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Role of external environmental factors in the failure of small enterprises in Angola

Abstract

The high failure rate of new small enterprises in Angola calls to attention the fact that they are not equipped enough to meet the challenges of sustainable economic growth, equitable distribution of wealth and job creation. The worrying impact on the Angolan landscape, as a consequence, has had economists scrambling for solutions in recent years. Moving from on the assumption that the current business climate has been a contributing factor, this paper attempts to examine the role of external environmental factors in the context of Angola. Adopting a quantitative approach, the questionnaire was utilized as the primary data collection tool with snowballing as the sampling technique. The Statistical Package for the Social Sciences (SPSS) software delivered a result to the quantitative data that indicate a severe lack of economic support and availability of fundamental business resources such as raw material, skilled people and finance, and rigid policy-making regulations. The doomed-to-fail death knell to the Angolan small business comes in the form of a high level of corruption and theft in the country.

Keywords: business environment, small business failure, failure factors, success, entrepreneurship and small businesses.
JEL Classification: M0, M13.

Introduction

Current research suggests that less than half of newly established businesses survive beyond five years (Brink & Cant, 2003; Fatoki & Smit, 2011), a phenomenon that Angola has in common with the rest of the world. The different elements of the business environment tend to vary from one economy to another largely influenced by the economic, political and social conditions of the country (Arasti, 2011).

Bringing into focus some of the factors, Cronje, du Toit, Marais and Motlatla (2004) and Nieman and Nieuwenhuizen (2009) argue that the external environment exerts indirect pressure on the businesses, raising their likelihood of failure exponentially. Everett and Watson (1998) contend that approximately 30-50% of small businesses fail due to external factors. Although Angola has made significant progress in terms of business formation, it has, nonetheless, shown a dismal/negative/weak/degenerated record of business survival in recent years. While the Global Entrepreneurship Monitor (GEM) reports a Total early-stage Entrepreneurial Activity (TEA) index of 21.5 in 2014, it also notes a 15.1% non-survival of the TEA (GEM, 2014). Irrespective of the understanding that business failure is influenced by both internal and external factors, understanding these causes would go a long way to informing policies that aim to improve the survival of these businesses (ANGOP, 2013; Angonotícias, 2013; Dias, 2013). This is particularly important, given the perceived recovery that followed the Angolan civil war that lasted 27 years. Mendes (2012) believes that the country is still saddled with numerous external factors that inhibit business growth.

While business failure has been researched extensively, particularly in developed countries, the same cannot be said of Angola. More so, the focus of these studies has generally been on internal factors; entrepreneur/manager's necessary skills and the knowledge needed to maintain a viable business. Thus, this paper sought to examine the external factors associated with small business failure in the Angolan context.

1. Literature

The literature is presented under the following themes: small business, failure concept, market and macro environment.

1.1. Small business. Byrd and Megginson (2009, p. 9) define a small business as any business within the category recognized under the following criteria: it is not the overpowering business in its sector; has a limited size of employment and a limited amount of revenue; and is privately owned and operated. The concept of small business in Angola is clustered under the definition of MSMEs, which are formed with the objective of exercising an economic activity (Angola, MINEC, 2012, p. 7). The classification is consistent with many other countries in that businesses are clearly identified either by the number of employees or by their annual gross turnover. For example, in USA, a small business is defined as "an American-owned for-profit business with fewer than 500 employees" (Barringer & Ireland, 2010, p. 359). Correspondingly, in South Africa, a small business is also classified by the number of employees (less than 50), and/or by both the total annual turnover

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and by total gross asset value, which varies greatly by sector (Venter et al., 2008, p. 235).

Small businesses, as defined under Angolan Law No. 30/11 of 13 of September, the law of Micro, Small and Medium enterprises (MSMEs), are those businesses employing more than 10 and up to 100 employees, and/or having an annual gross turnover in Kwanza exceeding the equivalent of USD 250 000 (R3,225 million) and equal to or less than USD 3 million (R38,7 million) (Angola, Diário da República, 2011, p. 4295).

1.2. The concept of business failure. Failure is deemed to occur when the business closes down, because it cannot achieve its goals (Nieman & Nieuwenhuizen, 2009; Arasti, 2011). The circumstances leading to business failure may include when the business is unable to pay its creditors, employees, shareholders and suppliers, or the business is declared bankrupt (Dimitras, Zanakis & Zopounidis, 1996).

Wu (2010), Arasti (2011) and Holt (2013) maintain that, depending on the types, small business failure can be explained in a variety of ways. To this end, Cronje et al. (2004) identify the following types of failures that may occur in a typical business setting:

design failure: relates to the execution of a design that is later discovered to be unsuitable for the determined purpose;

facility failure: business operations cease (or partly cease) due to a breakdown of one or more machines or any relevant components of the business facility;

staff failure: occurs in the event of personnel mistakes, misrepresentation and failure to comply with certain procedures that are identified as compulsory to the success of the business;

supplier failure: in the event that suppliers stop providing products or services, or fail to supply them on time, the business starts failing to deliver on its promises to customers;

customer/client failure: these are events that originate from customer/clients' misuse of the product or service, utilizing them for purposes other than for which they were designed and manufactured (Cronje et al., 2004).

As argued above, business failure arises from a number of sources and usually from an accumulation of operational mistakes. Taking no timeous remedial action against mistakes or problems more than guarantees failure. Noting that failure may occur at any time within a business, Cronje et al. (2004) caution that ignoring errors may prove fatal to the business.

1.3. External environment and small business failure. The external environment relates to the factors outside the business that inform the shape of the venture, its operations, ability to mobilize key resources, circulation and the consumption of products or services (Venter, Urban & Rwigema, 2008). Management has little or no control over the external environment, though it impacts on the firm's policies, revenue, and continued existence (Venter et al., 2008).

1.3.1. Market environment and small business failure. As part of the external influences, the market environment refers to forces that affect a business' capacity to build beneficial relationships with its customers, the market and industry (Cronje et al., 2004; Frynas & Mellahi, 2011).

Ooghe and Prijcker (2008) found that a number of market environmental factors includes, but is not limited to: lack of a competitive advantage, dissatisfied customers, high cost of raw materials, as well as suppliers and banks losing trust which could plunge a small businesses into the depths of despair. For instance, Holt (2013) argues that an increase in bank interest rates, less demand for products or services and recession in the industry are significant factors that contribute to business failure.

1.3.1.1. Competition and small business failure. Globalization has enhanced competition in the marketplace mostly facilitated by advancements in information and transportation of technology. These technologies facilitate the introduction of products into global markets. However, Ooghe and Prijcker (2008) and Herrington (2014) denote that the challenges facing small businesses in developing countries face are not limited to the lack of capacity or their effective positioning in the market, nor to the inability to innovate and implement new technology. Many small businesses lack a strategic advantage over competitors and/or the capacity to successfully overcome competition from foreign companies.

The challenge of being a new player in an established market while facing strong competition, intensifies the chances for failure (Honjo, 2000). Similarly, Balcaen and Ooghe (2006) contend that small businesses that are mostly vulnerable to failure are found in an industry, where a few large firms totally dominate the market.

1.3.1.2. Customers and small business failure. The customers and accompanying characteristics impact on the success or failure of a business. Chiaravalle and Schenck (2007) and Dakora (2007), describe customers as parties who consume products and have the ability to distinguish between different products. Hence, paying heed to the needs or desires of customers should be the strategic engagement of the business that seeks to sustain success, thereby affording it a strategic advantage that may improve its chances for sustainability. Ooghe and Prijcker (2008) maintain that ignoring customer complaints can fatally decrease the demand for a product and customer dissatisfaction. Another plausible source of failure relates to the concentration of customers. Balcaen and Ooghe (2006) and Lamb, Hair, McDaniel, Boshoff and Terblanche (2008) agree that businesses with a concentrated customer base may suffer, if the product demand diminishes or the market is invaded by businesses competing in the same industry.

1.3.1.3. Suppliers and small business failure. Suppliers are in a position of power and tend to use this against customers (Barringer & Ireland, 2010). It becomes risky for a small business to become reliant on a single large supplier for its main inputs (Balcaen & Ooghe, 2006; Arasti, 2011). In addition, the power of suppliers may increase disproportionately if their products or services are highly differentiated from competitors, and are associated with high switching costs (Keegan & Green, 2011). With the above favorable leverage, suppliers can easily: raise prices, reduce product quality, introduce vertical integration or even terminate the business relationship with a customer (Frynas & Mellahi, 2011; Ooghe & Prijcker, 2008).

1.3.1.4. Creditors and small business failure. According to Flynn, Koornhof, Kleynhans, Meyer and Posthumus (2005), creditors are people or entities that lend capital to an entrepreneur's venture with the expectation of the loan repayment, with interest, within a fixed period. Creditors are likely to spend time and energy on recruiting potential managers or constituting advisory boards of businesses in which they invested large sums of money (Barringer & Ireland, 2010). Because their money is at risk, they remain focused on the ability of the business to repay its debts by the due date (Flynn et al., 2005, pp. 1-9). However, if the business fails to repay as agreed, investors can bankrupt a business (Dimitras, Zanakis & Zopounidis, 1996; Nieman & Nieuwenhuizen, 2009; Barringer & Ireland, 2010). How, Explain perhaps, …by closing its doors.

1.3.2. Macro environment and small business failure. This section relates to political, economic, cultural and social activities as well as the technological and globalization trends that lead/contribute to business failure.

1.3.2.1. Education in Angola. Good quality education is essential for any economy that aims to grow, develop and compete effectively. According to CIA (2013), about 30% of Angolan citizens over the age of 15 years are illiterate, the majority of them women. Many would agree that this has resulted in a shortage of skilled people, including entrepreneurs, who could have served as role models (Da Rocha, 2011; Herrington, 2014; Mendes, 2012). Gonçalves (2010) notes that over 41 years after Angola's war of independence and the civil war, the mass exodus of skilled people contributed significantly to the current status quo and downturn in production capacity. Concurring Mateus (2012) asserts that people are likely to leave an economy due to factors such as volatile economic or political conditions, ruined infrastructure or unsatisfactory social service.

On the issue of education, while the Angolan government has been slow in replacing the skills lost to emigration, one noteworthy government support program relates to the inclusion of an entrepreneurship program in the ongoing secondary school curriculum reform in 2009. This programme was designed to excite entrepreneurial attitude and impart knowledge and skills to young students (Angola, MED, 2008).

1.3.2.2. Political environment and business failure. Political environment impacts differently on entrepreneurial activities. Frynas and Mellahi (2011) argue that within the political environment issues such as new business-related laws and regulations, changes in the levying of taxes, new amendments for tax base expansion or changes in labor laws, such as minimum wages, can significantly affect small business profitability.

In contrast, Barringer and Ireland (2010) believe that trends in the political environment can positively or negatively affect small businesses, such as the addition or removal of relevant benefits they acquire from government agencies. Another issue to consider is trade union actions, which may also impact on management strategic decisions concerning issues such as wage increases, workplace restructuring and retrenchments.

1.3.2.3. Corruption factors and business failure. According to Henriques (2007, cited by Frynas & Mellahi, 2011), high levels of corruption impact negatively on the macro environment of a business. High costs of start-up capital, poor economic infrastructure, disregard for regulatory systems, increased rates of criminality and taxes, all combine to create a difficult environment in which to operate and sustain a business. Due to the protracted negotiations and barriers presented by a corrupt system, many entrepreneurs or managers are persuaded to participate in corruption in order to sustainably compete in the market (Frynas & Mellahi, 2011). A small business can fail if the owner does not comply with the demands to operate in an illegal, unethical and dishonest manner – corruption, and its illicit complexities play a major role in countries, such as Angola struggling towards economic stability (suggested addition).

1.3.2.4. Technology, innovation and business failure. According to Venter et al. (2008), technology refers to the application of scientific knowledge to the business operation process, services or manufacturing and it has become critical to keep abreast of technological developments in today's competitive markets, in order to remain competitive. The application of technology in a business should aid in the innovation of new products or services, or in improving existing products or services, and in the design, organization and distribution of products (Lamb et al., 2008; Venter et al., 2008). Hence, Strydom (2011) claims (stet) that a business that neglects to keep up with technological developments will lag behind its competitors and fail.

Innovation is the generation of a new idea or adaptation of an existing concept to a new market and can involve technological derivatives like machines and equipment and, then, convert the idea into a new product, service or method (Venter et al., 2008).

1.3.2.5. Crime and business failure. Regardless of its type and seriousness, crime affects the viability of any business. When perpetrated against a small business, crime could cause total business failure, especially if it results in the major loss of business assets, or it can be a more gradual process as in the case of ongoing theft by employees (SBP, 2008). Similarly, Mbonyane and Ladzani (2011) maintain that an attack by criminals may render the small business so helpless that it is unable to continue operations. It may even be left with massive debts and liabilities as a consequence. If not assisted financially, the effects may cause the business to fail.

Small businesses suffer more acutely from burglary, robbery, petty theft and shoplifting. However, counterfeit money, credit card fraud and hijacking have been added to the crime mix in recent years (Mbonyane & Ladzani, 2011; SBP, 2008).

1.3.2.6. Cultural factors, entrepreneurial experience and business failure. According to Wong (2005), culture refers to the social customs, beliefs, values, knowledge and experiences associated with a particular group of people that are passed down from generation to generation. While noting that culture involves the "various artefacts shared by members of the same nation", Frynas and Mellahi (2011) describe culture as a set of collective human features that describe a determined community.

Venter et al. (2008) state that: "The aggregate level of entrepreneurial activity is uncertain and heavily influenced by cultural traits". Furthermore, Venter et al. (2008) claim that every nation may practice entrepreneurship, but there should be comparative differences between them with regards to the emphasis of its focus areas. Several authors suggest that it is crucial for successful entrepreneur role models to transfer the relevant entrepreneurial knowledge and practices to others within a community (Da Rocha, 2011; Mendes, 2012; Herrington, 2014). Drawing from the foregoing views presupposes that the preponderance of cultural factors accounts for why some nations have higher rates of business success or failure than others. Venter et al. (2008) concur with the preceding argument and assert that not emphasizing the importance of entrepreneurship in the culture of a nation is as detrimental as crime, corruption or lack of support structures are to the success of a small business.

1.3.2.7. Globalization and business failure. According to Frynas and Mellahi (2011), globalization refers to various practices covering economic, political and cultural change that reinforces political interdependence across countries. Frynas and Mellahi (2011) further explain that globalization has increased business activities between countries and has effectively integrated economies, industries, markets, cultures and policy-making around the world.

Cronje, du Toit and Motlatla (2000) contend that countries across the world have become more reliant on each other with regard to "technologies, economies, politics and raw materials" and further state that many large businesses from different countries operate internationally. By sharing various management and business experiences, skills and high-tech equipment, this gives them a competitive edge in the host market. By comparison, many small businesses are unable to compete with those large companies that offer similar products because of a lack of skill to improve products and resources or to implement high-tech equipment.

2. Research methodology

Collectively, the concept of 'research methodology' involves the actions and systematic approaches one will employ in a research study to find reliable answers to the questions (Greener, 2008). In view of the above, research in social science, such as this research, should, eventually, be conducted under distinctive theoretical perspectives, research strategies, approaches or methods that denote the contents and the nature of the data contained in the study (Cohen, Manion & Morrison, 2007; Greener, 2008).

2.1. The research design. In line with the aim of this paper, which was to examine the external factors associated with small business failure in the Angolan context, the positivist theoretical perspective (Marvasti, 2004) was utilized to realize the preceding objective.

Although there is a common thread that connects the various approaches to data collection and analysis, such as positivism, quantitative, deductive, objectivist and so on this study adopted the quantitative method following Brynard and Hanekom (2006).

The target population was comprised of all small enterprises operating in the municipal area of Viana in Luanda, Angola. This broad municipal area is made up of seven municipalities and was selected, because it is perceived to be the most industrialized and fastest growing municipality. Small businesses in this study, are defined by the number of employees that range between 11 and 100, and/or by annual revenue greater than USD 250,000 (R3.225 million) and equal to or less than USD 3 million (R38.7 million) (Angola, Diário da República, 2011).

Due to the lack of a comprehensive sample frame, the study adopted a non-probability sampling technique, specifically, the snowballing sampling technique was utilized to build the sample size through a line of references (Denscombe, 2007; Tengeh, 2011).

To reach an acceptable sample size, the following two procedures were undertaken: firstly, only small business owners (or managers) that had experienced a failed business were eligible for selection; secondly, the sample size for this study was bench-marked against (average sample size) recent studies that focused on small business failures. These studies included April (2005) who utilized a sample of 40; Arasti (2011) who recruited 80 participants; Mofokeng (2012) who utilized 120 participants; Nemaenzhe (2010) with a sample size of 254 and Yozi (2009) who used 25 participants. The average sample size for the abovementioned studies is 104. To be prudent, the sample size for this study was set at 130 respondents (25% above the average of 104 noted above). This method of sample size calculation was utilized in a similar study by Tengeh (2011).

2.2. Data collection instrument. Data is the basic component of any research derived from, but not limited to, academic sources, surveys, questionnaires, interviews and observations (Yin, 2011). Having adopted the quantitative approach, the questionnaire was deemed the most suitable tool for data collection (Kothari, 2004). However, the disadvantage of using a questionnaire for data collection is the inevitable biased responses from participants due to a lack of supervision (Sarantakos, 1998). To minimize such bias, the researchers exercised proper supervision during the completion of the questionnaires.

2.3. Data analysis. From the 117 questionnaires returned, only 108 were processed for analysis. Nine questionnaires were deemed not usable due to physical damage or being incomplete. This paper employed SPSS software to statistically analyze the primary data, and descriptive statistics was the main concern. According to Denscombe (2007), descriptive statistics allows the researcher to critically analyze the results, examine the interconnection of data and provide a meaningful conclusion. Hence, the SPSS provided the platform for the presentation of the results in the form of figures, graphs, and frequencies and percentages (Coldwell & Herbst, 2004).

3. Presentation and discussions of findings

In this Section, the results are presented, analyzed and interpreted in relation to the research objective. The Section is set out under the following main headings: market competition and associated failure factors; and the macro environment and associated failure factors.

3.1. Market competition and associated failure factors. Table 1 indicates that a total of 72.6% of respondents disagreed that a lack of demand for their products or services was a contributing factor to their business failure, while 27.4% agreed. This, perhaps, could be the result of the high demand for diverse products in the economy, while the country produces less (Anon., 2015). Literature suggests that several businesses have failed because of insufficient demand for its products or services (Balcaen & Ooghe, 2006; Lamb et al., 2008). This may be because of poor product quality or obsolescence, or the market is invaded by other businesses in the same industry with a high competitive advantage.

Table 1. Lack of demand for products/services

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly agree	7	6.5	6.6	6.6
	Agree	22	20.4	20.8	27.4
	Disagree	49	45.4	46.2	73.6
	Strongly disagree	28	25.9	26.4	100.0
	Total	106	98.1	100.0	
Missing	Missing response	2	1.9		
Total		108	100.0		

Table 2 indicates that a total of 92.5% of respondents disagreed that numerous competitors in the market caused their business to fail, while 7.5% of respondents agreed with this statement. The results imply that there is low competitive pressure in the study area of Viana. A lack of competition would remove the necessity for businesses to deliver quality products or services or increase their innovativeness. These results differ from similar studies conducted by Mahamid (2012) and Holt (2013) who both found failure in small businesses to be influenced by a low margin profit due to increased competition.

Table 2. Intense competition in the market

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Agree	8	7.4	7.5	7.5
	Disagree	31	28.7	29.0	36.5
	Strongly disagree	68	63.0	63.5	100.0
	Total	107	99.1	100.0	
Missing	Missing response	1	.9		
Total		108	100.0		

Furthermore, Table 3 shows that 67% of respondents disagreed that a lack of differentiation of their offerings from competitors' products was a factor which contributed to businesses failure, while 33% of respondents agreed with this supposition. These results imply that the majority of small business owners/managers in the studied area did not believe that a lack of competitive advantage caused business failure. Other studies suggest that those businesses that are not innovative neglect to keep abreast of technological developments or do not provide products or services of exceptional quality, can lag behind competitors and ultimately fail (Ooghe & Prijcker, 2008; Arasti, 2011; Strydom, 2011).

Table 3. Lack of differentiation of products/services from competitors

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly agree	15	13.9	14.2	14.2
	Agree	20	18.5	18.9	33.0
	Disagree	41	38.0	38.7	71.7
	Strongly disagree	30	27.8	28.3	100.0
	Total	106	98.1	100.0	
Missing	Missing response	2	1.9		
Total		108	100.0		

Table 4 illustrates that a total of 72.9% of respondents disagreed that neglecting to cultivate product awareness had contributed to their businesses failure, while 27.1% agree with this statement. These findings could relate to the findings in Table 2, which report an absence of competition in the market. A similar study conducted by Khalfan (2003) found that not cultivating product awareness and not paying attention to cultural and environmental issues is a significant contributing factor to small business failure. However, this differs from the above results, which indicate that only a small number of respondents believed that not marketing their products caused their businesses to fail.

Table 4. Failure to cultivate product awareness as a factor of failure

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly agree	17	15.7	15.9	15.9
	Agree	12	11.1	11.2	27.1
	Disagree	35	32.4	32.7	59.8
	Strongly disagree	43	39.8	40.2	100.0
	Total	107	99.1	100.0	
Missing	Missing response	1	0.9		
Total		108	100.0		

4.2. The macroenvironment and associated failure factor. Table 5 indicates that nearly three quarters (74.1%) of the respondents agreed that theft of their business assets contributed to failure, but 25.9% disagreed with this statement. Corroborating this finding, Mofokeng (2012) found that 94% of SMEs failed due to theft of equipment and raw material. This implies that crime against a small business could cause it to fail due to the major loss of business assets, or continuous theft by employees can gradually deplete the business and, ultimately, cause total failure.

Table 5. Theft of business assets as a cause of business failure

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly agree	64	59.3	59.3	59.3
	Agree	16	14.8	14.8	74.1
	Disagree	25	23.1	23.1	97.2
	Strongly disagree	3	2.8	2.8	100.0
	Total	108	100.0	100.0	

Table 6 indicates that 71.3% of respondents agreed that excessive bribery and corruption contributed to their businesses failure, while only 28.7% disagreed with this statement. The above results align with the World Bank (2011), which found that of 10 obstacles, which face businesses in Angola, corruption headed the list and was revealed as the major factor that hampered the businesses. Dishonest employees and corrupt government officials seriously threatened the well-being and success of a business.

Table 6. Bribery and corruption as a cause of business failure

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly agree	40	37.0	39.6	39.6
	Agree	32	29.6	31.7	71.3
	Disagree	11	10.2	10.9	82.2
	Strongly disagree	18	16.7	17.8	100.0
	Total	101	93.5	100.0	
Missing		7	6.5		
Total		108	100.0		

Table 7 illustrates that a total of 57.7% of respondents agreed that lack of entrepreneurial schools to gain knowledge and skills development have contributed to their business failure, while 42.3% disagreed with this statement. Bloom, Canning and Chan (2006) and Zinga, Coelho and Carvalho (2013) maintain that the failure of many African countries to offer tertiary education, business management training and development has denied the opportunity to many entrepreneurs to acquire the necessary management skills to sustain their enterprises. Venter et al. (2008) state that confidence and skills in business management are imparted through education and training.

Table 7. Lack of business management training and development

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly agree	38	35.2	36.5	36.5
	Agree	22	20.40	21.2	57.7
	Disagree	16	14.8	15.4	73.1
	Strongly disagree	28	25.9	26.9	100.0
	Total	104	96.3	100.0	
Missing		4	3.7		
Total		108	100.0		

Table 8 reveals that more than two thirds (69.2%) of respondents agreed that a lack of financial support had caused their business to fail, while 30.8% of respondents disagreed. This includes lack of support from financial institutions, families and friends, making it impossible for entrepreneurs to sustain their businesses, if their own savings are depleted and they are unable to cover operational costs any longer. Authors such as Da Rocha (2011) and Mendes (2012) emphasize that weak financial support and barriers or restrictions in obtaining funding from financial institutions due to poor collateral, critically impact on the success of many businesses.

Table 8. Inadequate financial support as cause of failure

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly agree	53	49.1	49.5	49.5
	Agree	21	19.4	19.6	69.2
	Disagree	33	30.6	30.8	1000
	Total	107	99.1	100.0	
Missing		1	0.9		
Total		108	100.0		

Table 9 illustrates that more than half (60.9%) of respondents agreed that the stringent procedures in licensing businesses in the municipal area of Viana contributed to their business failure, while 39.1% disagreed with this statement. Similarly, Arasti (2011) found that non-supportive government policies were a pertinent factor in the failure of small businesses. Nieman and Nieuwenhuizen (2009) state that, to allow for more entrepreneurial creation and development, it is vital that bureaucracy should be minimized, and a stable political environment must be created. Therefore, the findings of this study ascertained that government regulations negatively affect small businesses.

Table 9. Stringent procedures to license a business in pre-start-up stage

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly agree	35	32.4	33.3	33.3
	Agree	29	26.9	27.6	60.9
	Disagree	25	23.1	23.8	84.7
	Strongly disagree	16	14.8	15.3	100.0
	Total	105	97.2	100.0	
Missing	Missing response	3	2.8		
Total		108	100.0		

The results in Table 10 indicate that 71.5% of respondents agreed that the shortage of skilled people in the area made it difficult to obtain qualified employees, and the scarcity of professional people with skills and knowledge to complete specific tasks or deliver a particular service contributed to the failure of the business, while 28.5% of respondents disagreed. Perhaps the shortage of skills could still be the results of the mass exodus of skilled people from Angola during the civil war (Da Rocha, 2011; Herrington, 2014; Mendes, 2012). As Nieman and Nieuwenhuizen (2009) argue, the success of a business depends on people and the skills they possess.

Table 10. Scarcity of skilled people

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly agree	36	33.3	34.3	34.3
	Agree	39	36.1	37.1	71.5
	Disagree	20	18.5	19.0	90.5
	Strongly disagree	10	9.3	9.5	100.0
	Total	105	97.2	100.0	
Missing	missing response	3	2.8		
Total		108	100.0		

An overwhelming majority (79.7%) of respondents (Table 11) felt that the unavailability of raw materials in Angola contributed to their businesses failure, while 20.3% of respondents disagreed with this statement. This could be as a result of the Angolan economy being highly dependent on importation and having very few own manufacturing companies (Africa Economic Outlook, 2014). These results concur with Dasgupta and Sanyal (2010) that scarcity of raw materials causes supply risks to small businesses. Nieman and Nieuwenhuizen (2009) suggest that entrepreneurs should consider availability of raw materials when selecting a suitable primary market environment into which to enter in the industry.

Table 11. Unavailability of raw material

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly agree	46	42.6	44.7	44.7
	Agree	36	33.3	35.0	79.7
	Disagree	19	17.6	18.4	98.1
	Strongly disagree	2	1.9	1.9	100.0
	Total	103	95.4	100.0	
Missing	Missing response	5	4.6		
Total		108	100.0		

Table 12 notes that infrastructure problems such as erratic water and electricity supply hamper and prevent more than one half (57.3%) of the surveyed businesses from being viable and successful, while 42.7% disagreed with this notion. The situation is so bad that 66% of Angolan businesses rely on their own generators to supply electricity for daily operations (Jover, Pintos & Marchand, 2012). Furthermore, a significant number of businesses rely on their own constructed water reservoirs for water supply. Therefore, an adequate power and water supply are needed to create a favorable environment in order to increase the viability of entrepreneurial activities in the Angolan economy.

Table 12. Lack of access to water and electricity

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly agree	42	38.9	40.8	40.8
	Agree	17	15.7	16.5	57.3
	Disagree	34	31.5	33.0	90.3
	Strongly disagree	10	9.3	9.7	100.0
	Total	103	95.4	100.0	
Missing		5	4.6		
Total		108	100.0		

The results in Table 13 indicate that a total of 49.1% of respondents agreed that inadequate infrastructure made it difficult for customers to access the business and purchase goods, but 50.9% disagreed with this proposition. These results indicate a 50/50 divided opinion on this statement. However, Ihua (2009) found that poor economic conditions and infrastructural inadequacy were critical business failure factors in Africa. Nieman and Nieuwenhuizen (2009) agree that an inadequate business infrastructure - unsuitable business location and forces of nature such as flood – can also negatively impact on business performance.

Table 13. Inadequate infrastructure conditions where the business was located

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly agree	22	20.4	21.2	21.2
	Agree	29	26.9	27.9	49.1
	Disagree	28	25.9	26.9	74.0
	Strongly disagree	25	23.1	24.0	100.0
	Total	104	96.3	100.0	
Missing	Missing response	4	3.7		
Total		108	100.0		

Conclusion

Unemployment and poverty are some of the unwanted results of small business failure for the countries concerned. Small businesses, in most countries, face a number of challenges, and this is true of Angola. Though diverse, these challenges can be grouped into internal and external factors. This paper examined the impact of external environmental factors on the failure of small enterprises in Angola. The results indicate that a lack of economic support and availability of fundamental business resources such as raw material, skilled people and finance, rigid policy-making regulations, and a high level of corruption and theft in the country were among the critical external factors which influenced the small business failure in Angola. Given the perceived significant role that small business play in a burgeoning economy, understanding why small businesses fail/succeed becomes crucial to the stability and health of the Angolan economy.

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