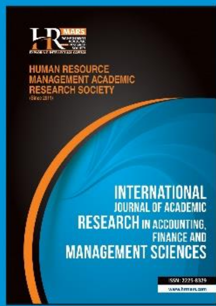


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**To Link this Article:** http://dx.doi.org/10.6007/IJARAFMS/v13-i1/16612 DOI:10.6007/IJARAFMS /v13-i1/16612

***Received:*** *16* January 2023*,* ***Revised:*** *18* February 2023*,* ***Accepted:*** *06* March 2023

**Published Online:** *20* March 2023

**In-Text Citation:** (Hasin et al., 2023)

**To Cite this Article:** Hasin, H., Minhad, S. F. N., & Omar, N. (2023). Exploring The Causes of Business Decline in Malaysia: An In-Depth Analysis of Contributing Factors. *International Journal of Academic Research in Accounting Finance and Management Sciences*, *13*(1), 572–593.

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**Vol. 13, No. 1, 2023, Pg. 572 - 593**

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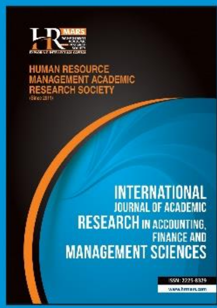
INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN ACCOUNTING, FINANCE AND MANAGEMENT SCIENCES
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ISSN: 2225-8329

# Exploring The Causes of Business Decline in Malaysia: An In-Depth Analysis of Contributing Factors

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**Abstract**
Business failure is a complex phenomenon due to various internal and external factors. Understanding the causes of business failure is crucial for business owners and policymakers as it can help formulate strategies to minimise the risk of failure. This study aims to examine the factors that contribute to the decline of Malaysian businesses using a comprehensive analytical approach. The study sample comprises companies in Malaysia, including both small and large companies from various industries. Probability sampling was used to select the samples for the study. The research design consists of a review of relevant literature followed by a quantitative survey of Malaysian firms affected by the failure of their business. Data collection included surveys, interviews, and secondary data sources such as financial statements and industry reports. The study used various statistical techniques to analyse the data, including descriptive statistics, correlation analysis and regression analysis. The results show that the main factors for the decline are poor financial management and policies, top management problems and weak acquisition, competition, incompetent management, and global upheaval. The findings of this study have important implications for policymakers, business owners and stakeholders. Business owners, stakeholders and policymakers can use this information to formulate strategies that minimise the risk of failure and promote sustainable business growth.
**Keywords:** Business Decline, Contributing Factors, Malaysia, Firms, Analysis

## Introduction

The issue of firm failure has been extensively discussed among academics and economists, particularly in times of turbulence (Bartik et al., 2020; Guerrieri et al., 2020). Financial decline is a common challenge many firms face at some point in their business life cycle. The causes of business decline can be categorised into internal factors (Van Gelder et al., 2007; Lu et al., 2010), external factors (Swaminathan, 1996; Harker, 2001; Scherrer, 2003; Abdullah & Hussin, 2010; Shepherd et al., 2018), and a combination of both (Collett et al. 2014; Lukason and Hoffman, 2015; Mellahi and Wilkinson, 2004; Balgobin and Pandit, 2001; Pearce & Robbins, 1993). Internal factors that can contribute to business failure include strategic misalignment, insufficient slack resources (Lohrke et al., 2004; Rasheed, 2005), poor leadership (Osiyevskyy

& Dewald, 2018) or disregard for consumer needs (Boyne, 2006), ineffective management (Kondrasuk & Poon, 2019), inadequate financial resources (Kim & Lee, 2018), and high-cost structures resulting from a lack of policies (Adegbite et al., 2020; Balgobin and Pandit, 2001).

The external environment comprises financial, political, legal, demographic, societal, economic (Mukherjee & Ray, 2018), and technological segments (Luo & Qian, 2019; Scherrer, 2003) and changes in consumer demands (Boyne, 2006) which the firm has no direct control (Arogyaswamy et al., 1995). Baglobin and Pandit (2001) reported some external forces, such as a decrease in demand for the goods or services produced by the firms; competition intensifies (Raza et al., 2019), and input costs increase (Adegbite et al., 2020). Managers need to consider how the external environment is evolving and affecting the business. External environmental factors can jeopardise a firm success. Global competitiveness is essentially an uncontrollable feature of the external environment. To perform effectively, firm owners and managers must constantly monitor their environment and adjust their operations accordingly. Some businesses have closed due to intense competition during the financial crisis or economic downturn. However, the firm owners and managers greatly influence their internal environment, including day-to-day decision-making (Sulaiman et al., 2005). While internal causes are controllable, external variables are beyond management's control (Francis & Desai, 2005; Pearce & Michael, 2006). The success or failure of a business cannot be ascertained by examining the impact of internal business causes, but external factors must also be considered (Shepherd et al., 2018). Examining the impact of internal firm causes cannot clarify the firm success or decline but must also look at the external aspects (Shepherd et al., 2018).

In this respect, this study examines the contributing factors to business decline caused by the internal and external environment.

**Literature Review**

Management must be aware that decline is as probable as success in the business life cycle of a firm (Rasheed & Rasheed, 2019; Li et al., 2020; Chang et al., 2018; Gopinath, 2005). This section comprehensively reviews past literature on the causes of firm decline.

**Contributing factors of Business Decline**

Numerous studies have identified various factors that contribute to the decline of businesses. Weitzel and Jonsson (1989) found that firms enter a state of decline when they fail to anticipate, recognise, avoid, counteract, or adapt to external or internal factors that threaten the long-term survival of the business (He & Wang, 2021; Fuenmayor & Camargo, 2021; Chen & Li, 2020). Factors such as a downturn in the national economy, high prices of construction materials, poor estimation practices, delayed progress payments from clients, and non-payment of interest on late allowances have been identified as the main causes of the decline in the number of contractors (Yoo & Kwak, 2020; Adenuga et al., 2020; Ndayisenga et al., 2019; El-Kholy & Akal, 2019). Ramezeni and Papzan (2021) showed that insufficient infrastructure, poor support, economic barriers, and human resource constraints drove the deterioration of businesses (Guan & He, 2021; Kumawat & Bhatnagar, 2019; Adesua & Oladipo, 2018).

Other internal factors that contribute to firm decline include mismanagement in many firm functions, misspecialization, ownership arrangement, and improper financial structure (Nkereuwem et al., 2019; Huang & Wang, 2019; Fuentes et al., 2018; Panicker & Manimala, 2015; Onofrei & Lupu, 2012; Kelly, 2005; Brooks, 2007). Financial measures will fail when a

firm's internal management mechanisms fail, such as improper cash flow estimation, expenditure, and budgetary control systems (O'Connell & Birkit, 2019; Eniola & Ekundayo, 2018). The lack of effective internal control can lead to poor financial performance (Lu et al., 2011). Therefore, an effective internal management structure is critical to enhancing the firm's objective and putting it on the right track to succeed and survive in the industry (Jamshidi-Navad & Arad, 2010).

Low economic causes of market recession and firm dry-up (Sakthivel et al., 2020; Waisberg & Romano, 2019; Amankwah-Amoah et al., 2018; Mariani & Marshili, 2011; Zahra, 2011). Price and product competition can also lead to a decline in business (Harker, 2001; Abdullah & Hussin, 2010). Many firm studies have discovered that inefficient processes are among the significant causes of market failure (Brooks, 2007). Karabag (2019) stated that contributing factors to business decline include political risk, macroeconomic environment, national technology regulations, industry dynamics, and firm-related aspects such as ownership, strategic purpose, approach, and current stage of technological capability development (Abdel-Base et al., 2021; Oyelere et al., 2020; Cafferata & Torre, 2019; Kothari et al., 2019). Other factors contributing to the decline include poor management (Abidin et al., 2020; Todorovic & Zivkovic, 2019), lack of support from banks and financial institutions, insufficient economic sphere, insufficient governmental policies, gender, and industry (Liu & Li, 2020; Yassin & Elfring, 2019; Zahra, 2011).

The success or failure of any company can be greatly influenced by the qualities and behaviours of top management and the CEO, as indicated by various studies (Aguilera et al., 2018; Colakoglu et al., 2018; Kwon et al., 2018; Singh, 2004; Dubrovski, 2007). Therefore, to ensure success and avoid decline, it is essential to address issues such as the one-person rule, the combination of chairman and CEO roles, an ineffective board of directors, and a lack of adherence to the company's core principles (Kuntoro & Huda, 2021; Shao et al., 2019; Mardjono, 2005; Smith, 2006).

A firm's inability to adapt or respond effectively to a significant drop in market demand or a complete shift in demand patterns results in a downturn (Balcerzak et al., 2019; Rosli et al., 2019; Chikwe & Okereke, 2018; Abdullah & Hussin, 2010). Developed markets face intense cost pressures as consumers reallocate demand to new markets, leading to firm decline (Amankwah-Amoah, 2016; Heine and Rinder, 2013, Ooghe & De Prijcker, 2008; Levinthal, 1991). Unanticipated changes in global commodity prices have also contributed to business decline (Lawton et al., 2011). Mismanagement, such as ineffective sales techniques and disregard for the firm's core principles, have been the primary causes of industry decline and other significant management issues. Indications of mismanagement include one-person rule, joint chairman and CEO positions, incompetent boards, and disregard for the firm's core principles (Karabag, 2019; Mardjono, 2005; Smith, 2006).

Competing firms may gain an advantage over a company with a large cost structure, hindering its progress and reliability in management. Factors such as low sales force motivation, weak management, ineffective advertising, neglect of key accounts and products, poor customer service, subpar product quality, limited research, and difficulties accessing sales channels can all contribute to the firm's downfall (Wambui & Munyoli, 2020; Pate & Vredenburg, 2018; Saleh & Ndubisi, 2017; Sing, 2004). Overestimating profits or underestimating costs can cause project delays (Tikici et al., 2011). Issues like underestimating capital requirements, start-up challenges, difficulty scaling production, and high market penetration orientation can negatively impact project success, leading to a failure (Ramezani and Papzan, 2021). Poor acquisition decisions, such as buying firms with an incorrect

competitive position, acquiring at unjustifiable prices, and inadequate post-acquisition management, can also result in business closures (Sing, 2004). Unsustainable fiscal policies, including high leverage and credit, restrictive economic policies, and inadequate or costly sources of finance, can contribute to severe business problems and economic downturns (Zahra, 2011; Jeyavelu, 2009)

Market and commodity competition often lead to firm decline (Sakthivel et al., 2020; Waisberg & Romano, 2019; Amankwah-Amoah et al., 2018; Harker, 2001; Abdullah & Hussin, 2010). As a result, firms that lack creativity and work hard to revitalise their product portfolios in response to changing consumer demands and competition will inevitably suffer a decline (Soto-Silva et al., 2021; Chen & Zhang, 2020). Firms with cost structures much higher than those of other competing firms in their industry face significant competitive disadvantages that hold them back (Bao et al., 2019; Charitou & Vafeas, 2018; Singh, 2004). Other over and indirect government policies, such as incentives, tax differentials, exchange rates, subsidised procurement, environmental controls, and social policies, can negatively affect firm efficiency and lead to declines (Abdi et al., 2021; Nwachukwu et al., 2020; Bakhshi et al. 2020; Yang et al., 2020; Kim & Hwang, 2019; Yang et al., 2018).

A significant drop in demand for a product in the market, or a major change in demand patterns that a business does not immediately adapt or respond to, can cause a business to decline (Abdullah & Hussin, 2010). Market obsolescence, recessions and seasonal effects can also lead to significant changes in market demand for products. Firms that lack the flexibility to adapt to changing business dynamics have no choice but to suffer a loss (Akhtar & Wadood, 2019; Katono & Nabukenya, 2019).

Many market disruptions are triggered by sudden and unpredictable changes in global product markets (Lawton et al., 2011). For example, a sharp rise in oil prices would bring many wealthy corporations to their knees. In addition to other serious management problems, the lack of marketing capabilities of enterprises is considered the main reason for the industry's decline (Wang & Yang, 2021; Hughes et al., 2020; Song et al., 2020; Nguyen et al., 2020; Kumar et al., 2019; Chen et al., 2019). "Unmotivated and poorly managed sales force, costly and unreliable advertising, service not focused on core buyers and products, poor customer service, ineffective product, lack of testing, inaccessibility to distribution channels, and lack of branding." lead to management dissonance (Singh, 2004).

Project delays occur when costs or benefits are underestimated (Riedl et al., 2019; Conforto et al., 2018; Tikici et al., 2011). Issues such as underestimation of capital demand, difficulties in starting projects, difficulties in expanding production (Altet al., 2019; Zhang et al., 2018), and high market penetration affect the overall project's success (Hassan & Ahmed, 2018; Al-Hakim & Salem, 2020) leading to project decline. Mistakes in acquisition decisions include acquiring a firm with a poor competitive position in the industry, the acquired firm's unreasonable premium, and the firm's failure due to poor management after the acquisition (Vermeulen & Van den Berghe, 2019; Ravid & Lei, 2018; Singh, 2004). Ultimately, unsound financial policies of firms, such as high leverage and more credit (Chakraborty et al., 2021; Nikoomaram & Soltani, 2018), restrictive economic policies (Liew & Voon, 2021; Bakkalbasioglu, 2018), and inadequate, inefficient (Goel & Kaur, 2019; Lang & Xu, 2018), and insufficient funding sources, will lead to severe business problems and recessions (Jeyavelu, 2009).

**Methodology**

In this study, the reasons for the decline of the selected firms were identified and

classified. This study uses research techniques of quantitative interviews with individual officials and executives of selected firms. Using the questionnaire as a research tool, obtain the necessary information from the interviewed firms, and use SPSS software to analyses the collected data statistically. The results of this study are presented in the next section. The study aims to define, calculate and categorise the reasons for the decline in the performance of selected firms. The responses to the questionnaire appear to have adequately achieved the objectives of this study. While detailed, the options for reasons for the decline provided respondents with an opportunity to consider what caused their firms to decline. Possibilities cover almost all causes of the decline.

In this study, a mixed-methods research methodology was used. Firstly, a quantitative research approach was used to collect and analyse numerical data on the financial performance of firms in Malaysia. It involves gathering data on key financial indicators such as revenue growth, profitability, cash flow, debt levels, and asset utilisation ratios. Statistical techniques such as regression analysis, correlation analysis, and factor analysis were used to identify the significant factors contributing to Malaysia's business decline. Secondly, a qualitative research approach was used to gain a deeper understanding of the factors identified through the quantitative analysis. It involves interviews with key stakeholders such as business owners, the firm's financial executives, industry experts, and regulators to gain insights into the underlying causes of business decline in Malaysia. Combining quantitative and qualitative research methods can provide a comprehensive and multi-dimensional understanding of the factors contributing to the business decline in Malaysia. Finally, this approach managed to identify both the internal and external that influence business performance and provide insights into the policy and regulatory interventions that can support the growth and sustainability of firms in Malaysia.

**Research Design**

The research design for this study includes the following steps. First is identifying research questions: The first step clearly defines the research questions the study seeks to answer. Second, it involves a thorough review of the literature on the subject and consultation with experts in the field. It is followed by selecting the sample, which involves defining the criteria for inclusion and exclusion and identifying the population of firms that meet these criteria. Third, the data collection process involves a combination of primary and secondary data sources. Primary data was collected through surveys, interviews, and focus groups with key stakeholders in the firms, such as the business owner, executives, and employees. Secondary data were collected from publicly available sources, such as financial reports and industry databases. The data were analysed using both quantitative and qualitative methods. Quantitative analysis involves statistical techniques such as regression analysis to identify factors contributing to business decline. The qualitative analysis would involve interviews and focus group discussions on identifying key themes and patterns in the data. The findings of the study were interpreted in light of the research questions and the relevant literature on the subject. Finally, the study concludes with the factors contributing to Malaysia's business decline. The final step is to disseminate the results of the study to key stakeholders, such as firms, industry associations, and policymakers. It involves presenting the findings at conferences, publishing articles in academic journals, and issuing reports to relevant organisations.

### Data Analysis

The data analysis for this research involves several steps, including data cleaning and preparation. It involves checking the data for completeness, accuracy, and consistency and making necessary adjustments or corrections. It also involves merging data from different sources or datasets. Next, descriptive statistics involve calculating basic descriptive statistics, such as means, medians, and standard deviations, for each of the variables in the dataset. It helps the study to provide an overview of the sample's characteristics and the variables' distribution. Inferential statistics involves using statistical tests to investigate relationships between variables and to test hypotheses about the factors contributing to business decline. It includes regression analysis, correlation analysis, and hypothesis testing using t-tests. Qualitative analysis involves analysing qualitative data collected through interviews and open-ended survey questions. It includes coding and categorising responses, identifying themes, and using content analysis to identify patterns. Data visualisation involves creating charts, graphs, and other visualisations to help communicate the analysis findings. It includes scatterplots, bar charts, and histograms. Interpretation and reporting: Finally, the analysis results were interpreted and reported clearly and concisely. It involves writing a report or creating a presentation summarising the key findings and their implications for business in Malaysia.

### Analysis, Findings and Discussion

#### *Contributing Factors to Business Decline*

*Normality Test*

The normality test of the contributing factors of decline variables is presented in Table 1. Out of 51 factors, two were beyond the standard distribution spectrum (two cut-off kurtosis values): CF5 (bad management) and CF33 (revenues reduction). It was discovered that 84.8 per cent and 87.6 per cent of respondents considered "bad management" and "revenues reduction" to be essential/extremely important. Due to these findings, it was determined that these two variables would be omitted from some form of multivariate study. However, these factors were also used in the other descriptive statistics reports.

**Table 1**
***Normality Tests of Causes of Declines Variables***

| Variables | | Skewness | Kurtosis |
|---|---|---|---|
| CF1 | Non-participant Board | 1.337 | .006 |
| CF2 | Uneven top team | .898 | .064 |
| CF3 | Management's faulty decision | 1.038 | .181 |
| CF4 | One person leads | .416 | -.847 |
| CF5 | Bad management | 1.610 | 2.076 |
| CF6 | Insufficient industry knowledge | .271 | -.899 |
| CF7 | Leadership attitudes | .808 | -.726 |
| CF8 | Inability of CEO to undergo the paradigm shift | .791 | .147 |
| CF9 | Insufficient control | .280 | .009 |
| CF10 | Firm breakdown | 1.002 | -.173 |
| CF11 | No quick respond system | .138 | -.735 |
| CF12 | Ringgit depletion | -.324 | -.657 |
| CF13 | World monetary crisis | .739 | .471 |
| CF14 | Inflation | .798 | 1.851 |

| | | | |
|---|---|---|---|
| CF15 | Interest rate | .998 | -.530 |
| CF16 | Market reversal in commodities | .194 | -.705 |
| CF17 | Product competition | .597 | -.650 |
| CF18 | Price competition | 1.054 | 1.071 |
| CF19 | increase in low-cost market player | .925 | .573 |
| CF20 | Introduction of competitor's new product | 1.304 | 1.483 |
| CF21 | The merger of two or more competitors | .486 | .630 |
| CF22 | High fixed costs | .882 | 1.108 |
| CF23 | High-cost structure | .948 | 1.787 |
| CF24 | High gearing and Competition | 1.444 | 1.894 |
| CF25 | Weak financial strategy | .407 | -1.057 |
| CF26 | Weak budgetary control | 1.196 | 1.222 |
| CF27 | Inaccurate cash flow forecasts | .523 | -.155 |
| CF28 | lack of financial control | .874 | -.149 |
| CF29 | lack of accounting information | .543 | -.656 |
| CF30 | Inefficient costing system | 1.119 | 1.163 |
| CF31 | High-debt structure | .935 | -.304 |
| CF32 | Underestimating capital requirements | .749 | .170 |
| CF33 | Declining revenue | 2.007 | 3.399 |
| CF34 | Start-up difficulties | .177 | -.650 |
| CF35 | Untimely implementation of decisions | 1.095 | .832 |
| CF36 | High overheads | 1.060 | .286 |
| CF37 | difficulty in accessing to raw materials | .499 | -.739 |
| CF38 | difficulty in accessing labor | .315 | -1.110 |
| CF39 | difficulty in accessing production know-how | 1.010 | -.451 |
| CF40 | Unsuccessful mega projects | .509 | -.586 |
| CF41 | acquisition of losers | .561 | -1.202 |
| CF42 | Over-paid acquisition | .652 | -.941 |
| CF43 | Poor post acquisition management | .887 | -.257 |
| CF44 | Strikes | .069 | -1.268 |
| CF45 | firm unresponsive to changes | 1.730 | 1.464 |
| CF46 | lack of marketing effort | .971 | 1.242 |
| CF47 | Changes in market demand | 1.120 | 1.360 |
| CF48 | Environmental changes | .351 | -1.133 |
| CF49 | Hostile environment | .223 | -.950 |
| CF50 | Normal business hazard | -.036 | -.464 |
| CF51 | Overtrading | .843 | -.782 |

TABLE 2
*Mean and Standard Deviation of Causes of Decline Variables*

| Contributing factors to Business Decline | | Mean | Standard Deviation |
|---|---|---|---|
| CF1 | Non-participant Board | 3.30 | 1.178 |
| CF2 | Uneven top team | 3.44 | 1.109 |
| CF3 | Management's faulty decision | 3.78 | 1.217 |
| CF4 | One person leads | 3.35 | 1.217 |
| CF5 | Bad management | 4.05 | 1.138 |
| CF6 | Insufficient industry knowledge | 4.03 | .814 |
| CF7 | Leadership attitudes | 3.10 | 1.173 |
| CF8 | Inability of CEO to undergo the paradigm shift | 3.39 | 1.061 |
| CF9 | Insufficient control | 3.95 | .830 |
| CF10 | Firm breakdown | 3.57 | .699 |
| CF11 | No quick respond system | 3.57 | .908 |
| CF12 | Ringgit depletion | 3.34 | .918 |
| CF13 | World monetary crisis | 3.55 | 1.083 |
| CF14 | Inflation | 3.73 | .697 |
| CF15 | Interest rate | 3.41 | .840 |
| CF16 | Market reversal in commodities | 3.73 | .891 |
| CF17 | Product competition | 4.00 | .961 |
| CF18 | Price competition | 3.99 | .893 |
| CF19 | increase in low-cost market player | 3.90 | .919 |
| CF20 | Introduction of competitor's new product | 3.48 | .942 |
| CF21 | The merger of two or more competitors | 2.95 | .892 |
| CF22 | High fixed costs | 3.99 | .838 |
| CF23 | High-cost structure | 4.10 | .714 |
| CF24 | High gearing and Competition | 3.75 | 1.063 |
| CF25 | Weak financial strategy | 3.45 | 1.344 |
| CF26 | Weak budgetary control | 3.70 | 1.091 |
| CF27 | Inaccurate cash flow forecasts | 3.31 | 1.103 |
| CF28 | lack of financial control | 3.55 | 1.209 |
| CF29 | lack of accounting information | 3.29 | 1.158 |
| CF30 | Inefficient costing system | 3.57 | 1.027 |
| CF31 | High-debt structure | 3.33 | 1.246 |
| CF32 | Underestimating capital requirements | 3.35 | 1.065 |
| CF33 | Revenues reduction | 3.76 | .995 |
| CF34 | Start-up difficulties | 2.95 | 1.204 |
| CF35 | Untimely implementation of decisions | 3.50 | 1.084 |
| CF36 | High overheads | 3.66 | .959 |
| CF37 | difficulty in accessing raw materials | 3.27 | 1.187 |
| CF38 | difficulty in accessing labour | 2.93 | 1.094 |
| CF39 | difficulty in accessing production know-how | 3.26 | 1.038 |
| CF40 | Unsuccessful mega projects | 3.54 | 1.233 |
| CF41 | acquisition of losers | 3.32 | 1.541 |
| CF42 | Over-paid acquisition | 3.21 | 1.284 |
| CF43 | Poor post-acquisition management | 3.31 | 1.219 |

| | | | |
|---|---|---|---|
| CF44 | Strikes | 2.92 | 1.419 |
| CF45 | firm unresponsive to changes | 3.66 | .677 |
| CF46 | lack of marketing effort | 3.91 | .786 |
| CF47 | Changes in market demand | 3.59 | 1.016 |
| CF48 | Environmental changes | 3.27 | .943 |
| CF49 | Hostile environment | 3.15 | .704 |
| CF50 | Normal business hazard | 3.10 | .692 |
| CF51 | Overtrading | 3.51 | .931 |

Table 2 above presents the mean and standard deviation of the contributing factors of business decline variables. The standard deviation measures how widely values are dispersed from the mean value. The standard deviation of causes of decline represents the distribution of the responses around the mean. Therefore, it indicates the degree of consistency among the answers.

According to Tabachnick and Fidell (2001), for a successful factor study, the KMO value must be equivalent to or greater than 0.6. Table 3 describes the original research results, which reveal KMO values and an important Bartlett's test for triggers of decline variables. The variable's factorability was verified since the KMO values of the variables were greater than 0.60. (See Appendix F.)

TABLE 3
*Measure of Sample adequacy*

| Variables | KMO value | Bartlett's Test |
|---|---|---|
| Causes of Decline | 0.687 | Significant (p=.000) |

Respondents in this sample were asked to rate the degree of applicability of the triggers of firm decline mentioned in the questionnaire. In the questionnaire, the report suggested 51 potential triggers of market loss. The respondents were challenged to describe the reasons for their firm's demise that they believe are the most responsible. Since 51 potential causes of deterioration are presented to the respondents, the various contributing factors are grouped into categories or factors for consideration using factor analysis. Rather than simply listing and rating the means score, grouping the variables into "factors" would undoubtedly aid in identifying "contributing factors of business decline." As a result, the mathematical method of factor analysis was chosen.

The research began with data reduction for 49 variables (out of 51 variables) using factor analysis. The two variables, CF5 (bad management) and CF33 (revenues reduction), were omitted from the factor review since they fell beyond the usual distribution spectrum. The mathematical method for factor analysis called for the grouping of similar variables. As a consequence, ten initial causes were established. The ten variables that persisted in the study had Eigenvalues greater than one (Bryman & Cramer, 1990) and factor loadings of 0.5 or greater (Field, 2003). The ten elements were labelled and named accordingly (a sample of outputs for factor analysis after rotation is shown in Appendix C). Both variables were successfully mounted into ten factors, accounting for 90.467 per cent of the overall variance explained. It was a perfect variance figure, indicating that no detail was lost due to this process. A minimum of 60% variance interpretation is usually expected for a factor analysis

protocol to be accurate. Table 4 shows the related factor loadings and the percentage of variation explained by any of the variables for causes of decline.

TABLE 4
*Factor Analysis of Contributing Factors of Business Decline Variables (After Rotation)*

| **Contributing Factors of Business Decline Variables** | **Factor** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** |
| CF51 | .885 | | | | | | | | | |
| CF29 | .875 | | | | | | | | | |
| CF37 | .875 | | | | | | | | | |
| CF27 | .831 | | | | | | | | | |
| CF25 | .812 | | | | | | | | | |
| CF28 | .803 | | | | | | | | | |
| CF36 | .698 | | | | | | | | | |
| CF26 | .675 | | | | | | | | | |
| CF38 | .664 | | | | | | | | | |
| CF30 | .636 | | | | | | | | | |
| CF32 | .622 | | | | | | | | | |
| CF31 | .554 | | | | | | | | | |
| CF43 | | .892 | | | | | | | | |
| CF42 | | .883 | | | | | | | | |
| CF1 | | .859 | | | | | | | | |
| CF2 | | .827 | | | | | | | | |
| CF39 | | .744 | | | | | | | | |
| CF41 | | .709 | | | | | | | | |
| CF39 | | .744 | | | | | | | | |
| CF44 | | .621 | | | | | | | | |
| CF24 | | .613 | | | | | | | | |
| CF34 | | .554 | | | | | | | | |
| CF17 | | | .922 | | | | | | | |
| CF18 | | | .793 | | | | | | | |
| CF21 | | | .755 | | | | | | | |
| CF19 | | | .624 | | | | | | | |
| CF24 | | | .613 | | | | | | | |
| CF45 | | | | .731 | | | | | | |
| CF35 | | | | .600 | | | | | | |
| CF40 | | | | .600 | | | | | | |
| CF3 | | | | .566 | | | | | | |
| CF8 | | | | .547 | | | | | | |
| CF48 | | | | | .863 | | | | | |
| CF49 | | | | | .709 | | | | | |
| CF50 | | | | | .694 | | | | | |
| | | | | | .655 | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **CF15** | | | | | .620 | | | | | |
| CF13 | | | | | | .849 | | | | |
| CF16 | | | | | | .794 | | | | |
| CF47 | | | | | | .546 | | | | |
| CF6 | | | | | | | .812 | | | |
| CF11 | | | | | | | | .805 | | |
| CF22 | | | | | | | | .741 | | |
| CF23 | | | | | | | | | .681 | |
| CF14 | | | | | | | | | | .855 |
| CF46 | | | | | | | | | | |
| Eigenvalue | 14.844 | 6.163 | 5.570 | 3.891 | 2.888 | 2.490 | 2.050 | 1.455 | 1.213 | 1.054 |
| % of variance Explained | 32.270 | 13.398 | 12.102 | 8.458 | 6.278 | 5.414 | 4.457 | 3.163 | 2.636 | 2.292 |
| Cronbach's Alpha | .9584 | .9072 | .6036 | .5945 | .7840 | .2056 | n/a | .5857 | n/a | n/a |

*Note*: CF51 = Overtrading: CF29 = Lack of accounting information: CF37 = Difficulty in accessing to raw materials: CF27 = Inaccurate cash flow forecasts: CF25 = Weak financial strategy: CF28 = Lack of financial control: CF36 = High overheads: CF26 = Weak budgetary control: CF38 = Difficulty in accessing labour: CF30 = Inefficient costing system: CF32 = Underestimating capital requirements: CF31 = High-debt structure: CF43 = Poor post acquisition management: CF42 = Over-paid acquisition: CF1= Non-participant Board: CF2 = Uneven top team: CF39 = Difficulty in accessing production know-how: CF41 = Acquisition of losers: CF34 = Start-up difficulties: CF17 = Product competition: CF18 = Price competition: CF21 = The merger of two or more competitors: CF19 = Increase in low cost market player: CF24 = High gearing and competition: CF45 = Firm unresponsive to changes: CF35 = Untimely implementation of decisions: CF40 = Unsuccessful mega projects: CF3 = Management's faulty decision: CF8 = Inability of CEO to undergo the paradigm shift: CF48 = Environmental changes: CF49 = Hostile environment: CF50 = Normal business hazard: CF15 = Interest rate: CF13 = World monetary crisis: CF16 = Market reversal in commodities : CF47 = Changes in market demand: CF6 = Insufficient industry knowledge: CF11 = No quick respond system: CF22 = High fixed costs: CF23 = High-cost structure: CF14 = Inflation: CF46 = Lack of marketing effort

***Factor 1: Poor financial management and policy***

As seen in Table 4, the first element, which consists of 12 variables, accounted for 32.27 per cent of the overall variance described. The variables were "overtrading (CF51)", "lack of accounting information (CF29)", "difficulty in accessing raw material (CF37)", "inaccurate cash flow forecasts (CF27)", "Weak financial strategy (CF25)", "lack of financial control (CF28)", "high overheads (CF36)", "weak budgetary control (CF26)", "difficulty in accessing labour (CF38)", "inefficient. The first factor was identified as "poor financial management and policy." The Cronbach's alpha of 0.9584 indicates that this first element has a strong significant degree of reliability.

***Factor 2: Top Management Issues and Weak Acquisition***

The second element explained 13.40% of the overall variance explained. Factor 2 factors were "bad post-acquisition (CF43)," "over-paid acquisition (CF42)," "Non-participant Board (CF1)", "Uneven top team (CF2)", "difficulty in acquiring manufacturing know-how (CF39)," "acquisition of losers (CF41)," and "start-up problems (CF34)." The second factor's Cronbach's alpha was 0.9072, which is also strong. Factor 2 was defined as "top management issues and weak acquisition."

***Factor 3: Competition***

The third element, which included five variables, accounted for 12.10% of the overall variance described. The consideration included variables such as "product competitiveness (CF17)," "price competition (CF18)," "merger between two or more rivals (CF21)," "emergence of low-cost suppliers (CF19)," and "strong gearing and competition (CF24)." The Cronbach's alpha of 0.6036 indicates that Factor 3 has satisfactory reliability. This aspect was dubbed "competition."

***Factor 4: Incompetent management***

Factor four was successfully filled with five factors, accounting for 8.48 per cent of the overall variance described. Factor 4 factors were "firm unresponsive to improvements (CF45)," "untimely execution (CF35)," "unsuccessful mega projects (CF40)," "management's faulty decisions (CF3)," and "inability of CEO to undergo the paradigm shift (CF8)." Factor 4 was defined as "incompetent management." The factor's Cronbach's alpha was 0.5945, which is deemed satisfactory. Nunnally (1967) finds values in the range of 0.5 to 0.6 to be adequate for exploratory studies.

***Factor 5: Global Upheaval***

Factor 5 accounted for 6.23 per cent of the gross explained variation. The factor's variables included "environmental changes (CF48), hostile environment (CF49), normal business hazard (CF50), interest rate (CF15), and World monetary crisis (CF13)." Factor 5 was dubbed "global upheaval." This element had a large Cronbach's alpha of 0.7840.

The remaining five variables, namely factors 6, 7, 8, 9, and 10, were comparatively limited in scale and were labelled as "market/industry shifts," "decline to understand the issue," "increased in input rate," "inflation," and "marketing problem." All the remaining ones were eventually dropped for purposes of dependability.

**Discussion**

Based on the quantitative analysis, the research objective of this study was achieved. The research objective identified the contributing factors of business decline in their lifecycle. Generally, five factors were identified as contributors to business decline: poor financial management and policy, top management issues and weak acquisition, competition, incompetent management, and global upheaval. Among the variables included in the first factor were overtrading, lack of accounting information, difficulty in accessing raw materials, inaccurate cash flow forecasts, weak financial strategy, lack of financial control, high overheads, weak budgetary control, difficulty in accessing the labour, inefficient costing system, underestimating capital requirements and high-debt structure. The second factor related to top management issues and weak acquisition are poor post-acquisition, over-paid acquisition, non-participant board, uneven top team, difficulty in accessing production know-

how, acquisition of losers (perhaps through the backdoor listing or mergers) and start-up difficulties. The third factor of competition has to deal with issues such as product competition, price competition, the merger of two or more competitors, the emergence of low-cost producers and high gearing. The fourth factor, named incompetent management, includes dimensions such as firm unresponsiveness to changes, untimely implementation of decisions, unsuccessful mega projects, management's faulty decisions and the inability of the CEO to undergo the paradigm shift. The final business decline factor relates to economic upheavals, including environmental changes, hostile environment, business hazards, interest rate instability and frequent international monetary crisis.

**Summary**

This part presents a few concluding remarks on the research inquiry on contributing factors to the business decline of Malaysian firms. The study surveyed the financial executives of Malaysian firms facing the decline stage in their business lifecycles. The main aim of this exploratory study was to answer the research questions: What are the contributing factors of business decline? This study answered the above questions from this study. Firstly, internal and external factors were the causes of the decline in all firms. Poor financial management and policy (Kim & Lim, 2018), top management issues and weak acquisition, and incompetent management (Kondrasuk & Poon, 2019) were identified as the causes of the internal factor.

On the other hand, competition (Raza & Sheikh, 2019) and global upheaval (Mukherjee & Ray, 2018) were caused by external factors. These findings are consistent with past studies (Balgobin & Pandit, 2001; Schrerer, 2003, Jeyavelu, 2009). According to Balgobin and Pandit (2001), internal factors are those elements that are within the control of business firms. They occur due to a lack of monitoring or poor enforcement. External factors represent a situation that is not within the control of a firm, such as a decrease in demand for the product or service produced, an increase in competition and an increase in input costs. From the questionnaire survey, the study identified the causes of the business decline of the selected firms, as stated in the study's objective.

**Conclusion**

The study proposed eight groups comprising fifty-one causes that might cause firms to decline. Out of five factors, two involved external environmental factors, and the remaining three were internal factors as causes for the decline. Internal firm factors are the prominent ones making firms slide towards their decline stage compared to external environmental factors. While considering the managerial qualities, the survey findings indicate poor financial management as the most important factor for the firm's decline. Regarding the firm factors, the study concludes that inadequate control on the part of the management is the most likely cause of the firm decline. Among the macroeconomic factors likely to cause decline, the study concludes that inflation is the important factor leading to firms' decline. Market conditions are the other external factors presented by the study for consideration by the respondents to identify the cause of the decline. Under this group, the participants in the survey have identified "product competition" as the important factor leading to firm decline. Twelve financial and cost factors were presented to the respondents to identify the important cause of the decline in their opinion. The study concludes that high-cost structure is the most important cause of firm decline, supported by previous research findings. High overhead costs were the main cause of firm decline, as identified by the study based on the survey findings. The participants' opinion in the survey is that the acquisition of losing firms may lead the

acquiring firm to decline. Lack of marketing effort is another external factor that might cause a decline in the firm's entities identified by this study.

**Implications**

The findings of the current research have several theoretical and practical implications for different stakeholders. From a practical perspective, the management of the firms facing the challenges of firms decline would be able to apply the appropriate management accounting strategy based on the findings of this study and thus would be able to improve the overall firm performance. The customers of such firms will likely benefit from the changed ways the firm would function by implementing the right management strategy. The findings of the study in the area of causes for the decline can help the firm look for recovery strategies to apply. For instance, when the firm finds that internal factors, like poor management or high-cost structure, are the real cause of decline, it can align the turnaround strategies according to the cause. The findings and the discussion on external factors causing firms' decline are of practical value to the management desirous of studying the cause of the decline in their firms. By doing and bringing to the extensive fore research through a review of the literature and the theoretical framework evolved based on the review, the study can provide a knowledge base for academicians and professionals researching the area.

It may be noted that the study presented several causes for firms' decline based on the review of the relevant literature. This presentation has theoretical implications, as this study uniquely presents these many causes under different broad groups. Further research can draw the likely cause of firm decline from the current study. To this extent, this study has contributed to a theoretical foundation for further studies. The findings of the study also have theoretical implications for further research, as in some instances, the findings do not corroborate with the findings of previous research, and the findings of this study may be compared with the findings of any future research. Moreover, it enhances the theoretical implications of the findings of this study. Moreover, the grouping of causes for the firm's decline will form a sound theoretical base for further studies, and this is a distinct theoretical contribution of the current study.

**Limitations**

The research experienced a few limitations, which impeded the progress of the research to some extent. One of the major limitations was the delay in getting the responses of the executive respondents for the questionnaire. The researcher had to spend considerable time and effort following up with the executives to send back the questionnaires with their responses. The respondents holding responsible positions in their respective firms might have been preoccupied with their busy schedules preventing them from responding to the questionnaire early.

The other limitation is the number of samples selected. It may be so that the number of samples may not properly represent the large population of finance executives in the Malaysian setting. However, there was a limitation of the resources available regarding time and cost, preventing taking up the survey with larger samples. The researcher believes that because of the nature of the research inquiry, the smaller number of samples may not adversely impact the generalisation of the findings.

**Suggestions For Further Research**

Based on the exposure to the current research topic through the literature review and the survey findings, the study evolves a few further areas of research, which, when undertaken, would add to the existing knowledge. An empirical study of the changes in the financial results of chosen firms because of the adoption of relevant management accounting strategies as turnaround strategies will throw further light on the utility of these techniques in helping firms to turn around from decline. A comparative study of management accounting practices used as turnaround strategies in different jurisdictions by firms will enhance the knowledge about the role of different management accounting techniques in turning around firms. This comparative study may concern firms functioning in the other regions too. Finally, a detailed study of salient features of different management techniques applied to different industries/sectors for turning around firms is most likely interesting.

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