies. Davidsson et al. (2001) write about how these rules and regulations can be obstacle to growth and in one particularly case, one entrepreneur stated that the Swedish Law, LAS (see above) was one of the reasons to why he and his company went bankrupt.
5 CONCLUSION AND RECOMMENDATIONS

Why did things go wrong?

Going through Dagens Industri’s lists of gazelle companies, it showed a higher growth rate could be linked to a higher occurrence of bankruptcy. It is not a matter of course, but distinct enough for us to notice. However, the outcome of our survey does not really support this belief; our hypothesis of a strong correlation between rapid growth and bankruptcy. Half of the survey group acknowledged that rapid growth had some negative influence on business, but only one respondent ranked it as the most influential factor of business failure. The conclusion here is that a larger survey group is needed to conduct a proper analysis regarding these initial findings.

A clear majority of the entrepreneurs has some kind of a university education, even though very few have taken courses in business administration/accounting. They have also, in most cases, been active within their business for over ten years, which reduces the probability of a stronger parallel between inexperience and bankruptcy. Most entrepreneurs have shown to put in noteworthy effort, working long hours planning for the start up and parallel to this having a second job. A majority has carried out different types of analyses before the start up, strengthening the fact that they were prepared. In contradiction, few conducted a specific product price analysis, which could lead to them not being able to see what overall cost levels they can bear. Unfortunately, the quality of the preparation work, the entrepreneur’s education and his/her earlier work tasks can not be established. However, the fact that they became gazelle entrepreneurs does in turn not explicitly mean they are outstanding entrepreneurs. Succeeding once can be luck, a new idea and, at the right time, a receptive market. Therefore, since half the survey group admits they did not plan to grow as rapidly as they did, maybe the characteristics of the founder, his/her motives for starting the business, the overall planning and the structure of the business did not turn them in to gazelle companies. Instead, maybe this combination of factors did not manage such a rapid growth and led to business failure, even though it has not been stressed by the entrepreneurs themselves.

Even though successful gazelle companies have not been examined, small accounting departments are most probably not a reason for business failure, as it is hard to believe that merely these companies have few people working with accounting information. Still, maybe they were not educated or experienced enough to handle the probable rise in employees and complexity.
None of the internal factors of business failure presented in section 4.2 reached a particularly high score point, but they did however distinguish themselves from the broad. The five factors we have decided to present are, in order of influence: too large fixed costs, unsuccessful investments/drives in a new market, too rapid economic turnover/sales, poor cash flow in operations and poor cash reserves for ”bad days”. It is interesting to see that they on many points are connected to financial aspects. This strengthens the fact, and also our belief, that management accounting is needed when a company grows.

To continue, the three most significant external factors of business failure, in order of influence are: economic recession, losing important customers and difficulties getting loans from the bank. As in the case of the internal factors, this outcome can also be linked to a need for management accounting. The outcome indicates that the companies surveyed are short of funds. It seems like they can not afford losing customers or handle a recession very well.

We started of thinking it would be interesting to analyse overall influential factors of business failure, with regard to gazelle companies. What pleases us, is the fact that this outcome could be connect to the main purpose of the thesis work, namely the influence of management accounting in these business failures.

**How did management accounting influence these business failures?**

There has been continues changes in the way that the companies work with their management accounting information during their length of life. Far most changes have been carried out during the decline phase and among the specific measurements, it is the cash budget, the cash flow analysis and the profitability follow up that have been in the companies’ interest. It could therefore be said that when things are going bad, then companies focus more on management accounting. Measurements of economical value in particular are found to be of most interest. Our findings show that regular follow ups of measurements were made and all companies checked their favourite measurement at least monthly or weekly. It should be said, in contrast to what we believed in the beginning, no company used any kind of company specific measurement. It seems like those who have followed up their measurements have done it regularly, but no further conclusion can be drawn with regard to measurement numbers.

All of the companies used budgets and the cash budget was the most commonly used. If we disregard the probability that they did not know how to use the budget as a tool, it shows that they carried out some form of business planning. It can not be established if the budget in it self was an influential factor for business failure, since we have not reviewed its content.
Most companies used cost estimations over their products/services, but only one third stated that they thought that these gave a true picture. This could indicate that the companies succeeded poorly in having control over their costs. A lack of knowledge can be noticed.

No clear signs have been established of how the companies in the survey, which have been affected by external stakeholders, changed their way of working. Only a small transfer of focus has been seen. In conclusion, we do not see that external stakeholders have had a greater influence over the companies, nor do we see an impact in the handling of management accounting.

Most entrepreneurs asked have been active in the company since the start and most companies have been active for more than 10 years. We can not determine whether or not their use, and quality of management accounting information, has been efficient, nor do we know if its structure has changed since the start of business operations. Disregarding the fact that the companies have grown rapidly, their many years in business reduce the probability of any greater correlation between management accounting information and business failure. What we mean is that, if your business does not change and you have been active for ten year, management accounting will not suddenly be the reason you fail. However, in the case of gazelle companies, we stress the need for management accounting since the number of employees most often increase and the overall business becomes more complex. Furthermore, it is not possible to exclude the probability that management accounting was a contributing cause to failure.

In line with our thesis purpose and our negative assumption/hypothesis that most companies have limited or no knowledge/ability/will to construct and use management accounting information, our findings show that no significant signs can be seen of that management accounting has played a conclusive role for the greater majority of the companies in their business failures. However, it should not be forgotten that some signs have been given, by a pair of companies, that management accounting actually played an important role. Once again, a finding that we would like to stress, and that combines the different parts in this thesis, is that the entrepreneurs have brought forward influential factors that regard financial aspects and the need of funds. Management accounting should be of importance.

A little bit surprisingly, a majority of the companies answered that it was hard to foresee the bankruptcy. Therefore, with more research, it might be possible to establish the fact that the companies are not so good in predicting the future and using the management accounting tools that are being available to their disposal.
Conclusion and Recommendations

All of the companies in the survey stated that they did learn something from the bankruptcies, but it is not possible to see a mutual picture, with regard to lessons learned.

As a final remark, the majority of entrepreneurs in the study is back in business. This is very pleasant to hear, but since we have spoken to more entrepreneurs than we have interviewed, we know that it in many cases is easier to get hold of, and interview, once again successful entrepreneurs. Therefore, our study group is not representative for the whole population and we can not draw the conclusion that most entrepreneurs have learned from their failure and now perform better.

5.1 Future Research

- As university business students, we would find further research on the impact of a business diploma on business success/failure to be of great interest, since our study showed that no entrepreneur had completed a higher business degree.

- In spite of great difficulties finding appropriate information, it would be very interesting to carry out a more detailed examination of the companies’ business strategy, business plan, business concept and different types of analyses and in addition, compare these between the companies.

- It would be interesting, and an extension to our research, to see if these specific companies have used measurements, budgets and the like, in similar ways. In addition, a more detailed examination of how these management accounting tools are created and used would be sought. This in turn, should be compared with successful gazelle companies, but also with companies that are not gazelles, both failures and successes.

- Lastly, we believe it would be of great significance for many companies to see how management accounting could be of help in foreseeing a bankruptcy, especially in rapidly growing companies such as the gazelles.
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Göran Malm (2006-01-26): Former CEO at General Motor’s Asian Division, guest lecturer at School of Business, Economics and Law

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Hej,

Vi är mycket tacksamma för att Ni tar tid och hjälper oss med den här undersökningen som är en del av vår kandidatuppsats i företagsekonomi vid Handelshögskolan i Göteborg. Den främsta anledningen till att vi kontakter Er är att Ni som drivande Gasellföretagare har varit en förebild inom svenskt näringsliv.

Titeln på vårt arbete är "From Business Success to Failure - A study of Swedish gazelle companies". Vi undersöker anledningar till hur tidigare väldigt framgångsrika företag drabbats av konkurs och hur de har använt sig av redovisnings-/ekonomistyrnings information i sitt arbete.

Ta gärna kontakt med oss om det uppstår några svårigheter eller frågor.

*Alla svaranden kommer i uppsatsen att behandlas helt anonyt.*

Skicka tillbaka det ifyllda formuläret till en av nedanstående e-mailadresser.

Vänliga hälsningar

Nicklas Mattsson (nicklas.mattsson@hgus.gu.se, 0705-50 60 15)
Magnus Forsberg (magnus.forsberg@student.gu.se, 0735-34 11 45)

**Instruktioner till frågeformuläret**

Markera svarsalternativen som ni väljer genom att rödmarkera dessa (Ex. Ja eller Nej, båda varianterna går bra).

(Undantag: om ni inte finner detta lämpligt så hitta gärna på ett eget system, bara det klart framgår vilket svar ni har givit.)

Om det finns en rad under frågan, skriv på denna. I övrigt följ de instruktioner som följer under frågorna.

Vi har frågor gällande olika faser. Dessa faser är *Uppbyggnadsfas, Tillväxtfas, Brytpunkt* samt *Nedgångsfas*.

*Uppbyggnadsfasen* gäller fram till den kraftiga *Tillväxtfas* under vilken företaget blev en Gasell. *Brytpunkten* är den tid då man insåg att en permanent *Nedgång* var ett faktum.
Inledande frågor – Opening Questions

1) Företagsnamn?

2) Bransch som företaget verkade i?

3) Antal anställda i företaget när dessa var som flest under gasellperioden?

4) Under hur många år var företaget aktivt?

5) Under hur många år var Ni aktiv i företaget?

6) Vilken var Er befattning/roll i företaget (flera svarsalternativ kan markeras)?
   o Grundare
   o Majoritetsägare
   o Styrelseordförande
   o Styrelseledamot
   o VD
   o Annan befattning

6.1) Om Ni inte var Grundare, vilket år gick Ni in som Majoritetsägare?

7) Vilken är den högsta utbildningsnivå som Ni besitter?
   o Högstadium
   o Gymnasium
   o Universitet/Högskola
      o Kandidat/Bachelor
      o Magister/Master
      o Doktor

7.1) På Er högsta utbildningsnivå, vilken var Er inriktning?

7.2) Hur många av dem i företaget som skapade ekonomistyrning/ redovisningsinformation har någon av följande utbildningsnivåer? (Skriv ett nummer, inom parentesen, bakom dem för Er aktuella nivåerna nedan) (Ex: Gymnasienivå (2) st)
   o Högstadiennivå ( ) st
   o Gymnasienivå ( ) st
   o Universitetsnivå ( ) st
      o Kandidatnivå/Bachelor ( ) st
      o Magisternivå/Master ( ) st
      o Doktorsnivå ( ) st
7.3) Hur många av dem med ledande befattning i företaget (Utöver dem som redan nämns i frågan ovan) har någon av följande utbildningsnivåer? (Skriv ett nummer, inom parentesen, bakom dem för Er aktuella nivåerna nedan)
  - Högstadienivå ( ) st
  - Gymnasienivå ( ) st
  - Universitetsnivå ( ) st
    - Kandidatnivå/Bachelor ( ) st
    - Magisternivå/Master ( ) st
    - Doktornivå ( ) st

8) Vilket eller vilka var huvudmotiven till att Ni startade denna verksamhet? Rangordna de tre viktigaste huvudmotiven, där 1 = viktigast och 3 = tredje viktigaste motivet. (Sätt siffran i parentesen bakom svarsalternativen)
  - Stort intresse för produkten/tjänsten ( )
  - Det verkade kul ( )
  - Viljan att bestämma över sig själv och sin tid ( )
  - Tjäna pengar ( )
  - Möjligheten att få bygga något eget från grunden ( )
  - Ge sig själv erfarenhet för framtida jobb- eller företagsplaner ( )
  - Arbetslöshet ( )
  - Trodde på en stark framtida marknad för produkten/tjänsten ( )
  - Utöka företagen i koncernen ( )
  - Sprida riskerna i koncernen ( )
  - Annat_____________________________( )

9) Hur många timmar per vecka lade Ni som person ner på företaget under planeringsfasen innan den "verkliga" driften sattes igång?
  - 0 – 10
  - 11 – 25
  - 26 – 40
  - 41 – 55
  - 56 – 70
  - 71 –

10) Arbetade Ni med någonting annat parallellt med uppstarts-/planeringsfasen av verksamheten (flera svarsalternativ kan markeras)?
  - VD för annat bolag inom samma bransch
  - VD för annat bolag inom annan bransch
  - Grundare av annat bolag inom samma bransch
  - Grundare av annat bolag inom annan bransch
  - Styrelseordförande för annat bolag inom samma bransch
  - Styrelseordförande för annat bolag inom annan bransch
  - Styrelseledamot för annat bolag inom samma bransch
  - Styrelseledamot för annat bolag inom annan bransch
  - Anställd inom annat bolag inom samma bransch
  - Befattning________________
  - Anställd inom annat bolag inom annan bransch
  - Befattning________________

11) Fanns det en klar och tydlig affärsidé vid den tidpunkt då Ni startade företaget?
12) Analyserade Ni era konkurrenter innan Ni startade företaget?
   o Ja
   o Nej

13) Analyserade Ni marknaden innan Ni startade företaget?
   o Ja
   o Nej

14) Analyserade Ni branschens priser på Er produkt/tjänst innan Ni startade företaget?
   o Ja
   o Nej

15) Analyserade Ni *fortlöpande* Er verksamhets lönsamhet?
   o Ja
   o Nej

16) Planerade Ni att växa så kraftigt som Ni gjorde?
   o Ja
   o Nej

16.1) Om nej, förklara med några få ord vad som fick Er att växa?

17) Eventuella tillägg som Ni vill delge oss till ovanstående del "Inledande frågor"

Redovisningsfrågor – Management Accounting Questions
18) Använde Ni er av någon form av kassaflödesanalys gällande driften?
   o Ja
   o Nej

18.1) Fokuserade Ni er mer på kassaflödet när företaget höll på att gå i konkurs?
   o Ja
   o Nej

18.2) Hur ofta togs kassaflödesrapporter fram under *Tillväxtfasen*?
   o Varje dag
   o Varje vecka
   o Varje månad
   o Varje kvartal
   o Varje tertial
   o Varje halvår
   o Varje år

18.3) Hur ofta togs kassaflödesrapporter fram under *Nedgångsfasen*?
   o Varje dag
19) Vilka mått var av störst vikt när Ni mätte Er verksamhet och hur ofta mättes dessa? Rangordna bara de mått Ni använde, där ett (1) är av störst vikt, och två (2) är av näst störst vikt osv. Sätt sedan ett X i rutan för respektive mått med hänsyn till hur ofta Ni mätte dessa (flera X på samma rad är möjligt).

<table>
<thead>
<tr>
<th></th>
<th>Dagligen</th>
<th>Veckovis</th>
<th>Månadsvis</th>
<th>Kvartalsvis</th>
<th>Halvårsvis</th>
<th>Årligen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Försäljning</td>
<td></td>
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<tr>
<td>Kassaflöde</td>
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<tr>
<td>Täckningsbidrag</td>
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<tr>
<td>Orderstock</td>
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<td>Vinstmarginal</td>
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<tr>
<td>Lageromsättningshastighet</td>
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<tr>
<td>Företagsspecifikt mått</td>
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</tr>
</tbody>
</table>

Om Ni inte använde Er av något mått, sätt ett X i rutan nedan.

Vi använde inget mått

19.1) Vilket var det viktigaste användningsområdet för det mått som Ni lade störst vikt vid och ovan har rangordnat som nummer ett (1)?

________________________________________________________________________

19.2) Hade Ni egna företagsspecifika prestationsmått?
   ○ Ja
   ○ Nej

19.2.1) Om ja, vad var det Ni mätte för att få fram Ert mått?

________________________________________________________________________

20) Användde Ni budgetering/prognostisering?
   ○ Ja
   ○ Nej

20.1) Vilken typ av budgetering använde Ni av (fler än ett alternativ är möjligt)?
   ○ Resultatbudget
   ○ Likviditetsbudget
   ○ Balansbudget

21) Hur ofta följer ni upp de budgeter som ni ovan har valt? Sätt ett X i de rutor som stämmer överens med respektive budget (fler än ett alternativ är möjligt).
Appendix A

<table>
<thead>
<tr>
<th>Dagligen</th>
<th>Veckovis</th>
<th>Månadsvis</th>
<th>Kvartalsvis</th>
<th>Halvårsvis</th>
<th>Årligen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resultatbudget</td>
<td></td>
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<tr>
<td>Likviditetsbudget</td>
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<tr>
<td>Balansbudget</td>
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</tr>
</tbody>
</table>

21.1) Anser Ni att budgeten är ett bra verktyg för att styra verksamheten?
  o Ja
  o Nej

22) Skapade Ni kalkyler för Era produkter/tjänster, produktkalkylering?
  o Ja
  o Nej

22.1) Om ja, anser Ni nu i efterhand att dessa var rättvisande?
  o Ja
  o Nej

23) Kom externa intressenter såsom banker, investerare och fordringsägare in i företaget under dess levnad?
  o Ja
  o Nej

23.1) Om ja, under vilken fas kom de externa intressenterna in i företaget (fler än ett alternativ är möjligt)?
  o Uppbyggnadsfasen
  o Tillväxtfasen
  o Brytpunkten
  o Nedgångsfasen

23.2) Om ja, påverkade dessa intressenter kraven på hur man skulle ta fram redovisningsinformation?
  o Ja
  o Nej

23.3) Om ja, användes den nu krävda information också internt i företaget?
  o Ja
  o Nej

23.4) Om ja, hur påverkades arbetet av de nya kraven som uppstod?

24) Har användandet av redovisnings-/ekonomistyrningsinformationen, som ni kan se nedan i tabellen, förändrats under företagets olika faser (se inledande information)?

Sätt ett X i varje ruta där förändring skedde (flera X på samma rad är möjligt).

<table>
<thead>
<tr>
<th>Uppbyggnad</th>
<th>Tillväxt</th>
<th>Brytpunkt</th>
<th>Nedgång</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resultatbudget</td>
<td></td>
<td></td>
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<tr>
<td>Likviditetsbudget</td>
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<tr>
<td>Balansbudget</td>
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<td></td>
</tr>
</tbody>
</table>
Appendix A

<table>
<thead>
<tr>
<th>Analys av priser</th>
<th>Analys av marknaden</th>
<th>Analys av konkurrenter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kassaflödesanalys</td>
<td>Produktkalkylering</td>
<td>Investeringskalkylering</td>
</tr>
<tr>
<td>Uppföljning av lönsamhet</td>
<td>Prestationsmått</td>
<td></td>
</tr>
</tbody>
</table>

24.1) På vilket sätt har den för Er mest använda redovisnings-/ekonomistyrningsinformationen ändrats?

_______________________________

25) Eventuella tillägg som Ni vill delge oss till ovanstående del ”Redovisnings frågor”

_______________________________

Faktorer som påverkade konkursen –Factors of Business failure

26) Vilka av dessa Interna och Externa faktorer påverkade Ert företags konkurs?

   Steg 1: Markera **alla** faktorer som påverkade Ert företags konkurs. **Steg 2:** Rangordna sedan fem (5) utav alla de faktorer som Ni valt, där ett (1) är faktorn med störst påverkan och där fem (5) är faktorn med femte störst påverkan på Er konkurs. *(Ex. Svagt kassaflöde i driften (1))*

Internala faktorerna

- Alltför snabb ökning i omsättning ( )
- Låg differentiering; alla ägg i en korg ( )
- Alltför stora nedskärningar i resurser under en lågkonjunktur ( )
- En ovilja att investera i framtida produktionsteknologier ( )
- Avsaknad av produktinnovation ( )
- Svagt kassaflöde i driften ( )
- En trög beslutsprocess ( )
- Ej existerande reservfond för ”dåliga dagar” ( )
- Bristande rutiner gällande driften ( )
- Låg kompetens hos anställda ( )
- Företaget fick dåligt rykte ( )
- Svårt att anställda kvalificerad arbetskraft ( )
- Alltför stora fasta kostnader ( )
- Begränsad kunskap om branschen ( )
- En begränsad kunskap om marknaden ( )
- Kundernas önskemål och begär uppfylldes inte ( )
- Misslyckad satsning på en ny marknad ( )
- Misslyckad satsning på en ny produkt ( )
- Affärsplanen var inte tillräckligt genomtänkt och bearbetad ( )
- En problemfylld relation mellan ledning och anställda ( )
- En problemfylld relation mellan de anställda ( )
- Andra faktorer: ________________________________ ( )
27) För att få en bättre förståelse gällande de bakomliggande faktorerna är vi väldigt tacksamma över en djupare redogörelse av de val Ni har gjort ovan.

**Externa faktorer**
- Statliga lagar och regelverk ( )
- Tidskrävande arbete genom alltför frekventa regelförändringar ( )
- Företaget hade/fick problem att låna pengar från banken ( )
- Svårt att få tillgång till riskkapital ( )
- Alltför snabba förändringar i produkt- och serviceteknologi inom Er bransch ( )
- Alltför snabba förändringar vad gäller produktinnovation inom Er bransch ( )
- Lågkonjunktur ( )
- Den regionala infrastrukturen stödde inte verksamheten ( )
- En mättad marknad ( )
- Konkurrensnivån var alltför hög ( )
- För många nya konkurrenter ( )
- Företaget förlorade viktiga kunder ( )
- Företaget förlorade viktiga leverantörer ( )
- Andra faktorer: ________________________________ ( )

28) För att få en bättre förståelse gällande de bakomliggande faktorerna är vi väldigt tacksamma över en djupare redogörelse av de val Ni har gjort ovan.

29) Eventuella tillägg som Ni vill delge oss till ovanstående del ”Faktorer som påverkade konkursen”

**Avslutande frågor – Concluding Questions**

30) Bidrog avsaknaden av redovisningsinformation till att företaget gick i konkurs?
- Ja
- Nej

30.1) Om ja, i vilken utsträckning bidrog det till företagets konkurs?
1 = obetydlig påverkan, 7 = helt avgörande påverkan
(1) (2) (3) (4) (5) (6) (7)

31) Finns det redovisningsinformation som skulle kunna ha hjälpt Er innan konkursrisken uppkom?
- Ja
- Nej

31.1) Om ja, vilken typ av redovisningsinformation kunde ha varit till hjälp?
32) Var det ett felaktigt användande av redovisningsinformation som ledde till konkursen?
   o Ja
   o Nej

32.1) Om ja, vad berodde det felaktiga användandet av redovisningsinformation på?
   o Beaktande av kostnader
   o Kunskapsbrist
   o Ointresse

33) Om Ni kunde resa tillbaka i tiden, vad skulle Ni vilja ändra på med hänsyn till Ert företag?

34) Var det svårt att förutse konkursen?
   o Ja
   o Nej

35) Känns det som om att Ni har lärt Er något från den här konkursprocessen?
   o Ja
   o Nej

35.1) Om ja, vad är det viktigaste Ni har lärt Er?