

What causes organizations to fail? A review of literature to inform future food sector (management) research

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1 **What causes organisations to fail? A systematic review of the literature to inform**
2 **future management research.**

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9
10 **Abstract**

11 **Background:** Organizational failure in food markets is a potential threat to food security.

12 Thus, a greater understanding of the factors that influence organizational failure and reduce
13 supply chain resilience is essential to underpin agile and dynamic food supply chains.

14 **Scope and Approach:** The aim of this paper is to contribute to the understanding of system
15 level factors that influence organizational failure in food supply chains in order to
16 conceptualize the horizontal and vertical interaction of such factors at the three levels
17 described: the microsystem, the mesosystem and the macrosystem level. A systematic review
18 incorporated articles from the fields of management, business and economics research. Whilst
19 616 articles were initially identified, only 41 of these were within the established inclusion
20 criteria and reviewed. A model of organizational failure, determined here as “The House of
21 Cards Model”, is developed, that can then be empirically tested in further research.

22 **Key findings and conclusions:** A hierarchy was developed to contextualize the factors
23 deemed to be of influence. The macro (external environment) level includes criteria such as
24 economic conditions, formal institutions, government policies, competitors and rumors. The
25 factors addressed in the meso (organizational) level include organization age and size, location,

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26 property structure, client, supplier and shareholder relationships, financial resources, physical
27 resources, human resources and succession process. At the micro (individual) level the
28 managers' skill, characteristics, actions and mindset are of influence. This paper contributes to
29 advancing the debate and underpins further empirical research on organizational failure in food
30 supply chains.

31 **Key words:** organizational; failure; meso; micro; macro; factors

32 **Highlights**

- 33 • Food supply chain and organizational resilience underpins global food security.
- 34 • Factors leading to organisational failure operate at micro, meso and macro levels.
- 35 • Failure factors can impact individually or in a combined effect.

36

37 **1. Introduction**

38 Developing a theoretical literature on studying organizations that succeed is of interest
39 but to gain a greater understanding of the reasons that organizations fail gives a valuable insight
40 into aspects of organizational performance (Mellahi & Wilkinson, 2010) and also offers the
41 research opportunity to learn “what not to do” (Kim, 2007). External international and national
42 *economic conditions* influence organizational failure i.e. a period of *economic slowdown*, (zero
43 growth or even by recession) tends to lead to a low rate of investment and a decrease in
44 consumption levels, leading to aggravating external conditions for the company (Box, 2008).
45 Further, during periods of economic crisis organizations cannot attract new investors and/or
46 consumers, therefore, paralyzing their growth rate (Gok, Deshpande, S., Deshpande, A. P., &
47 Hunter, 2012; Laitinen & Lukason, 2014; Gémar, Moniche & Morales, 2016; Nummela,
48 Saarenketo & Loane, 2016; Petković, Jäger & Sašić, 2016; Pardo & Alfonso, 2017).
49 Contracting macro-economies tend to drive an increase in *unemployment rate*, further
50 exacerbating the pressure on consumers, slowing consumption and accelerating organizational

51 failure (Box, 2008; Buehler, Kaiser & Jaeger, 2012). Therefore, to decrease the risk of failure,
52 organizations should focus on food markets where there are increasing or diversified consumer
53 populations (Wollebaek, 2009). This is an argument often used for an organization to develop
54 a strategy of global positioning in multiple markets to reduce the risk of a downturn in one
55 particular national or regional market. Higher *interest rates*, if they cannot be serviced by
56 increased revenue and/or profitability, can increase organizational debt and as access to
57 financing and refinancing becomes more expensive, the potential for organizational failure also
58 increases (Box, 2008; Priego, Lizano & Madrid, 2014; Petković, Jäger & Sašić, 2016).

59 Furthermore, the *tax rate* paid by the organization can have a mixed influence. High
60 taxes increase the risk of failure by increasing business costs (Buehler, Kaiser & Jaeger, 2012;
61 Petković, Jäger & Sašić, 2016). Conversely, García-Ramos, Gonzalez-Alvarez and Nieto
62 (2017) assert that higher taxes reduce organizational failures, as these taxes are a barrier to
63 market entry for new competitors and, countries with higher tax rates enforce practices that
64 lead to managers being more careful and disciplined in relation to their accountability to the
65 government. *Government intervention* also affects the rate of companies' failure. In a region
66 or locality where there is high public investment this creates a favorable environment for
67 companies to work in, thus, a smaller failure rate is predicted (Arasti, 2011; Buehler, Kaiser &
68 Jaeger, 2012). However, government decisions to enable a more liberal economy can increase
69 the rate of organizational failure. This results in new competitors entering a regional/local
70 market, who may introduce new and innovative technologies that decrease production costs,
71 and as a consequence lower prices intensifying competition (Safley, 2009; Amankwah-Amoah
72 & Debrah, 2010; Madrid-Guijarro, García-Pérez-de-Lema & Van Auken, 2011; Gok,
73 Deshpande, S., Deshpande, A. P., & Hunter, 2012; Pardo & Alfonso, 2017). *Fake rumors*
74 relating to the organization circulated by others are difficult to reverse, and negative consumer

75 perceptions or experience associated with faulty or contaminated products will affect
76 organizational survival (Amankwah-Amoah, Antwi-Agyei & Zhang, 2018).

77 *Institutions*, and in particular formal institutions such as the legal system, supply chain
78 assurance, certification and constitutional instruments, play a role to play, because depending
79 on their purpose and how they were constituted, institutional factors can impact both positively
80 or negatively on organizational failure (Oertel, Thommes & Walgenbach, 2016). Organizations
81 may not always have the legal knowledge required to navigate formulated laws that are very
82 technical, and do not act in their favor (Yonk, Harris, Martin & Anderson, 2017). More *complex*
83 *and bureaucratic legislation* gives rise to high costs for companies, potentially judicial
84 inefficiency and reduces organizational agility as it can take a long time to open or close a
85 business. Further, these factors lead to a high consumption of organizational and institutional
86 resources on ensuring legal compliance, often reducing productivity levels as a result so
87 increasing the risk of organizational failure (Petković, Jäger & Sašić, 2016; García-Ramos,
88 Gonzalez-Alvarez & Nieto, 2017).

89 Regulation of factors including location and construction of new premises, access to new
90 technologies and materials all increase organizational costs (Yonk, Harris, Martin & Anderson,
91 2017); and potentially organizational resilience, although targeted institutional governance also
92 has a positive effect in reducing organizational failure (Bordonaba-Juste, Lucia-Palacios &
93 Polo-Redondo, 2011). The existence of *quality certification systems* such as ISO 9000, is
94 associated with an organization's positive financial performance (Madrid-Guijarro, A., García-
95 Pérez-de-Lema, D., & Van Auken, 2011), probably because the organization has better
96 management systems, and consequently, its internal processes focus on meeting customer
97 requirements and continuous improvement. Indeed, the development of third-party
98 certification schemes as a way to drive resilience and risk reduction is well established in food
99 supply chains (Manning, 2018; Manning, Luning and Wallace, 2019). *Organizational*

100 *recovery laws* underpin organizational survival as weaker recovery laws increase the risk of
101 organizational failure (White, 2016). This type of institutional support can be both public (state
102 derived) and private (non-state and market derived).

103 The investigation of organizational failure at the food supply chain level is limited:
104 considering risk (Olson & Wu, 2010); halal supply chains (Ab Talib, Abdul Hamid & Zulfakar,
105 2015); supermarket supply chains (Wegner & Padula, 2012) and in some research through
106 proposing an integrative model (Mellahi & Wilkinson, 2004; Amankwah-Amoah *et al.* 2016).
107 However, in developing an integrated model that includes all the factors that play a role in
108 influencing organizational failure in food supply chains, a systems level approach needs to be
109 considered and that is the original element of the research described here. The hierarchical
110 classification of factors of influence in organizational failure that is used in this paper is based
111 on the structural analysis approach of socio-ecological theory as proposed by Bronfenbrenner
112 (1986). There are three levels of analysis: the macrosystem (the broader social, political,
113 institutional and economic conditions of the external environment), the mesosystem (the
114 internal organizational environment) and the microsystem (the individual and their immediate
115 environment).

116 Drawing upon a comparative analysis perspective, this paper, after exclusion criteria are
117 applied, systematically reviews 41 published articles in peer-reviewed journals from 2008 to
118 2018. We need to add here what the discipline source of the papers was to address comment 2
119 The aim of this paper is to contribute to the understanding of system level factors that may
120 influence organizational failure in food supply chains pre sale to the consumer in order to
121 conceptualize the horizontal and vertical interaction of such factors. This paper contributes to
122 advancing the debate on organizational failure in food supply chains by firstly drawing together
123 and synthesizing more general literature on organisational failure to then develop a food supply
124 chain related conceptual model which is deduced from the literature. Secondly, the structural,

125 cultural and sociological aspects of organizational failure are considered in order to develop a
126 set of propositions that can be tested in further empirical research on organizational failure in
127 food supply chains.

128 **2. Approach**

129 In undertaking this research we used the six-step systematic process as described in
130 Machi and Mcevoy (2009) to develop a written academic reflection that provides a logical
131 argument based on a “comprehensive understanding of the current state of knowledge” about
132 the given topic, in this case, organizational failure. The six steps employed are now addressed
133 in more detail:

134 (i) **select the topic** – organizational failure is the topic chosen in order to specify and
135 frame the review;

136 (ii) **search the literature** – Web of Science was used for this purpose. The following
137 keywords were used by checking for the presence in the title or abstract: (business
138 failure) OR (organizational failure) OR (organizational death) OR (organizational
139 mortality) OR (organizational output) OR (organizational decline). The focus
140 period was narrowed down to the years between 2008 and 2018, so as to include
141 the most up-to-date research publications. The journal inclusion criteria were
142 disciplines of Management, Business and Economics. The inclusion criteria were
143 that: (a) the article addressed organizational failures, and the main objective
144 of study was improving understanding of organizational failure; and (b) the
145 exclusion criteria were based on: the identification of article duplicates resulting
146 from the use of different search terms or the article did not add to the argument
147 on organizational failure. The search identified 616 articles with duplicates
148 (n=20) excluded and then further exclusions (n=451) based on the criteria
149 outlined above with regard to the title and abstract. The remaining articles

150 (n=145) were read in full, and the exclusion criteria was applied again. That
151 resulted in further exclusions (n=104). leaving the final articles (n=41) suitable
152 for further analysis (see Figure 1 and Table 1).

153 (iii) **develop the argument** – the argument herein was based on the aforementioned
154 tri-level system analysis of macro, meso and micro factors of influence;

155 (iv) **survey the literature** – the literature was then read and evidence synthesized see
156 Table 2 with particular emphasis on the positive (organizational failure was more
157 likely to happen) or negative influence of specific factors on organizational
158 failure;

159 (v) **critique the literature** – themes were drawn from the output of stage iv) to
160 develop a set of factors that can inform future empirical research in organizational
161 failure, and a “House of Cards” Model is postulated (Figures 2 and 3) ; and finally

162 (vi) **write the review** – the review has been written up in this paper and
163 recommendations put forward for future empirical research.

164 **Take in Tables 1 and 2; Figures 1, 2 and 3**

165 The findings are now outlined to support the data synthesized in the tables and
166 figures.

167 **3. Findings**

168 The findings are considered at each of the three hierarchical levels of the “House of Cards”
169 model.

170 *3.1 Macro analytical level:*

171 To analyze the variables at the macro analytical level, nine factors were highlighted from wider
172 business literature that underpin organizational success or alternatively may drive
173 organizational failure in food supply chains. Many of these factors have provided context

174 within the introduction of this paper. The factors can be categorized as either *economic factors*:
175 financial or economic crises, interest rates, taxation systems, and the degree of liberalization of
176 the economy; or secondly *social factors* in terms of *structural or institutional factors*,
177 government policies and the degree of public investment. Thirdly, *market factors* in terms of
178 competitive factors and the potential for rumors about the company whether real or fictitious
179 (see Mellahi & Wilkinson, 2004).

180 **3.2 Meso analytical level:**

181 The meso analytical level is the context of the factors that influence organizational
182 failure at the organizational level. *Strategic profile* is crucial i.e. the internal resources, and the
183 strategic relationships and networks with clients, suppliers and competitors should drive a
184 viable and resilient business (Mellahi & Wilkinson, 2004). Category management approaches
185 in food supply chains over recent years have driven these strategic relationships and value
186 creation and, as a result of recent advances digital technology, are likely to develop further
187 (Mantrala & Kamran-Disfani, 2018; Chkoniya & Mateus 2019). To ensure its long-time
188 survival, the organization should have *a good relationship with its shareholders*. If this
189 relationship is weak, shareholders could believe the organization is not capable of generating
190 value in the long term and, therefore, the shareholders will reduce the amount of equity they
191 have invested in the organization. Thus, enterprises with a poor relationship with their
192 shareholders tend to have a higher likelihood of organizational failure (Priego, Lizano &
193 Madrid, 2014). Relationships with other direct supply chain actors such as suppliers and
194 customers are equally important. The *organization's relationship with suppliers* is crucial to
195 organizational survival, because problems associated with inputs or contractual issues can be
196 significant in increasing organizational vulnerability (Pardo & Alfonso, 2017). For example,
197 suppliers increasing the price of the raw materials when this cannot be passed on to the
198 customer, reduces operating margins (Gok, Deshpande, S., Deshpande, A.P. & Hunter, 2012;

199 Priego, Lizano & Madrid, 2014). The *organization's relationship with its customers* is another
200 factor, because if its clients have greater bargaining power, the organization cannot control the
201 price of the goods and services it sells and thus its operating margin, increasing vulnerability
202 and directly affecting its chances of survival (Madrid-Guijarro, García-Pérez-de-Lema & Van
203 Auken, 2011). *Location choice* impacts on network relationships and can benefit, or
204 alternatively prejudice, organizational survival. When the location is well-chosen, meso-level
205 externalities generate benefits such as better access to human capital and financial resources
206 (Williams, 2016). Further, if the business location is composed of organizations from similar
207 or synergistic sectors, this can generate knowledge transfer and exchange between these
208 organizations for mutual benefit (Nilsson, 2016). When an organization is located near
209 universities or research centers, it can benefit from access to new innovations, technologies and
210 information, ensuring long-term competitiveness (Nilsson, 2016; Williams, 2016; Maté-
211 Sánchez-Val, López-Hernandez & Fuentes, 2018). An example of the benefits of food business
212 clusters associated with a university can be found in Food Valley at Wageningen which links
213 food business with research centres of excellence (Omta W. & Fortuin, 2013). However, the
214 probability of some organizations failing is greater if the business is surrounded by other
215 organizations that have also failed (Maté-Sánchez-Val, López-Hernandez & Fuentes, 2018)
216 and if the business is near to non-cooperative competitors (Safley, 2009; Nilsson, 2016).

217 The organization's *age* is a variable that many sources identify as being important to
218 explain the risk of organizational failure. Younger organizations tend to present a higher failure
219 rate, while conversely older organizations present a higher survival rate (Box, 2008; Madrid-
220 Guijarro, García-Pérez-de-Lema, & Van Auken, 2011; Fackler, Schnabel & Wagner, 2013;
221 Vivel-Bua, Lado-Sestayo & Otero-González, 2016). This occurs, because usually, older
222 businesses have already developed the expertise, competence and experiences that ensure
223 resilience in crises and difficult times (Esteve-Pérez & Mañez-Castillejo, 2008; Wollebaek,

224 2009; Bordonaba-Juste, Lucia-Palacios & Polo-Redondo, 2011; Dobbs, Boggs, Grünhagen,
225 Palacios & Flight, 2014). An *organization's size* is said in the literature to be a factor of
226 influence. The likelihood of organizational failure is greater in smaller organizations as they
227 lack economic scale and scope (Box, 2008; Esteve-Pérez & Mañez-Castillejo, 2008;
228 Wollebaek, 2009; Bordonaba-Juste, Lucia-Palacios & Polo-Redondo, 2011; Fackler, Schnabel
229 & Wagner, 2013; Kalnins, 2016; Vivel-Bua, Lado-Sestayo & Otero-González, 2016). Further
230 larger organizations may hold greater material stock quantities that would guarantee the
231 continuation of production even under the impact of severe external meso-level pressure
232 (Williams, 2016). The use of organizational size as a factor to explain organizational failure
233 proves to be an interesting criterion. The classification of what is a small, medium or large
234 organization distinctively varies in the literature between different research studies. Indeed,
235 whilst organizational size is articulated as being important to explain organizational failure,
236 sources fail to describe in their research what is classed as a small, medium or large
237 organization. In Europe, the categorization of organizational size uses criteria such as the
238 number of employees, turnover or size of balance sheet (European Commission, 2016).
239 Bordonaba-Juste, Lucia-Palacios and Polo-Redondo (2011) and Fackler, Schnabel and Vivel-
240 Bua, Lado-Sestayo and Otero-González, 2016 did not quantify the size effect. Others defined
241 business size by the number of employees or turnover (Box, 2008; Esteve-Pérez & Mañez-
242 Castillejo, 2008; Fackler, Schnabel & Wagner, 2013; Williams, 2016).

243 *Financial resources* also mediate the risk of food business failure, as financial difficulty
244 is a cited factor. Monetary assets are the key resources used by organizations to manage and
245 “smooth out” moments of financial or production difficulty (Williams, 2016; Alaka et al.
246 2017). High operating margin, higher retained earnings, liquidity and cashflow are all
247 beneficial for organizational survival (Esteve-Pérez & Mañez-Castillejo, 2008; Vivel-Bua,
248 Lado-Sestayo & Otero-González, 2016; Alaka et al. 2017) and also starting with a high capital

249 base and having better financial control (Baidoun, Lussier, Burbar & Awashra, 2018). This
250 can prove to be a challenge to achieve in practice in often low profit- margin food supply chains
251 (Callado & Jack, 2017).

252 As well as financial resources, an organization's *physical resources*, depending on their
253 innate characteristics, can aid organizational survival. In competitive environments, companies
254 with higher technological levels than others experience better survival rates and are less
255 affected by business environment changes, generally because they have a higher added value
256 and thus a greater product margins (Madrid-Guijarro, García-Pérez-de-Lema & Van Auken,
257 2011). The introduction of innovations such as Blockchain technology to reduce transaction
258 costs and improve transparency is a case in point (Shermin, 2017; Kamilaris, Fonts &
259 Prenafeta-Boldó, 2019; Schmidt & Wagner, 2019). Therefore, to ensure survival,
260 manufacturing organizations require an adequate level of physical resources (stock) to ensure
261 the development of specific products and a higher production rate to dilute the fixed costs of
262 production such as wages, rent and so forth (Esteve-Pérez & Mañez-Castillejo, 2008; Gutierrez,
263 Meleddu & Piga, 2017).

264 The third organizational resource type is *human resources*, fundamental for the
265 organization to differentiate itself from its competitors. Investment in employee training to
266 ensure product and/or service delivery in line with contractual obligations is essential to
267 generate improved profitability and value creation (Safley, 2009; Van Scheers, 2011; Priego,
268 Lizano & Madrid, 2014; Petković, Jäger & Sašić, 2016; Pardo & Alfonso, 2017; Baidoun,
269 Lussier, Burbar & Awashra, 2018). The common problem that family businesses face is poor
270 succession management leading to organizational failure and emotional barriers around being
271 replaced or delegating decision-making (Santiago, 2015). Therefore, mindset has a crucial role
272 at the micro level of the organization. Weak governance and a reticence to let non-family
273 members have positions of power means some enterprises are simply sold or closed (Santiago,

274 2015). The way that a company organizes its *executive board*, as well as its own organizational
275 structure can aid in the understanding why some organizations fail, while others succeed.
276 Successful companies have a small turnover of board members, and organize their executive
277 board to have local directors with a knowledge base with local specificity (Wilson, Wright &
278 Altanlar, 2014). Wilson, Wright and Altanlar (2014) also note that due to their characteristics
279 of conflict avoidance and creating strategies that add value to the organization, the number of
280 women present on the board has an impact too. Organizational success is associated with
281 governance that includes external directors (Baidoun, Lussier, Burbar & Awashra, 2018),
282 perhaps for the additional skillsets and experience that they provide. When a *family member* is
283 involved in management and actively participates in the executive board, there is less risk of
284 organizational failure. Indeed, in times of financial hardship, a family member is more willing
285 to contribute from their own resources to help the organization survive (Revilla, Pérez-Luño &
286 Nieto, 2016). A further meso-level factor that contribute to vulnerability in periods of external
287 crisis include the *hierarchical nature of the organization*, the level of formalization of systems,
288 protocols and procedures, as these will influence an organization's ability, if needed, to
289 restructure successfully (Wollebaek, 2009). The micro analytical level is now considered.

290 ***3.3 Micro analytical level***

291 The micro level of the model considers the importance of the individual whether that is
292 the managers and/or employees and their responsibility to ensure the organization survives
293 rather than fails. *Managers* are the principal micro level factor that causes organizations to
294 fail, because they are responsible for key decision-making within the organization and
295 operationalizing and implementing strategic organizational plans (Arasti, 2011; Laitinen &
296 Lukason, 2014; Gémar, Moniche, & Morales, 2016; Purves, Niblock & Sloan, 2016). Aspects
297 such as managers' overconfidence, lack of qualification, little or no experience in the business
298 area, lack of organizational skills and a lack of focus on strategy all play a part in reducing the

299 efficiency of the manager within an organization. This situation will also reduce the potential
300 to meet competition and/or meet client needs so the client base can become stagnant and this
301 increases the likelihood of business failure (Almandoz & Tilcsik, 2016; Nummela, Saarenketo
302 & Loane, 2016; Alaka et al. 2017; Pardo & Alfonso, 2017; Baidoun, Lussier, Burbar &
303 Awashra, 2018). *Manager's experience* is important, as a more experienced manager can adopt
304 skills and implement routines when they face similar problems to those they have experienced
305 before. In addition, they can have access to an alternative network with new external resources
306 new clients and they have better knowledge of the market (Wilson, Wright, & Altanlar, 2014).
307 The risk associated with managerial decision-making is also a factor. However, there are
308 multiple factors of influence here from managers who are afraid of failure or do not like to take
309 risk, and they present less probability of organizational failure compared with managers that
310 like to take more risky decisions (García-Ramos, Gonzalez-Alvarez & Nieto, 2017). However,
311 as previously outlined, managers who fail to take advantage of new opportunities can in turn
312 drive the business into a stagnant market, which in itself can lead to organizational failure, so
313 the balance of influence of managerial decision-making is important. As outlined previously
314 mindset is a key factor in organizational success or failure. *Cognitive entrenchment*, i.e. a
315 rigidity in mindset means the probability of recognizing, interpreting and integrating new
316 information is low, and when faced with external influences, these managers have a certain
317 resistance to changing their perspectives and thus behavior (Almandoz & Tilcsik, 2016).
318 Hollow (2014) studied strategic inertia and managers' *resistance to change* in alignment with
319 the organization's strategic direction and concluded that such negative behavior was
320 fundamental to why organizations fail. Managers when faced with external change who do not
321 want to make operational or strategic adjustments believe that the existing strategy is more
322 adequate, despite the evidence before them. Therefore, having a rigid mindset in the face of
323 change becomes a crucial factor in organizational failure (Amankwah-Amoah & Debrah, 2010;

324 Santiago, 2015; Oertel, Thommes & Walgenbach, 2016). This literature suggests managers
325 should develop a mindset open to innovation, problem-solving skills and their leadership style
326 should be more authoritarian in difficult times, while, in times of stable consumption and
327 turnover these managers should have a leadership style that is more democratic and charismatic
328 (Dubrovski, 2009). Despite the importance that managers have in contributing to organizational
329 survival, or alternatively organizational failure, they often do not see themselves as a chiefly
330 responsible, in some literature attributing all the blame for failure on external (macro-level)
331 variables (Arasti, 2011; Gok, Deshpande, S., Deshpande, A.P. & Hunter, 2012).

332 **4. Discussion**

333 Whilst this systematic literature review has highlighted multiple factors of influence on
334 organizational failure, there is no clear lead on their magnitude or level of importance or indeed
335 the impact of their interplay with each other, particularly in food supply chains. Figure 2 draws
336 together and categorizes the factors identified within the literature examined said to have a
337 positive or a negative influence on organizational failure. In this context, a positive influence
338 means that organizational failure is more likely whereas a negative influence strengthens the
339 potential for organizational survival. Further, a series of factors are deduced from the wider
340 literature can be empirically tested in future research looking specifically at organizational
341 failure in the food supply chain.

342 This research led to the development of a conceptual model termed “The House of Cards
343 Model” of organizational failure (Figure 3) to reflect the hierarchical level of influence of these
344 variables, their positive or negative influence and their interplay with each other. Other models
345 of organizational failure have been developed and three are considered here to compare and
346 contrast with “The House of Cards Model.” Mellahi & Wilkinson (2004) set a context of
347 external environment and organizational characteristics such as age and size of organization.
348 Their integrative model considers environmental factors at the macro level that are outside the

349 control of the organization e.g. demographic, technological, regulatory and economic changes
350 and also ecological factors that encompass both macro (density, industry life cycle) and meso
351 (age, size) characteristics. The meso/ micro factors associated with the manager and
352 management are split into two types: organizational factors (management) and psychological
353 factors (manager). They concur with the findings of this paper that there is a symbiosis between
354 external and internal factors that influence organizational failure and that macro factors can
355 have an independent influence on failure (the bottom tier of the House of Cards model).
356 Amankwah-Amoah (2016) also considers that organizational failure can be represented by an
357 integrative process model that differentiates between external (macro) factors and firm level
358 factors and that these work together to drive stages of organizational decline that lead to
359 organizational failure. They distinguish between positive and negative “jolts” which can
360 influence organizational stability. Their model is not nuanced in terms of differentiating
361 organizational stability and which jolts can have significant effect. The bottom tier of “The
362 House of Cards” model shows more clearly how vulnerable the organization is to external
363 environmental jolts that are often outside the manager’s control. Amankwah-Amoah (2016)
364 also highlights the value of resources to add buffer capacity to the organization (the middle tier
365 of the House of Cards model). A strong middle tier can add organizational resilience and
366 stability compared to other organizations in the same field that may have lower cash reserves,
367 lower physical and human resource levels and weaker supply chain and consumer relationships.
368 Crutzen & Callie (2008) also develop an integrative model for organizational failure that again
369 highlights organizational characteristics such as age or size of organization. Again, this model
370 considers the external environment (the macro level) and the potential for misalignment. The
371 inner layer of the model then considers the meso layer in terms of interaction with stakeholders
372 and relationships, resource deployment and management policies. The macro level is not
373 considered explicitly. The Crutzen & Callie model also considers the development of early

374 warning signals based on inherent weaknesses at the meso or macro level. The House of Cards
375 Model described here also details twenty-four factors around which an early warning metrics-
376 based system could be developed. Further, the “House of Cards Model” illustrates that for an
377 organization to be resilient; it should consider and reduce the risk of negative influences at the
378 macro, meso and micro analytical level. The three levels are interdependent, so, any fragility
379 in one hierarchical layer can cause stress in another and if the weakness generated is large
380 enough within this model at any level, it can trigger organizational failure.

381 The macro analytical level is composed of variables external to the organization, and
382 these are common to all businesses, but of particular concern in low margin food supply
383 chains less resilient to market shocks or long-term squeezes that stifle profitability and
384 innovation. Organizations do not have the control over such variables, so if the organization
385 wants to ensure its long-term survival, it must adapt in the micro and meso level to reduce
386 vulnerability to the factors of influence at the macro level. If the organization cannot mitigate
387 or offset the risks associated with external environment, it will fail because the entire ‘House
388 of Cards’ will collapse as the foundations have been weakened irretrievably irrespective of
389 how strong the other layers are.

390 By focusing on its internal organizational resources – at the meso analytical level – the
391 organization can seek to adapt to influencers. Therefore, the strategic and operational
392 management of these economic, market and social resources must be effective to ensure
393 organization survival. This is especially important in terms of developing resilient and strong
394 organizational relationships with shareholders, suppliers and customers. Effective management
395 of internal organizational resources will depend on the managers (micro analytical level), who
396 are responsible for decision-making and the strategic development of the organization.
397 Therefore, the managers’ characteristics, abilities, mindset and actions are fundamental to
398 ensure organization survival. If the management of the organization is weak, its survival is

399 threatened. The “House of Cards” model is intentionally developed as a system based rather
400 than a linear model. A linear model implies that if the organization has some fragility in one
401 variable, this can trigger a chain reaction across the business, a form of “domino-effect”, and
402 therefore, dependent on the size of the impact and the level of the organization’s adaptive
403 capacity then organizational failure may automatically occur. However, in the model presented
404 here if the adaptive capacity is sufficient within the organization, it can build in resilience to
405 market shocks and squeezes. Therefore, the model shows that ensuring organization survival
406 is complex and requires a system based multi-level approach.

407 **5. Conclusion**

408 The systematic literature review on the factors influencing organizational failure has
409 identified the main variables that can lead an organization to fail. Organizational failure can be
410 both positively and negatively influenced by such factors, which operate at three system levels:
411 macro, meso and micro. Based on the analysis of these variables, it was possible to develop
412 “The House of Cards Model” of organizational failure. Such a model illustrates and can help
413 individuals to understand the complex and interconnecting reasons that can lead to
414 organizational failure in food supply chains and provides factors that can be integrated into a
415 metrics based early warning system. The three analytical levels presented in the model are
416 interdependent, i.e., a change in one level should affect the other levels. Consequently, ensuring
417 the long-term success of an organization is a complex task and requires a system-based
418 approach. Further, if the organization wants to ensure its long-term survival, it will need to
419 develop resilience capabilities and agile adaptive capacity at all three levels. However, if there
420 is a major impact at the macro level this can lead to organizational failure in some businesses,
421 even if the systems at the micro and meso levels are strong. Therefore, it is important to the
422 field of organizational food studies literature to identify the variables of interest and the
423 connected development of organizational adaptive capacity. The main limitation of this

424 research is that the propositions have not been yet tested, making it difficult to demonstrate the
425 veracity and influence of each one. This empirical work has however been informed by the
426 literature review and is currently being undertaken by the research team. Empirical research is
427 required to verify both how the variables individually and collectively influence organizational
428 failure and also how mitigation measures can be implemented.

429 This study has implications for all managers, but particularly those who create cognitive
430 distance between themselves and the factors that influence organizational failure. Creating
431 cognitive distance can allow managers or executives to seek to exempt themselves from any
432 responsibility when an organization is going through a difficult period. Furthermore, this study
433 confirms that the managers' lack of experience, skills and knowledge and even overconfidence
434 can all contribute to organizational failure. Therefore, managers should be aware of their
435 particular role in ensuring organizational survival and growth and awareness of the multiple
436 factors of influence is a major step towards developing resilient businesses.

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623 **Table 1. Review of Literature Sources**

Journals	Number of articles	Review or research	Journal grade	Percentage of total
Academia Revista Latinoamericana de Administración	1			
Academy of Management Journal	1			
African Journal of Business Management	2			
Annual Review of Financial Economics	1			
Business History	2			
Business History Review	1			
Cornell Hospitality Quarterly	1			
Economic Modelling	1			
Entrepreneurship and Regional Development	1			
European Management Review	1			
Family Business Review	1			
Group Organization and Management	1			
International Entrepreneurship and Management Journal	1			
International Journal of Construction Management	1			
International Journal of Human Resource Management	1			
International Small Business Journal	2			
Journal of Business and Industrial Marketing	1			
Journal of Business Economics and Management	1			
Journal of Business Research	1			
Journal of Developmental Entrepreneurship	1			
Journal of Entrepreneurship and Public Policy	1			
Journal of Entrepreneurship in Emerging Economies	1			
Journal of Family Business Management	1			
Journal of Retailing and Consumer Services	1			
Journal of Small Business and Enterprise Development	2			
Management: journal of contemporary issues	1			
Management Research Review	1			
Nonprofit Management and Leadership	1			
Organization Studies	1			
Small Business Economics	4			
Strategic Management Journal	1			
Total Quality Management	1			
Tourism Economics	1			
Tourism Management	1			
Total	41			

625 **Table 2. Factors that influence organizational failure derived from the systematic review**

Nº	Author	Title	Influencing factors	Level of influence	Impact on failures
1	Alaka et al. 2017	Critical factors for insolvency prediction: towards a theoretical model for the construction industry.	<i>Financial resources</i>	2	The lower the profit retained, the greater the probability of organizational failure.
			<i>Manager</i>	1	Managers lacking skills and incapable of strategic planning, increase the probability of organizational failure.
2	Almandoz, & Tilcsik, (2016)	When experts become liabilities: domain experts on boards and organizational failure.	<i>Manager</i>	1	The higher proportion of specialist managers in one area within a company, the greater probability of organizational failure.
3	Amankwah-Amoah & Debrah (2010)	The protracted collapse of Ghana Airways: lessons in organizational failure.	<i>Governance policies</i>	3	Liberal and globalized economies increase the probability of organizational failure.
			<i>Manager</i>	1	Managers with lack of skills to adapt to external changes increase the probability of organizational failure.
4	Amankwah-Amoah, Antwi-Agyei & Zhang, (2018).	Integrating the dark side of competition into explanations of business failure: evidence from a developing economy.	<i>Rumors</i>	3	The greater presence of rumors regarding the existence of contaminated or defective products, the greater probability of organizational failure.
5	Arasti (2011)	An empirical study on the causes of business failure Iranian context.	<i>Manager</i>	1	Presence of managers who lack of the skills to manage the business increase the probability of organizational failure.
			<i>Government policies</i>	3	Insufficient government policies increase the probability of organizational failure.
6	Baidoun, Lussier, Burbar & Awashra, (2018)	Prediction model of business success or failure for Palestinian small enterprises in the West Bank.	<i>Financial resource</i>	2	The lower the initial capital of the company, at the time of its foundation, the greater probability of organizational failure.
			<i>Enterprise age</i>	2	The younger the company, the greater probability of organizational failure.
			<i>Manager</i>	1	Inexperienced managers increase the probability of organizational failure.
			<i>Human resources</i>	2	Companies whose salespeople have better sales skills, decrease the probability of organizational failure.
			<i>Consultancy support</i>	2	The presence of external consultancy support decreases the probability of organizational failure.
7	Bordonaba-Juste, Lucia-Palacios & Polo-Redondo (2011)	An Analysis of franchisor failure risk: evidence from Spain.	<i>Enterprise age</i>	2	The younger the organization, the greater probability of organizational failure.
			<i>Enterprise size</i>	2	The more the company grows, and consequently the larger it gets, the lower the probability of organizational failure.
			<i>Institution</i>	2	Quality certification decreases the probability of organizational failure.
8	Buehler, Kaiser & Jaeger (2012)	The geographic determinants of bankruptcy: evidence from Switzerland.	<i>Location (network)</i>	2	Companies (hotels) being located in tourist areas decreases the probability of organizational failure
			<i>Economic conditions</i>	3	The higher unemployment is the greater probability of organizational failure.

			<i>Government policies</i>	3	The lower the level of public investment, the greater the probability of organizational failure.
9	Box (2008)	The death of firms: exploring the effects of environment and birth cohort on firm survival in Sweden.	<i>Enterprise age</i>	2	The younger the company, the greater the probability of organizational failure.
			<i>Enterprise size</i>	2	The smaller the company, the greater the probability of organizational failure.
			<i>Economic conditions</i>	3	An expanding economy decreases the probability of organizational failure. The higher the interest rate, the greater probability of failure.
10	Camillo, Connolly, & Kim, (2008).	Success and failure in Northern California.	<i>Manager</i>	1	Inexperienced and unqualified managers increase the probability of organizational failure. Managers that are more confident and optimistic, the greater probability of organizational failure.
11	Ciampi (2015)	Corporate governance characteristics and default prediction modelling for small enterprises. An empirical analysis of Italian firms.	<i>Governance structure/ institution</i>	2	In small companies CEO-duality (the Chief Executive Officer (CEO) and chairman being the same person) decreases the probability of organizational failure. In small companies, the presence of external directors decreases the probability of organizational failure if their number is less than 50% of the board members. In, small companies, the high concentration of companies' shares in the hands of the owners, decreases the probability of organizational failure.
12	Dobbs, Boggs, Grünhagen, Palacios & Flight (2014)	Time will tell interaction effects of franchising percentages and age on franchisor mortality rates.	<i>Enterprise age</i>	2	The younger the company, the greater probability of organizational failure.
13	Dubrovski (2009)	Management mistakes as causes of corporate crises: Managerial implications for countries in transition.	<i>Manager</i>	1	Depending on the macro-economic situation the characteristics of the managers increases the probability of organizational failure.
14	Esteve-Pérez & Mañez-Castillejo (2008).	The Resource-Based Theory of firm and firm survival.	<i>Physical resources</i>	2	Companies with assets of specific goods decreases the probability of organizational failure. Companies with high production and high price-cost margins are less likely to experience organizational failure.
			<i>Enterprise age</i>	2	The younger the company, the greater probability of organizational failure.
			<i>Enterprise size</i>	2	The smaller the company, the greater probability of organizational failure.
15	Fackler, Schnabel, & Wagner, (2013).	Establishment exits in Germany: the role of size and age.	<i>Enterprise size</i>	2	The smaller the company, the greater probability of organizational failure.
			<i>Enterprise age</i>	2	The younger the company, the greater probability of organizational failure.
16	García-Ramos, Gonzalez-Alvarez & Nieto, (2017)	Institutional framework and entrepreneurial failures.	<i>Governance structure/ Institution</i>	2	Complex and/or bureaucratic institutions increase the probability of organizational failure.
			<i>Economic conditions</i>	3	The higher the taxes, the smaller probability of organizational failure.
			<i>Manager</i>	1	Having managers who fear failure decreases the probability of organizational failure.
17	Gémar Moniche & Morale, (2016).	Survival analysis of the Spanish hotel industry.	<i>Location (network)</i>	2	Companies (hotel) being located near to an international airport decreases the probability of organizational failure.
			<i>Manager</i>	1	Managers lacking skills increase the probability of organizational failure.
			<i>Economic conditions</i>	3	Economic crises increase the probability of organizational failure.
18	Gok, Deshpande, S., Deshpande,		<i>Economic conditions</i>	3	Economic crises increase the probability of organizational failure.

	A. P., & Hunter, (2012)	Comparing promoter and employee attributions for the causes of firms' failure: the case of Indian petrochemical company.	<i>Manager</i>	1	Managers with insufficient leadership and planning skills, increase the probability of organizational failure.
			<i>Competitors</i>	2	The greater the presence of new competitors, the greater the probability of organizational failure.
			<i>Government policies</i>	3	The more liberal the economy becomes the greater the probability of organizational failure.
			<i>Supplier relations</i>	2	The higher the cost of raw materials the greater the probability of organizational failure.
19	Hollow (2014)	Strategic inertia, financial fragility and organizational failure: the case of the Birkbeck Bank, 1870 – 1911.	<i>Manager</i>	1	Managers lacking skills to adapt to external change increases the probability of organizational failure
20	Kalnins (2016)	Beyond Manhattan: localized competition and organizational failure in urban hotel markets throughout the United States. 2000 – 2014.	<i>Enterprise size</i>	2	The bigger the company, the greater probability of organizational failure.
			<i>Location (network)</i>	2	Companies being located near to competitors, increases the probability of organizational failure.
21	Laitinen & Lukason (2014)	Do firm failure processes differ across countries: evidence from Finland and Estonia.	<i>Managers</i>	1	Managers lacking in skills increases the probability of organizational failure.
			<i>Economic conditions</i>	3	Economic crises increase the probability of failure to occur.
22	Mackie (2012)	Bearing 'the burden and heat of the day': the experience failure in Douglas & Grant Ltd.	<i>Manager</i>	1	Very optimistic managers, with a lack of skills and a reluctant to share the knowledge, will increase the probability of organizational failure.
23	Madrid-Guijarro, García-Pérez-de-Lema & Van Auken, (2011).	An analysis of non-financial factors associated with financial distress.	<i>Customer relations</i>	2	The greater the bargain power of customer's buyers, the greater the probability of organizational failure.
			<i>Competitors</i>	2	The greater the rivalry among firms, the greater the probability of organizational failure.
			<i>Physical resource</i>	2	The greater the technological capacity of the firm, the lower the probability of organizational failure.
			<i>Institution</i>	3	Presence of regulatory institutions decreases the probability of organizational failure.
			<i>Government policies</i>	3	Insufficient government policies increase the probability of organizational failure.
24	Maté-Sánchez-Val, López-Hernandez & Fuentes, (2018)	Geographical factors and business failure: an empirical study from the Madrid metropolitan area.	<i>Localization (network)</i>	2	Companies located near universities or research centers have less probability of organizational failure. Companies located near to others that have failed tend to have less probability of organizational failure.
25	Nilsson (2016)	The influence of related and unrelated industry diversity on retail firm failure.	<i>Location (network)</i>	2	Companies located near to competitors increases the probability of organizational failure. Companies located near to those of another industry, decrease the probability of organizational failure
26	Nummela, Saarenketo, & Loane, (2016)	The dynamics of failure in international new ventures: a case study of Finnish and Irish software companies.	<i>Manager</i>	1	Managers are more confident, the greater the probability of organizational failure.
			<i>Economic conditions</i>	3	Economic crises increase the probability of organizational failure
27	Oertel, Thommes, & Walgenbach, (2016).	Organizational failure in the aftermath of radical institutional change.	<i>Institution</i>	3	Institutions can affect the organizational failure either positively or negatively.
			<i>Manager</i>	1	Managers lacking skills to adapt to institutional changes increase the probability of organizational failure.

28	Pardo & Alfonso (2017)	Applying ‘attribution theory’ to determine the factors that lead to the failure of entrepreneurial ventures in Colombia,	<i>Economic conditions</i>	3	Economic crises increase the probability of organizational failure. Countries that face difficulty in accessing credit, increase the probability of organizational failure.
			<i>Manager</i>	1	The greater the presence of “inept” managers, the greater the probability of organizational failure.
			<i>Human resources</i>	2	Inadequate sales and promotion techniques, lead to a greater probability of organizational failure. The greater the lack of training, the greater the probability that organizational failure will occur.
			<i>Supplier relations</i>	2	Existence of suppliers’ contractual problems, increases the likelihood of organizational failure.
			<i>Competitors</i>	2	The greater the presence of new competitors, the greater the probability of organizational failure.
29	Petković, Jäger & Sašić, (2016)	Challenges of small and medium size companies at early stage of development: insights from Bosnia and Herzegovina.	<i>Institution</i>	3	Complex institutions increase the probability of organizational failure
			<i>Human resources</i>	2	Employees who are lacking the skills to recover debt, increase the probability of organizational failure.
			<i>Economic conditions</i>	3	The higher the local tax, the greater the probability of organizational failure. Economic crises increase the probability of organizational failure. The greater the difficulty in accessing credit, the greater the probability of organizational failure.
30	Priego, Lizano & Madrid, (2014)	Business failure: incidence of stakeholders’ behavior.	<i>Shareholders relation</i>	2	The better the relationships with shareholders the lower the probability of organizational failure.
			<i>Human resource</i>	2	The more that employees are not motivated to generate value for the company, the greater the probability of organizational failure.
			<i>Economic conditions</i>	3	The more likely it is in the country for it to be difficult access to credit, the greater the probability of organizational failure.
			<i>Supplier relation</i>	1	The higher the cost of raw materials increases the probability of organizational failure.
31	Purves, Niblock & Sloan, (2016)	Are organizations destined to fail?	<i>Manager</i>	1	The more likely the presence of managers with few qualifications and experience, the greater the probability that organizational failure will occur.
32	Revilla, Pérez-Luño & Nieto, (2016)	Does family involvement in management reduce the risk of business failure? The moderating role of entrepreneurial orientation.	<i>Management structure</i>	1	Family-run businesses where family members’ presence is high in the daily management of a company, decrease the probability of organizational failure.
33	Safley (2009)	Business failure and civil scandal in early modern Europe.	<i>Competitors</i>	2	New competitors increase the probability of organizational failure.
			<i>Manager</i>	1	Managers lacking in skills increases the probability of organizational failure to occur.
			<i>Physical resources</i>	2	Companies lacking in resources to fulfill their contracts, increase the probability of organizational failure.
34	Santiago (2015)	Inertia as inhibiting competitiveness in Philippine family business.	<i>Manager</i>	1	Companies with authoritarian managers, have a greater probability of organizational failure. Managers without an innovational focus, increase the probability of organizational failure.
			<i>Succession</i>	2	Succession processes that are badly planned, increase the probability of organizational failure.
35	Van Scheers (2011)	SME’s Marketing skills challenges in South Africa.	<i>Human resources</i>	2	Companies whose salespeople have better sales skills, decrease the probability of organizational failure.
36	Vivel-Bua, Lado-Sestayo &	Impact of location on the probability of default in the	<i>Financial resources</i>	2	The lower the profitability, the economic and financial balance sheet and the liquidity of the company, the greater the probability of organizational failure.
			<i>Enterprise age</i>	2	The younger the company, the greater the probability of organizational failure

	Otero-González, (2016)	Spanish lodging industry: a study of MSMEs.	<i>Enterprise size</i>	2	The smaller the company, the greater probability of organizational failure.
37	White (2016)	Small business bankruptcy.	<i>Institution</i>	3	The existence of good bankruptcy legislation decreases the probability of organizational failure.
38	Williams (2016)	Can neural networks predict business failure? Evidence from small high tech firms in the UK.	<i>Financial resources</i>	2	The lower the retained earnings, the greater the probability of organizational failure.
			<i>Enterprise size</i>	2	The smaller the company, the greater the probability of organizational failure.
			<i>Location (network)</i>	2	Localities with low access to human capital will lead to a greater probability of organizational failure.
39	Wilson, Wright, & Altanlar, (2014)	The survival of newly-incorporated companies and founding director characteristics.	<i>Manager</i>	1	Experienced managers, with a great networking ability, and who have experienced insolvency in the past, decrease the probability of organizational failure to occur.
			<i>Human resources</i>	2	The presence of female managers, a high number of local directors and a low level of managerial turnover, decrease the probability of organizational failure
40	Wollebaek (2009)	Survival in local voluntary associations.	<i>Enterprise age</i>	2	The younger the company, the greater probability of organizational failure.
			<i>Enterprise size</i>	2	The smaller the company, the greater probability of organizational failure.
			<i>Economic conditions</i>	3	The higher the target consumer population, the less probability of organizational failure
			<i>Business structure</i>	2	The more centralized and formalized the company, the greater the probability of organizational failure.
41	Yonk, Harris, Martin, & Anderson, (2017)	Exploring the case of The White Moustache: Entrepreneurship and regulatory capture on the milk products industry.	<i>Institution</i>	3	Regulatory institutions can increase the probability of organizational failure

626 **Level of influence: 1 = microsystem; 2=mesosystem; 3=macrosystem**

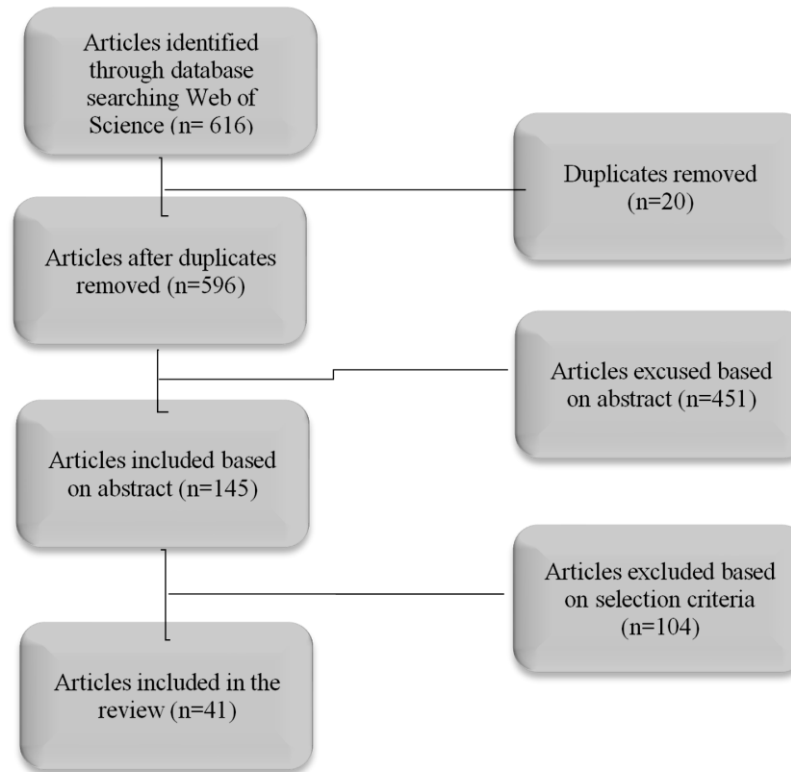
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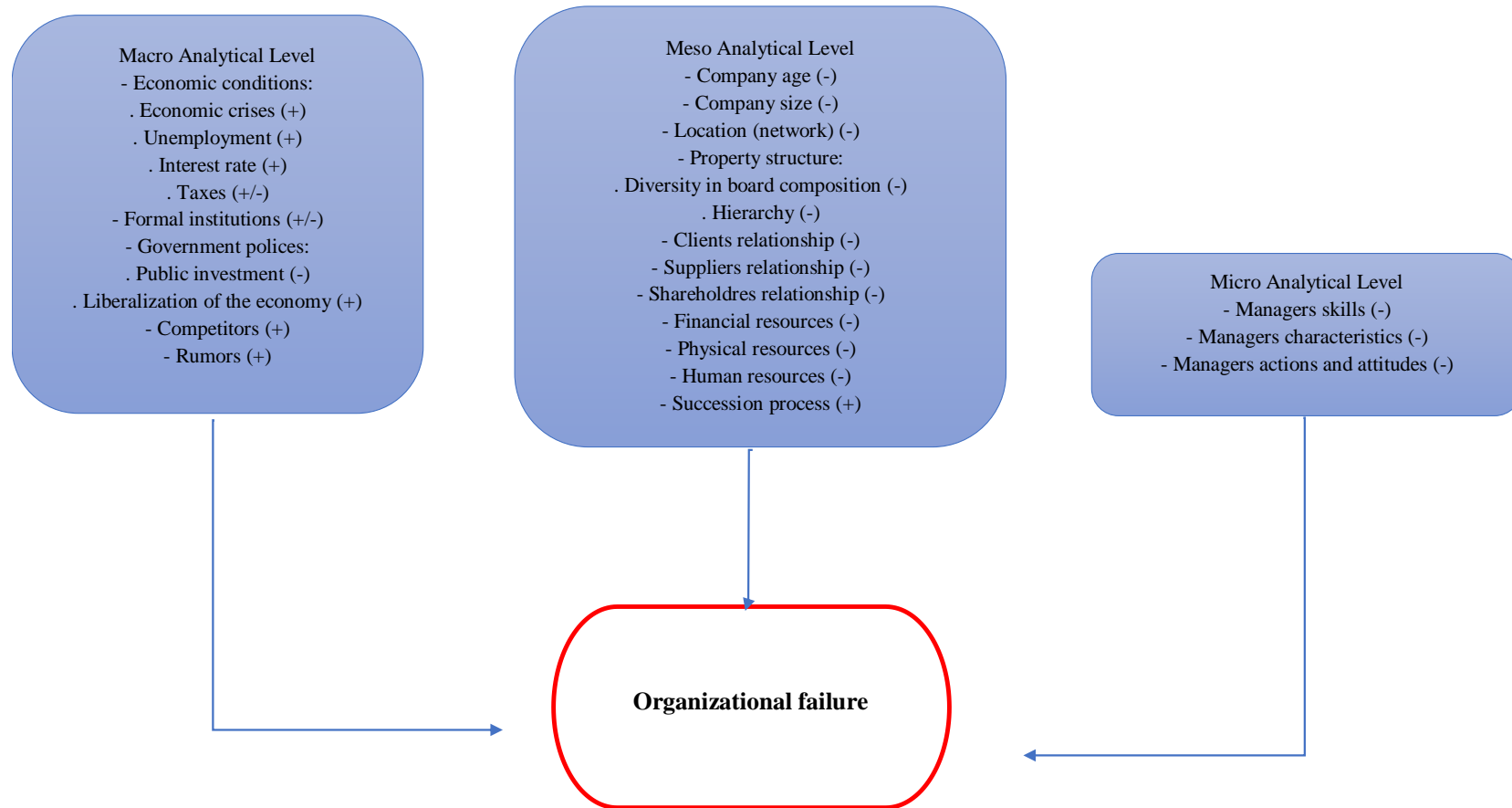
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Figure 1: Flow chart outlining approach for article selection

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Figure 2. Factors that influence the organizational failure

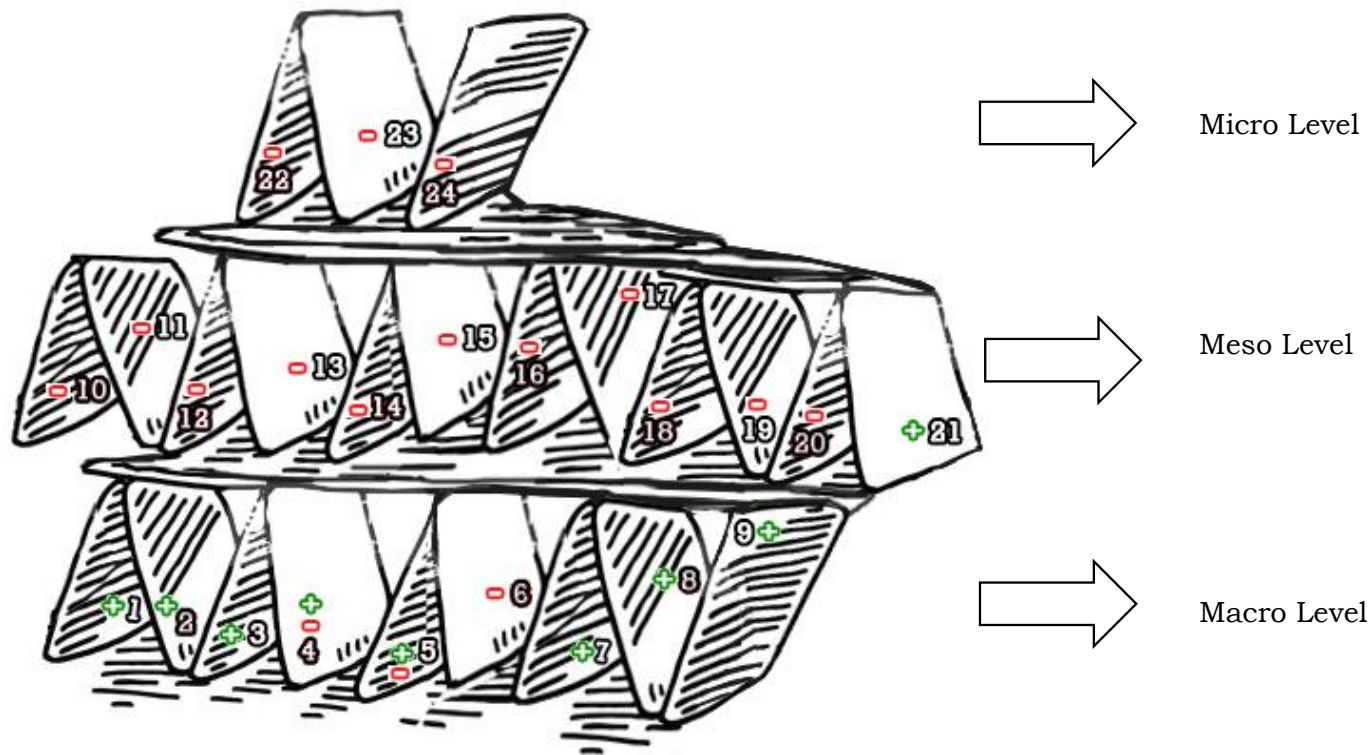


Figure 3: The "House of Cards Model" of organizational failure

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645 1 Economic crisis 2 Unemployment 3 Interest rates 4 Taxation systems 5 Formal institutions 6 Public investment 7 Liberalization of economy 8 Competitors 9 Rumors

646 10 Company age 11 Company size 12 Location (network) 13 Diversity in board composition 14 Hierarchy 15 Clients' relationship 16 Suppliers' relationship

647 17 Shareholders' relationship 18 Financial resources 19 Physical resources 20 Human resources 21 Succession process 22 Managers' skills 23 Managers' characteristics

648 24 Managers' actions and attitudes

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