EXPLAINING BUSINESS FAILURE AMONG PHILIPPINE MICRO AND SMALL ENTERPRISES: A MIXED-METHODS EXAMINATION OF ORGANIZATIONAL CAPABILITIES, ENVIRONMENTAL PRESSURES, AND ENTREPRENEURIAL LEARNING

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ABSTRACT: *Business failure remains a significant challenge for micro and small enterprises (MSEs), particularly in developing economies where entrepreneurs operate under resource constraints, institutional limitations, and volatile market conditions. Although previous studies have examined individual determinants of business failure, relatively few have simultaneously investigated internal organizational capabilities, external environmental pressures, and entrepreneurial learning using an integrated mixed-methods approach in secondary-city contexts. Addressing this gap, this study examined the determinants, consequences, and learning outcomes of business failure among entrepreneurs in Tandag City and Bislig City, Philippines. A convergent parallel mixed-methods design was employed, combining a structured survey of 74 entrepreneurs who had experienced business failure with semi-structured interviews involving a nested subsample of 60 survey respondents to facilitate methodological triangulation. Quantitative data were analyzed using descriptive statistics and Pearson correlation analysis, while qualitative data were examined through reflexive thematic analysis. The findings indicate that deficiencies in financial management, leadership, strategic planning, and standard operating procedures, together with regulatory complexity, economic uncertainty, and financing constraints, substantially contributed to business failure. Despite considerable financial, psychological, and social consequences, entrepreneurs reported developing stronger financial discipline, improved strategic planning, and greater resilience following failure. Integrating the Resource-Based View, the Entrepreneurial Ecosystem Framework, and Schumpeter's Theory of Creative Destruction, the study demonstrates that entrepreneurial failure results from the interaction between firm-level capabilities and external ecosystem conditions while simultaneously functioning as a catalyst for entrepreneurial learning and renewal. The findings contribute to entrepreneurship theory by advancing an integrated explanation of business failure and provide evidence-based implications for entrepreneurship education, MSME development programs, and public policy supporting entrepreneurial resilience in developing economies.*

Keywords: business failure; entrepreneurial learning; entrepreneurial ecosystem; micro and small enterprises (MSEs); mixed-methods research; entrepreneurial ecosystem; Resource-Based View; developing economies

I. INTRODUCTION

1. Background of the Study

Micro and small enterprises (MSEs) constitute the backbone of national economies, accounting for the vast majority of business establishments worldwide while generating substantial employment, innovation, and local economic development. In both developed and developing countries, these enterprises stimulate entrepreneurial activity, promote regional competitiveness, and contribute significantly to poverty reduction and inclusive economic growth. Despite their economic importance, MSEs also exhibit the highest rates of business discontinuance, with many ventures failing within their first few years of operation due to complex interactions among organizational, financial, institutional, and environmental factors. Consequently, understanding the determinants of business failure has become an increasingly important concern in entrepreneurship research, business management, and public policy.

The growing uncertainty of the global business environment has intensified the challenges confronting entrepreneurs. Economic volatility, inflationary pressures, supply chain disruptions, rapid technological change, evolving consumer preferences, intensified competition, climate-related risks, and changing regulatory requirements have collectively increased the vulnerability of small businesses across both advanced and emerging economies. Recent international studies (2021–2026) consistently report that enterprise survival depends not only on the availability of financial resources but also on managerial capability, organizational adaptability, institutional support, innovation, and entrepreneurial resilience. These developments have shifted scholarly attention away from viewing business failure solely as an indicator of poor managerial performance toward understanding it as a multidimensional phenomenon shaped by the interaction of internal organizational capabilities and external entrepreneurial ecosystems

Entrepreneurship literature has traditionally explained business failure from two dominant but often independent perspectives. The first emphasizes firm-level determinants such as inadequate financial management, weak leadership, insufficient strategic planning, poor operational systems, and limited organizational capabilities. The second highlights external environmental influences including regulatory complexity, market uncertainty, financing constraints, institutional quality, and macroeconomic conditions that shape entrepreneurial opportunities and constraints. Although each perspective has generated important empirical evidence, examining these dimensions separately provides only a partial explanation of why businesses fail. Increasingly, scholars argue that entrepreneurial outcomes emerge from the interaction between organizational resources and environmental conditions rather than from either dimension alone.

A growing body of research has also recognized that business failure should not be viewed exclusively as an organizational endpoint. Contemporary entrepreneurship studies increasingly conceptualize failure as a learning process through which entrepreneurs acquire experience, strengthen managerial competence, develop resilience, and improve subsequent entrepreneurial decision-making. Experiential learning following business failure has been associated with enhanced opportunity recognition, more disciplined financial management, stronger strategic planning, and increased organizational adaptability. Nevertheless, empirical investigations continue to focus predominantly on identifying predictors of failure, while comparatively fewer studies examine how entrepreneurs interpret failure and transform it into future entrepreneurial capability.

Despite the expanding international literature, several important research gaps remain. First, existing empirical evidence is concentrated largely in metropolitan regions and developed economies where institutional environments, financial systems, and entrepreneurial support structures differ substantially from those characterizing many developing countries. Comparatively little is known about entrepreneurial failure among micro and small enterprises operating in secondary Philippine cities, where entrepreneurs frequently encounter limited access to capital, weaker institutional support, smaller consumer markets, and greater resource constraints. These contextual differences suggest that determinants of business failure identified in highly urbanized or developed settings may not be fully transferable to regional entrepreneurial environments.

Second, previous studies have generally examined internal organizational capabilities**,** external entrepreneurial ecosystem pressures, and entrepreneurial learning after failure as separate research domains. Few investigations have simultaneously explored how these three dimensions interact to shape entrepreneurial outcomes within a single conceptual framework. Consequently, existing knowledge remains fragmented, limiting understanding of business failure as a dynamic process involving organizational vulnerability, environmental pressures, and post-failure adaptation.

Third, although mixed-methods research has become increasingly recognized as an effective approach for investigating complex organizational phenomena, relatively few studies have employed a convergent parallel mixed-methods design to integrate quantitative assessments of business failure determinants with qualitative exploration of entrepreneurs' lived experiences. Quantitative studies identify statistical relationships among variables but often provide limited insight into how entrepreneurs experience failure in practice. Conversely, qualitative studies offer rich contextual understanding but frequently lack broader empirical generalizability. Integrating both forms of evidence enable a more comprehensive explanation of entrepreneurial failure than either approach independently.

To address these gaps, this study investigates business failure among micro and small enterprises in Tandag City and Bislig City, Surigao del Sur, Philippines, using a convergent parallel mixed-methods design**.** Specifically, the study examines the internal organizational capabilities and external environmental pressures associated with business failure, analyzes the effects of failure on both enterprises and entrepreneurs, explores the learning outcomes that emerge following business discontinuance, and integrates quantitative and qualitative findings to develop a holistic explanation of entrepreneurial failure within a developing-economy context.

The study is theoretically grounded in an integrated framework combining the Resource-Based View (RBV)**,** the Entrepreneurial Ecosystem Framework (EEF)**,** and Schumpeter's Theory of Creative Destruction**.** The Resource-Based View explains how deficiencies in organizational resources and managerial capabilities increase business vulnerability. The Entrepreneurial Ecosystem Framework emphasizes the influence of institutional quality, market conditions, financing environments, and regulatory systems on entrepreneurial outcomes. Schumpeter's perspective explains how entrepreneurial failure may stimulate learning, innovation, and business renewal through adaptive capability development. Collectively, these complementary perspectives provide a multidimensional explanation of business failure that extends beyond traditional single-theory approaches.

This study seeks to examine the determinants, consequences, and entrepreneurial learning associated with business failure among micro and small enterprises in Tandag City and Bislig City, Surigao del Sur.

Specifically, it aims to:

1. examine the internal organizational factors contributing to business failure;
2. determine the external environmental factors influencing business failure;
3. assess the organizational and personal effects of business failure;
4. examine the relationships between internal organizational capabilities, external environmental pressures, and the effects of business failure;
5. explore entrepreneurs' lived experiences, perceptions, and learning following business failure; and
6. integrate quantitative and qualitative findings to develop a comprehensive explanation of entrepreneurial failure among micro and small enterprises.

This study addresses the following research questions:

1. What internal organizational factors contribute to business failure among micro and small enterprises?
2. What external environmental pressures influence business failure?
3. What organizational and personal effects do entrepreneurs experience following business failure?
4. Are internal organizational capabilities and external environmental pressures significantly associated with the effects of business failure?
5. How do entrepreneurs explain their experiences of business failure and the learning derived from those experiences?
6. How do the quantitative and qualitative findings converge, complement, or expand understanding of entrepreneurial failure?

The present study contributes to entrepreneurship scholarship in several important ways. First**,** it provides one of the few mixed-methods investigations of business failure conducted in secondary Philippine cities, addressing a geographical context that remains underrepresented in the international entrepreneurship literature. Second, it advances existing knowledge by integrating organizational capabilities, entrepreneurial ecosystem pressures, and entrepreneurial learning within a single explanatory framework rather than examining these dimensions independently. Third, the study employs a convergent parallel mixed-methods design, integrating quantitative evidence from 74 entrepreneurs with qualitative insights from a nested subsample of 60 survey respondents, thereby strengthening methodological triangulation and generating richer explanations of entrepreneurial failure. Finally, by combining the Resource-Based View, the Entrepreneurial Ecosystem Framework, and Schumpeter's Theory of Creative Destruction, the study proposes an integrated theoretical perspective that explains entrepreneurial failure as the interaction of organizational capabilities, environmental conditions, and adaptive learning. The findings therefore offer evidence-based implications for entrepreneurship education, MSME development programs, and public policies aimed at strengthening entrepreneurial resilience in the Philippines and other developing economies.

2. Review of Related Literature

To ensure coherence with the study, the review is organized into the following sections: Indicators of Business Failure**,** Causes of Business Failure: Internal Factors**,** Causes of Business Failure: External Factors**,** Effects of Business Failure on Businesses**,** Effects of Business Failure on Individual Entrepreneurs**,** Positive Effects of Business Failure on Individual Entrepreneurs**,** and Research Gap and Conceptual Positioning**.** These sections are deliberately aligned with the objectives of the study, as they provide the conceptual and empirical basis for identifying the indicators and causes of business failure, examining its effects on businesses and entrepreneurs, recognizing the potential positive outcomes arising from entrepreneurial failure, and establishing the research gap that positions the present investigation as a meaningful contribution to the existing body of knowledge.

Indicators of Business Failure

Financial distress, particularly in the form of declining revenues, is widely recognized as a critical early warning sign of business instability. Falling revenues not only reflect weakening market performance but also signal potential cash flow constraints that threaten overall operational sustainability. This finding is supported by Berry [1], who emphasized that revenue-based financial ratios, coupled with macroeconomic pressures such as inflation, are significant predictors of business collapse. Similarly, a declining market position, characterized by increased spending on customer acquisition with low retention rates, undermines long-term viability. Thippeswamy [2] noted that diminished customer satisfaction drives higher churn rates, eroding profitability and financial stability, while retaining existing customers remains substantially more cost-effective than acquiring new ones.

Operational inefficiencies and process-related weaknesses also serve as strong indicators of potential failure. Codence [3] explained that ineffective processes, poor resource allocation, and underperformance collectively contribute to low productivity and inefficiency. Such resource imbalances can hinder workflow continuity, foster employee burnout, and lead to disengagement, further exacerbating business vulnerability. Workforce and organizational culture issues likewise pose substantial risks. According to Northouse [4], leadership quality and organizational culture are decisive factors in shaping workforce motivation and productivity. Misalignment in these areas diminishes morale, reduces employee performance, and heightens turnover rates, ultimately impairing organizational competitiveness.

Lastly, strategic weaknesses, particularly in external partnerships and linkages, emerge as a significant barrier to growth. Weak collaborative networks and ineffective communication in business partnerships can hinder strategic alignment and problem-solving. A recent article by Rolling Out [5], titled "7 Reasons Business Partnerships Fail," underscores that persistent communication breakdowns such as failing to voice concerns, address challenges, or coordinate decisions can cause minor misunderstandings to escalate into major disputes, jeopardizing long-term partnership success.

Causes of Business Failure Internal Factors

The financial aspect remains one of the most critical determinants of business survival. Inadequate financial planning often leads to the ineffective use of business funds, disrupting operations and hindering growth potential. Zhang Li [6], in The Role of Budgeting in Financial Control and Performance Evaluation, emphasizes that budgeting is essential for the efficient allocation of resources, enabling businesses to manage expenditures, prioritize investments, and sustain long-term operations. Without sound financial planning and control mechanisms, businesses are more vulnerable to liquidity shortages and operational breakdowns.

Employees and human resources also play a decisive role in determining business success or failure. Poor leadership can compromise the overall direction and strategy of an organization, resulting in operational inefficiencies and strategic misalignments. Hanza *et al*. [7], assert that when leadership is misguided, organizations are prone to poor decision-making, ultimately leading to adverse and sometimes irreversible outcomes.

Similarly, the role of machinery and equipment cannot be underestimated. Proper upkeep and maintenance are essential for sustaining productivity and preventing costly downtimes. Bouiban [8], highlights that continuous machinery maintenance significantly reduces expenses associated with equipment breakdowns, thereby ensuring operational efficiency and reliability.

In terms of materials and operational concerns, rising operational costs pose a major threat to profitability and long-term viability. Ogunbukola [9], observes that while sustainable initiatives can increase operational costs in the short term, the absence of effective cost recovery strategies can erode profit margins and undermine a firm's competitive position.

Internal processes and systems also exert a substantial influence on business performance. Structured systems are necessary to ensure operational consistency and efficiency. Purbasari et al. [10], found that unclear or missing standard operating procedures (SOPs), coupled with poor coordination among leaders, create task ambiguity that diminishes performance quality, reduces employee motivation, and ultimately degrades work output.

Finally, the market and customer aspect remains a pivotal area influencing business outcomes. Ineffective marketing strategies and poor customer service can significantly impede customer retention and brand loyalty. Appiah-Adu [11], stresses the importance of balancing efforts to attract new customers through targeted marketing with strategies aimed at maintaining high levels of customer satisfaction through consistent service quality.

Causes of Busine Failure - External Factor

Political factors are a significant external cause of business failure, as sudden shifts in government tax structures and regulatory frameworks can impose unforeseen financial burdens and compliance challenges. Such abrupt policy changes make it difficult for enterprises to plan effectively and maintain operational stability. Baker et al. [12] note that unpredictable changes in tax policies and regulations heighten policy uncertainty, increase compliance costs, and delay investment decisions---conditions that can lead directly to business failure.

Economic factors also play a critical role, particularly during periods of economic slowdown. Reduced consumer spending and lower levels of business activity result in substantial declines in revenue, placing micro, small, and medium-sized enterprises (MSMEs) especially those with limited financial reserves---at heightened risk. Polinar [13], highlights that economic downturns in the Philippine context have a pronounced effect on MSMEs, as diminished consumer demand and falling sales revenues can destabilize their operations and hasten closure.

Social factors underscore the necessity for businesses to continuously adapt to evolving market trends. Failure to innovate or align with shifting consumer preferences can result in product or service obsolescence, eroding a firm's market position. Cooper [14], explains that products often become obsolete not solely due to functional failure but because consumers choose alternatives driven by changing tastes, perceived product inferiority, or the appeal of newer, trendier options.

Technological factors have become increasingly important in determining business competitiveness. Enterprises that fail to adopt digital tools and systems risk reduced efficiency, diminished innovation capacity, and weakened competitiveness in a technology-driven marketplace. Khanom [15] observes that organizations embracing digital transformation through customer-centric strategies and agile business models---gain a competitive edge, while those that fail to adapt face declining relevance and operational effectiveness.

Environmental factors also pose considerable challenges. Compliance with environmental regulations and the implementation of sustainability initiatives can increase production costs and strain operational capacity, particularly for resource-limited enterprises. Gray *et al*. [16] point out that while environmental mandates aim to promote sustainability, they often raise operational expenses and, in some cases, reduce productivity, creating financial pressure on smaller businesses.

Finally, legal factors are among the most damaging external threats to business continuity. Legal disputes such as litigation, regulatory fines, or reputational harm not only impose substantial direct costs but also divert financial and managerial resources away from core operations. Badoni [17] emphasizes that litigation can redirect budgets and management attention, compounding operational disruptions and accelerating the failure of already struggling enterprises.

Effects of Business Failure to Business

Business failure produces significant and far-reaching consequences across financial, operational, organizational, and external dimensions. Financial distress and instability not only disrupt internal operations but also erode investor confidence, resulting in capital loss and reduced prospects for future investment. Mauboussin et al. [18] emphasize that sharp declines in stock value can lead to substantial losses for investors and shareholders, diminishing returns and eroding overall investment value.

Market and customer deterioration is another critical effect, as brand damage and the loss of market presence significantly hinder a company's ability to recover momentum post-failure. McQueen [19] notes that the loss of customer trust weakens brand reputation and credibility, often leading to declining sales and enabling competitors to capture greater market share.

Operational setbacks further illustrate the interconnected nature of modern business ecosystems. The collapse of a single enterprise can trigger disruptions across supply networks, negatively impacting dependent partners and vendors. Ponomarov et al. [20] found that supply chain disruptions often cause suppliers to lose contracts, creating financial strain that cascades downstream, affecting multiple businesses.

Workforce and organizational decline also emerge as prominent consequences. When businesses fail, measures such as cutting staff benefits can lead to dissatisfaction, diminished motivation, and potential legal disputes. Afrin *et al.* [21] assert that terminating employee incentives or benefits frequently results in decreased morale, lower productivity, and in some cases, labor-related claims or constructive dismissal actions, which can further destabilize the organization.

Finally, external and strategic risks underscore the severe aftermath of business collapse in the form of legal and regulatory consequences. These may include non-compliance penalties, lawsuits, and other legal challenges that not only deplete remaining financial resources but also tarnish public perception and obstruct opportunities for recovery or reinvestment. Asselin *et al*. [22] highlight that such penalties and legal disputes impose heavy financial burdens, disrupt operational continuity, and make strategic rebuilding efforts more difficult.

Effects of Business Failure to Individual Entrepreneurs

The effects of business failure on individual entrepreneurs can be understood across five interconnected dimensions: physical, psychological or mental, emotional, social, and behavioral. The findings indicate strong agreement across all indicators, underscoring the profound and multidimensional personal toll that failure imposes. The following discussion outlines the highest-rated statement for each indicator and its implications.

From a physical perspective, business failure imposes a substantial burden on entrepreneurs, often manifesting in fatigue, poor sleep quality, and general physical exhaustion. This is largely attributable to prolonged stress, overwork, and the relentless demands of managing a failing enterprise. Lorrain et al. [23] highlight that persistent entrepreneurial stress can lead to burnout, characterized by emotional exhaustion, diminished effectiveness, and impaired performance, all of which further hinder recovery efforts.

In the psychological or mental domain, entrepreneurs frequently experience chronic worry, tension, and cognitive overload, which impair their ability to think strategically and make sound decisions for the future. Fodor et al. [24] explain that entrepreneurship inherently involves uncertainty, setbacks, and financial risks---factors that often elicit intense negative emotions such as anxiety. These emotions can erode mental resilience and compromise overall psychological well-being.

The emotional dimension reflects the deep psychological trauma that can result from entrepreneurial failure. Such experiences may paralyze entrepreneurs, deter them from re-engaging in future ventures, and limit both personal and economic recovery. Shahriari et al. [25] note that business failure can significantly heighten the fear of future failure, particularly among those lacking robust social support networks.

Social effects are equally significant, as failure can lead to professional isolation, stigmatization, and diminished access to support systems. Cope [26] emphasizes that entrepreneurial failure often incurs social costs, including the deterioration of professional relationships and the erosion of credibility, which can hinder reintegration into business networks.

Finally, behavioral effects suggest that entrepreneurs often respond to failure by adopting more strategic, cautious, and reflective approaches to their work. Shepherd [27] explains that such experiences can prompt entrepreneurs to reassess priorities and management practices, shifting from routine operational tasks toward recovery-oriented strategies. While this change can be protective and growth-oriented, it may also reflect ongoing apprehension toward risk-taking.

In summary, business failure exerts a multifaceted impact on entrepreneurs, encompassing physical fatigue, psychological strain, emotional trauma, social disconnection, and altered behavioral patterns. These findings underscore the importance of implementing comprehensive support mechanisms both psychological and social to facilitate the recovery and reintegration of entrepreneurs following business failure.

Positive Effects of Business Failure to Individual Entrepreneur

While business failure is often perceived solely in negative terms, it can also generate significant positive outcomes for individual entrepreneurs. These benefits can be grouped into five key areas: learning and personal growth, networking and connections, innovation and creativity, risk management and mitigation, and entrepreneurial mindset and confidence.

In the area of learning and personal growth, failure often becomes a catalyst for reflection, skill development, and enhanced entrepreneurial competence. Stam et al. [28] emphasize that learning from failure serves as a primary motivator for entrepreneurs to re-enter the business arena, with insights from past experiences informing strategies that improve the likelihood of success in future ventures.

Networking and connections can also expand as a result of failure. Even unsuccessful ventures often lead to the establishment of valuable relationships with mentors, peers, and industry contacts. Audet [29] explains that mentors provide not only practical information and strategic guidance but also psychosocial support, such as emotional encouragement, which can be critical for recovery and future growth.

From the perspective of innovation and creativity, setbacks can drive entrepreneurs to challenge conventional practices, embrace creative problem-solving, and design new approaches to business. Liu et al. [30] note that organizational learning from failure forms the basis for improved processes and the generation of novel product or service ideas, ultimately fueling innovation and competitiveness.

In terms of risk management and mitigation, experiencing failure sharpens entrepreneurs' ability to identify potential threats and respond with greater strategic precision. Zhang *et al.* [31] found that learning from failure enhances new ventures' dynamic capabilities and the comprehensiveness of strategic decision-making, equipping entrepreneurs to better anticipate, evaluate, and mitigate risks in future endeavors.

Lastly, entrepreneurial mindset and confidence can be strengthened through the process of overcoming failure. This dimension reflects a shift in perspective, where entrepreneurs view failure as a stepping stone rather than an endpoint. Golamari [32] highlights that such experiences foster adaptability, resilience, and insight, enabling entrepreneurs to approach subsequent opportunities with renewed optimism and determination.

In sum, while business failure carries undeniable challenges, it also offers transformative potential, shaping entrepreneurs into more resourceful, innovative, and resilient leaders who are better prepared for future success.

Collectively, the reviewed literature demonstrates that business failure is a multidimensional phenomenon shaped by both organizational capabilities and external environmental conditions. Internal managerial deficiencies reduce firms' ability to allocate resources effectively, while external institutional and market pressures create additional constraints on business sustainability. More recent scholarship extends this perspective by recognizing entrepreneurial learning and resilience as important post-failure outcomes.

Despite these advances, the literature remains fragmented. Many quantitative studies identify statistical relationships among selected determinants of business failure but provide limited understanding of entrepreneurs' lived experiences and adaptive learning processes. Conversely, qualitative studies offer rich descriptions of entrepreneurial experiences but often lack systematic examination of organizational and environmental determinants. Consequently, important questions remain regarding how internal organizational capabilities, external ecosystem pressures, and entrepreneurial learning collectively explain business failure within developing economies.

Research Gap and Conceptual Positioning

Although entrepreneurship literature has substantially advanced understanding of business failure, four important gaps remain.

First, previous studies have generally examined internal organizational capabilities and external environmental pressures independently, providing limited explanation of their combined influence on business failure.

Second, most empirical investigations have relied predominantly on either quantitative or qualitative approaches. Few studies have employed a convergent parallel mixed-methods design capable of integrating statistical relationships with entrepreneurs' lived experiences to generate a more comprehensive explanation of entrepreneurial failure.

Third, existing international evidence is derived primarily from metropolitan regions and developed economies. Consequently, limited empirical knowledge exists regarding entrepreneurial failure within secondary cities of developing countries, where institutional support systems, financial markets, regulatory environments, and entrepreneurial ecosystems differ substantially from those found in larger urban centers.

Finally, while recent scholarship increasingly acknowledges entrepreneurial resilience, relatively little research has systematically examined how business failure simultaneously reflects organizational capability deficiencies, environmental constraints, and opportunities for entrepreneurial learning within a unified theoretical framework.

Addressing these gaps, the present study integrates the Resource-Based View, the Entrepreneurial Ecosystem Framework**,** and Schumpeter's Theory of Creative Destruction within a convergent parallel mixed-methods design to investigate business failure among micro and small enterprises in Tandag City and Bislig City, Philippines. By simultaneously examining organizational determinants, environmental pressures, entrepreneurial consequences, and post-failure learning, the study provides a more comprehensive explanation of entrepreneurial failure and extends entrepreneurship literature by generating evidence from an underrepresented developing-economy context. This integrated conceptual positioning contributes not only to theoretical advancement but also to the design of evidence-based entrepreneurship policies and MSME support programs applicable to the Philippines and other developing economies.

3. Theoretical Framework

Business failure is a multidimensional phenomenon that cannot be adequately explained by a single theoretical perspective because entrepreneurial outcomes are shaped by the interaction of firm-specific capabilities, external environmental conditions, and entrepreneurs' adaptive responses to failure. Accordingly, this study integrates the Resource-Based View (RBV), the Entrepreneurial Ecosystem Framework (EEF), and Schumpeter's Theory of Creative Destruction to provide a comprehensive explanation of the determinants, consequences, and learning processes associated with business failure among micro and small enterprises (MSEs). Collectively, these theories explain why businesses fail, how environmental conditions influence entrepreneurial outcomes, and how entrepreneurs develop resilience through post-failure learning.

3.1 Resource-Based View: Organizational Capabilities and Business Failure

The Resource-Based View [33] posits that sustainable competitive advantage depends on an organization's ability to acquire, develop, and effectively utilize valuable, rare, inimitable, and non-substitutable (VRIN) resources. While RBV is traditionally employed to explain competitive advantage and firm performance, it also provides an important lens for understanding organizational failure. Enterprises lacking essential managerial capabilities, financial competencies, strategic planning, operational systems, and customer management practices are less able to respond to market uncertainty and are consequently more vulnerable to failure.

Within the context of this study, RBV explains how deficiencies in internal organizational capabilities—including poor financial planning, ineffective leadership, weak customer relationship management, inadequate standard operating procedures, and limited strategic planning—reduce organizational resilience and increase the likelihood of business failure. The quantitative findings identifying these organizational weaknesses as significant contributors to business failure, together with qualitative accounts describing poor financial discipline, inadequate business planning, and weak managerial practices, are interpreted through the RBV as evidence that insufficient organizational resources constrain enterprise sustainability.

However, the RBV alone cannot fully explain business failure because organizations do not operate in isolation. Even firms possessing relatively strong internal capabilities remain vulnerable when confronted with unfavorable institutional and market conditions. Consequently, an external environmental perspective is necessary to complement the RBV.

3.2 Entrepreneurial Ecosystem Framework: Environmental Pressures and Business Sustainability

The Entrepreneurial Ecosystem Framework extends the analysis beyond the firm by emphasizing that entrepreneurial success or failure is influenced by the broader environment in which businesses operate. Entrepreneurial ecosystems comprise interconnected institutional, economic, financial, technological, regulatory, educational, and social components that either facilitate or constrain entrepreneurial activity.

From this perspective, business failure is not solely attributable to managerial deficiencies but also reflects the quality of external support systems available to entrepreneurs. Regulatory complexity, limited access to financing, economic instability, technological change, market competition, and shifting consumer behavior collectively shape business opportunities and influence organizational survival. For micro and small enterprises operating in resource-constrained environments, these external pressures often amplify existing organizational weaknesses, making business sustainability increasingly difficult.

The present study applies the Entrepreneurial Ecosystem Framework to interpret the quantitative evidence demonstrating that regulatory requirements, economic downturns, legal risks, technological challenges, and changing market conditions significantly contributed to business failure. Qualitative findings further illustrate how entrepreneurs experienced difficulties obtaining affordable financing, complying with regulatory requirements, and adapting to changing customer demand. These findings indicate that business failure results not only from organizational deficiencies but also from constraints embedded within the entrepreneurial ecosystem.

Importantly, the Entrepreneurial Ecosystem Framework complements the RBV by explaining why entrepreneurs possessing similar organizational capabilities may experience different business outcomes depending on the institutional and economic environments in which they operate. Thus, organizational resources and environmental conditions should be viewed as mutually reinforcing rather than independent determinants of entrepreneurial success or failure.

3.3 Schumpeter's Theory of Creative Destruction: Entrepreneurial Learning and Renewal

While the RBV and Entrepreneurial Ecosystem Framework explain the determinants of business failure, they provide limited explanation of entrepreneurs' responses following failure. Schumpeter's Theory of Creative Destruction addresses this limitation by conceptualizing entrepreneurial failure as an integral component of economic development and innovation. According to Schumpeter [34], inefficient firms exit the market, creating opportunities for innovation, resource reallocation, and entrepreneurial renewal.

Contemporary entrepreneurship research extends this perspective by recognizing business failure as an important source of experiential learning. Entrepreneurs frequently acquire practical knowledge regarding financial management, strategic planning, customer relations, risk assessment, and business operations following unsuccessful ventures. Rather than representing the end of entrepreneurial activity, failure often becomes a catalyst for capability development, innovation, and improved decision-making in subsequent ventures.

Within the present study, Schumpeter's perspective provides the theoretical foundation for interpreting the qualitative findings demonstrating that many entrepreneurs transformed business failure into opportunities for reflection, learning, and resilience. Participants described strengthening financial discipline, improving business planning, exercising greater caution in credit management, and adopting more adaptive managerial strategies after experiencing business failure. These experiences illustrate that entrepreneurial failure, although economically and psychologically challenging, may also stimulate capability renewal and more sustainable entrepreneurial practices.

3.4 Integrated Theoretical Framework

The integration of the Resource-Based View, the Entrepreneurial Ecosystem Framework, and Schumpeter's Theory of Creative Destruction provides a multidimensional explanation of entrepreneurial failure that is particularly appropriate for mixed-methods research.

The Resource-Based View explains why business failure originates within the firm, emphasizing that deficiencies in organizational resources and managerial capabilities weaken enterprise competitiveness and resilience. The Entrepreneurial Ecosystem Framework explains how external environmental conditions influence entrepreneurial outcomes, demonstrating that institutional quality, regulatory systems, financial access, technological change, and market conditions can either strengthen or undermine organizational sustainability. Finally, Schumpeter's Theory of Creative Destruction explains what occurs after business failure, highlighting how entrepreneurs transform failure into learning, innovation, and capability renewal.

Rather than functioning as competing perspectives, these theories operate sequentially and interactively. Internal organizational weaknesses increase vulnerability to business failure; external environmental pressures intensify or moderate these vulnerabilities; and entrepreneurial learning following failure contributes to organizational adaptation and future business resilience. Accordingly, entrepreneurial failure is conceptualized not as a singular event but as a dynamic process involving organizational capability deficiencies, environmental constraints, and post-failure learning.

This integrated framework also provides the conceptual foundation for interpreting the mixed-methods findings. The quantitative component identifies the relative influence of organizational capabilities and environmental pressures on business failure, whereas the qualitative component explains how entrepreneurs experienced these challenges and transformed failure into opportunities for learning and resilience. By combining these complementary perspectives, the study advances a more comprehensive explanation of entrepreneurial failure than could be achieved through any single theoretical lens.

II. MATERIALS AND METHODS

Research Design

This study employed a convergent parallel mixed-methods research design, which involves the concurrent collection, separate analysis, and subsequent integration of quantitative and qualitative data to provide a comprehensive understanding of a research problem. The design was selected because business failure is a multidimensional phenomenon that cannot be adequately understood through a single methodological approach. Quantitative methods enable the measurement of the relative influence of organizational and environmental factors, whereas qualitative inquiry provides deeper insight into entrepreneurs' lived experiences, interpretations, and learning following business failure.

The quantitative component identified the prevalence and relationships among internal organizational capabilities, external environmental pressures, and the effects of business failure. Simultaneously, the qualitative component explored how entrepreneurs experienced these factors, interpreted their failures, and transformed those experiences into learning and resilience. Integration occurred during interpretation through methodological triangulation and joint analysis, allowing convergence, complementarity, and expansion of findings across both datasets.

This design is consistent with the study's integrated theoretical framework, wherein the Resource-Based View explains internal organizational capabilities, the Entrepreneurial Ecosystem Framework explains external environmental influences, and Schumpeter's Theory of Creative Destruction explains entrepreneurial learning following business failure.

Research Setting

The study was conducted in Tandag City and Bislig City, the two component cities of Surigao del Sur, Philippines. These cities represent important entrepreneurial environments within a developing provincial economy characterized by a high concentration of micro and small enterprises, limited access to formal financing, evolving institutional support systems, and relatively small local markets. These contextual characteristics provide an appropriate setting for examining the organizational and environmental determinants of business failure among entrepreneurs operating outside major metropolitan centers.

Population and Sampling Procedures

The target population comprised owners of micro and small enterprises (MSEs) located in Tandag City and Bislig City who had experienced business failure, defined as the discontinuation of business operations resulting from financial, managerial, operational, or environmental constraints.

A multi-stage sampling strategy combining stratified sampling**,** quota sampling, and purposive sampling was employed to ensure balanced representation while selecting participants with relevant entrepreneurial experiences.

First, stratification was performed according to city (Tandag and Bislig) and enterprise size (micro and small enterprises) to ensure representation across both geographical and organizational categories. Quotas were subsequently established for each stratum based on the availability of eligible entrepreneurs.

For the quantitative component, 74 entrepreneurs participated in the structured survey, including 40 respondents from Bislig City (35 micro enterprises and 5 small enterprises) and 34 respondents from Tandag City (29 micro enterprises and 5 small enterprises).

For the qualitative component**,** 60 entrepreneurs were purposively selected from the same pool of 74 survey respondents, thereby creating a nested qualitative subsample within the quantitative sample. Specifically, 30 entrepreneurs were interviewed from each city**,** consisting of 25 micro-enterprise owners and 5 small-enterprise owners**.** Selecting interview participants from the survey respondents facilitated methodological triangulation by allowing quantitative findings to be interpreted alongside participants' detailed narratives while ensuring consistency between both datasets.

Purposive sampling ensured that all interview participants possessed direct experience with business failure, while snowball referrals assisted in locating entrepreneurs who satisfied the study's inclusion criteria but were initially difficult to identify.

Research Instrument

The quantitative data were collected using a structured questionnaire developed from established entrepreneurship and business failure literature. The instrument consisted of four sections: demographic characteristics of respondents; internal organizational factors contributing to business failure; external environmental factors contributing to business failure; and organizational and entrepreneurial effects of business failure.

Responses were measured using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The qualitative component utilized a semi-structured interview guide designed to explore: entrepreneurial background; circumstances leading to business failure; organizational and environmental challenges; personal and business consequences of failure; and entrepreneurial learning and future business strategies. The semi-structured format provided consistency across interviews while allowing participants to elaborate on experiences not captured through the survey.

Instrument Validation and Pilot Testing

To establish content validity, the questionnaire and interview guide were reviewed by experts in entrepreneurship, business management, research methodology, and statistics. Their recommendations focused on improving clarity, relevance, comprehensiveness, and alignment with the study objectives. Necessary revisions were incorporated prior to data collection.

A pilot study involving 30 entrepreneurs with characteristics similar to the target population was conducted to evaluate the instrument's clarity, reliability, and administration procedures. Participants included in the pilot study were excluded from the final sample.

Internal consistency reliability was assessed using Cronbach's alpha coefficients**,** which exceeded the generally accepted threshold of 0.70, indicating satisfactory reliability for all measurement constructs. The overall questionnaire demonstrated excellent internal consistency (overall Cronbach's $\alpha > .90$**),** supporting its suitability for the main study.

Data Collection Procedures

Following approval from the appropriate institutional authorities, eligible entrepreneurs were contacted personally and informed about the purpose of the study. Written informed consent was obtained before participation.

Quantitative surveys and qualitative interviews were conducted concurrently in accordance with the convergent parallel mixed-methods design. The structured questionnaires were administered personally by the researcher to maximize response completeness. Semi-structured interviews were subsequently conducted with the purposively selected subset of survey respondents. Interviews were audio-recorded with participants' permission and supplemented by field notes documenting contextual observations.

Data collection continued until all predetermined quotas were achieved and qualitative data demonstrated sufficient informational richness for thematic analysis.

Data Analysis

Quantitative Analysis

Quantitative data were analyzed using IBM SPSS Statistics**.**

The following statistical procedures were employed: frequency counts and percentages for demographic variables; weighted means and standard deviations to determine respondents' perceptions of business failure determinants and consequences; and Pearson's product-moment correlation coefficient (Pearson's r) to examine relationships between organizational factors and business failure outcomes.

Qualitative Analysis

Qualitative data were analyzed using reflexive thematic analysis following the six-phase framework**:** familiarization with the data; systematic coding; generation of initial themes; review and refinement of themes; definition and naming of themes; and production of the analytical narrative.

The analysis emphasized interpretation rather than simple description by identifying recurring patterns explaining entrepreneurs' experiences of business failure and post-failure learning. Representative quotations are presented to illustrate each theme while preserving participants' anonymity.

Mixed-Methods Integration and Triangulation

Integration occurred during interpretation through methodological triangulation**.** The qualitative sample comprised a nested subset of the quantitative respondents, enabling direct comparison between statistical trends and entrepreneurs' personal experiences. Integration focused on identifying areas of: confirmation, where qualitative themes supported quantitative findings; complementarity, where qualitative narratives explained statistical relationships; expansion, where interviews revealed additional insights beyond survey results; and divergence, where qualitative evidence offered alternative perspectives requiring further interpretation.

A joint display was subsequently developed to integrate quantitative results, qualitative themes, theoretical interpretation, and practical implications. Written informed consent was obtained from all participants prior to participation. Confidentiality and anonymity were maintained through the use of identification codes rather than personal names. Audio recordings, completed questionnaires, and interview transcripts were stored securely and used exclusively for academic purposes. All data were treated with strict confidentiality and reported only in aggregate or anonymized form to protect participants' identities.

III. RESULTS AND DISCUSSION

Demographic Profile

Based on the profile of the 74 respondents, most business owners fall within the age range of 36–45 years old (39%), followed by those aged 46–55 (34%), indicating that middle-aged individuals dominate micro and small enterprise (MSME) ownership. Only a small percentage (5%) are aged 18–25, suggesting that business engagement is less common among the younger population. In terms of sex, a significant majority are female (78%), showing strong female participation in small-scale business ownership. Regarding educational attainment, over half (54%) are college graduates, while only a few (3%) finished elementary school, implying that most entrepreneurs in this group have relatively high educational backgrounds.

Almost all businesses are operated as sole proprietorships (99%), a typical setup for microenterprises, with minimal representation from partnerships (1%). In terms of business size, the majority (86%) are microenterprises, with only 14% classified as small enterprises. The industry sector is heavily concentrated in wholesale and retail (98%), while accommodation, food services, and leasing each account for only 1%, showing low diversification in business types. Most respondents have been in business for 4–7 years (54%), and 36% have operated for 1–3 years, reflecting some level of stability and experience. In their current business, 62% have been operating for 1–3 years, 23% for 4–7 years, and 11% for less than a year.

All respondents (100%) have experienced business failure, which aligns with the study’s criteria for inclusion. Most (99%) have managed 1–3 businesses since they started, showing limited experience with multiple ventures. A large portion (88%) had also been engaged in the wholesale and retail sector before their current business, reinforcing the trend toward retail-oriented enterprises. Other prior industries include rental services (5%), agriculture (5%), and accommodation and food services (3%). Interestingly, 57% of their failed businesses lasted less than a year, while 43% operated for 1–3 years, highlighting that early-stage failure is common. Despite these setbacks, 66% of the respondents reported having experienced business success, while 34% had not, indicating that many entrepreneurs continue to persevere and rebuild after failure. This profile reflects a resilient and experienced group of entrepreneurs, predominantly women, engaged mostly in micro-level retail businesses with varying degrees of past business success and failure.

Internal Factors Contributing to Business Failure

Across all six internal dimensions — financial, human resource, machinery and equipment, materials and operations, internal processes and systems, and market/customer aspects — respondents strongly agreed that each represented a meaningful contributor to business failure. The single highest-rated internal item was the absence of standard operating procedures (weighted mean = 3.811), followed closely by poor financial planning and budgeting (3.878, the highest overall) and ineffective leadership and mismanagement (3.622). This pattern indicates that, among internal capabilities, structured financial and operational systems — the resources and routines emphasized by the Resource-Based View [33] — were perceived as the most consequential gap, ahead of discrete operational issues such as machinery maintenance or marketing execution.

External Factors Contributing to Business Failure

The analysis of external factors contributing to business failure reveals that all indicators were rated “Strongly Agree”**,** underscoring the substantial influence of the external environment on the survival of micro and small enterprises (MSEs).

Among the political factors, the highest-rated concern was the effect of changes in tax policies or regulations, with a weighted mean of 3.838. Respondents emphasized that sudden shifts in government tax structures and regulatory frameworks impose unforeseen financial burdens and compliance challenges, making it difficult for businesses to plan effectively and maintain operational stability. This aligns with Baker *et al*. [12], who noted that unpredictable or abrupt changes in tax policies and regulations heighten policy uncertainty, increase compliance costs, and delay investment decisions factors that can ultimately lead to business failure.

For economic factors, the most pressing issue was the impact of economic recession or downturn, with a mean score of 3.770. Respondents recognized that during economic slowdowns, reduced consumer spending and declining business activity significantly erode revenues, placing MSMEs—particularly those with limited financial reserves—at heightened risk of closure. This is supported by Polinar [12], whose study on the Philippine economy highlighted that economic downturns depress consumer demand, weaken revenues, and contribute to widespread business failures.

Under social factors, the top concern was changing consumer preferences and behaviors, which received a weighted mean of 3.635. This finding reflects the need for businesses to adapt continuously to shifting market demands to avoid product or service obsolescence and loss of competitiveness. Cooper [14], supports this, noting that products may become obsolete not because of functional failure, but due to changes in consumer tastes, perceived inferiority, or the appeal of newer, trendier alternatives.

In the technological factors category, the highest-rated statement was inadequate digital transformation, with a weighted mean of 3.716. Respondents acknowledged that failure to adopt digital tools and systems limits operational efficiency, reduces innovation capacity, and diminishes competitiveness in an increasingly technology-driven marketplace. Khanom [15], affirms that companies embracing digital transformation through customer-centric strategies and agile business models gain competitive advantage, while those that fail to adapt risk losing relevance and operational efficiency.

Regarding environmental factors, two statements tied with the highest rating of 3.810: the impact of environmental regulations and the pressure to adopt sustainable practices**.** Respondents indicated that both regulatory compliance and sustainability requirements pose significant financial and operational challenges, especially for resource-constrained small enterprises. Gray et al. [16], similarly observed that environmental regulations and mandatory sustainability practices can increase production costs and, in some cases, reduce productivity.

Finally, within legal factors, the most critical concern also the highest-rated external factor overall—was the effect of lawsuits or legal penalties**,** with a weighted mean of 3.864. Respondents highlighted that legal issues such as litigation, fines, and reputational damage can severely disrupt operations by draining financial resources, diverting management attention, and undermining public trust, often accelerating business decline. Badoni [17], reinforces this view, noting that litigation imposes substantial direct costs and can redirect budgets and focus away from core business functions.

Overall, the findings clearly illustrate that MSEs perceive political, economic, social, technological, environmental, and legal pressures as critical determinants of business vulnerability. The prominence of issues such as regulatory shifts, economic downturns, digital lag, sustainability demands, and legal disputes suggests that building resilience against external shocks is essential for business continuity and long-term survival.

Effects of Business Failure to Business

The analysis of the effects of business failure reveals significant and far-reaching consequences across financial, operational, organizational, and external dimensions. In the realm of financial distress, the highest-rated effect was the occurrence of investor and shareholder losses due to a decline in stock value or the loss of investments, with a weighted mean of 3.703. This finding underscores that financial instability not only disrupts internal operations but also erodes investor confidence, leading to capital depletion and diminished future investment potential. This is consistent with Mauboussin et al. [18], who assert that a sharp decline in stock value can result in substantial losses for investors and shareholders, ultimately reducing their returns and diminishing the overall value of their investments.

In terms of market and customer deterioration, two effects tied for the highest weighted mean of 3.770: the loss of customer trust and market exit due to competitors taking over. Respondents strongly agreed that a damaged reputation leads to declining sales, while the inability to retain customers enables competitors to capture market share, making recovery significantly more challenging. This aligns with McQueen [19], who emphasizes that the erosion of customer trust undermines brand credibility, leading to decreased sales and increased vulnerability to competitive displacement.

Regarding operational setbacks, the highest-rated effect was disrupted supply chains resulting in suppliers losing contracts, with a mean of 3.743. This illustrates how business failure generates a ripple effect across supply networks, impacting not only the failed enterprise but also dependent partners and vendors. Such findings support Ponomarov et al. [20], who note that supply chain disruptions can cause suppliers to lose contracts, triggering financial strain and cascading negative impacts throughout the business ecosystem.

For workforce and organizational decline, the termination of employee incentives and benefits emerged as the most concerning issue, with a weighted mean of 3.689. The withdrawal of these benefits often leads to dissatisfaction, diminished motivation, and potential legal disputes, which in turn affect morale, productivity, and overall workplace stability. This is supported by Afrin et al. [21], who explain that cutting employee incentives or benefits can result in reduced motivation, dissatisfaction, and, in some cases, legal claims for constructive dismissal.

Finally, in the category of external and strategic risks, the most critical and overall highest-rated effect was legal and regulatory consequences, with a score of 3.878. This reflects the severe aftermath of business failure in terms of non-compliance penalties, lawsuits, and legal disputes issues that not only drain residual resources but also tarnish public reputation and hinder recovery or reinvestment. These findings echo Asselin et al. [22] who highlight that legal and regulatory consequences, such as fines, lawsuits, and government penalties, can impose significant financial burdens and disrupt operations.

Overall, the findings demonstrate that business failure exerts multi-level impacts, with legal, market, and operational consequences emerging as the most critical. The results emphasize the importance of proactive management, sound financial practices, and stringent legal compliance to mitigate not only internal collapse but also the broader socio-economic repercussions affecting employees, suppliers, investors, and the business community at large.

Effects of Business Failure to Individual Entrepreneur

The table presents the effects of business failure on individual entrepreneurs, categorized into five dimensions: physical, psychological/mental, emotional, social, and behavioral. Across all indicators, respondents expressed strong agreement, underscoring the extensive personal toll that business failure can impose. The following analysis discusses the highest weighted mean for each category and its implications.

In the physical dimension, the highest-rated statement is that entrepreneurs may experience fatigue or appear constantly tired, with a weighted mean of 3.851. This finding suggests that business failure imposes a significant physical burden on entrepreneurs, likely stemming from prolonged stress, overwork, and disrupted sleep patterns. It reflects the extent to which failure affects not only business operations but also the entrepreneur's physical health and energy levels. Lorrain et al. [23], explain that persistent entrepreneurial stress often leads to burnout, characterized by emotional exhaustion, reduced effectiveness, and impaired performance symptoms that can exacerbate or even contribute to business failure.

For the psychological or mental aspect, the highest weighted mean of 3.743 is attributed to the statement that business failure may trigger heightened anxiety, particularly as a result of financial pressure and uncertainty. This suggests that entrepreneurs often endure intense internal stress, manifesting as chronic worry and tension, which can impair clarity of thought and hinder sound decision-making. Fodor et al. [24], note that entrepreneurship inherently involves uncertainty, setbacks, and financial risk, all of which can evoke intense negative emotions such as anxiety significantly undermining an entrepreneur's psychological well-being.

In the emotional domain, the most highly rated statement is that entrepreneurs may develop a sense of fear particularly fear of trying again or facing further financial insecurity scoring a weighted mean of 3.770. This highlights the emotional trauma caused by failure, which can paralyze entrepreneurs and deter them from pursuing future business ventures, ultimately constraining both personal and economic recovery. Shahriari et al. [25], emphasize that entrepreneurial failure often triggers a heightened fear of failure, especially among individuals lacking sufficient social support.

With respect to social effects, the top-rated statement scoring the highest mean in this category at 3.878 is that entrepreneurs may lose valuable business contacts due to diminished reputation and credibility. This illustrates how failure can lead to social and professional isolation, severing connections that could otherwise aid in recovery. Cope [26], underscores that entrepreneurial failure frequently results in stigmatization and social costs, eroding professional relationships and damaging credibility within the business community.

Finally, in the behavioral effects category, the highest-rated statement and the overall highest mean in the entire table at 3.919 is that business failure can alter how entrepreneurs manage their time and priorities. This indicates a significant shift in behavior, often toward more strategic, cautious, and reflective approaches. Depending on the context, this may represent either a protective mechanism or a form of personal growth. Shepherd [27], explains that experiencing usiness failure often prompts entrepreneurs to reassess their priorities and time allocation, shifting from routine operational tasks toward recovery-oriented strategies.

In summary, the findings reveal that business failure profoundly affects entrepreneurs across multiple dimensions, with the most significant impacts relating to fatigue, anxiety, fear, loss of social capital, and behavioral adaptation. These results emphasize the critical importance of both psychological and social support mechanisms to facilitate recovery, restore confidence, and enable entrepreneurs to reintegrate into the business community after experiencing failure.

Positive Effects of Business Failure on the Individual Entrepreneur

The table presents the positive effects of business failure on individual entrepreneurs, categorized into five key areas: learning and personal growth**,** networking and connections**,** innovation and creativity**,** risk management and mitigation, and entrepreneurial mindset and confidence**.** The findings reveal that, despite the challenges and setbacks it brings, business failure can serve as a catalyst for valuable development, strategic insight, and entrepreneurial renewal. The following analysis highlights the highest weighted mean statement for each category and its implications.

In the area of Learning and Personal Growth, the highest-rated statement "the failure provided valuable lessons that can be applied to future business ventures" received a weighted mean of 3.838. This underscores that entrepreneurs perceive failure as a rich source of experiential learning, enabling them to discern effective practices, avoid past mistakes, and approach future ventures with enhanced knowledge and preparedness. This finding aligns with Stam et al. [28], who emphasize that learning from failure is a primary motivator for re-entering the entrepreneurial arena, as insights gained from setbacks increase the likelihood of future success.

Under Networking and Connections, the most strongly agreed-upon statement is that "the entrepreneur met individuals who offered meaningful advice, guidance, or support," with a weighted mean of 3.824. This suggests that even amid failure, entrepreneurs often expand their professional networks, forging relationships with mentors, peers, or collaborators who can offer both strategic insight and moral encouragement. Audet [29], supports this view, noting that mentors provide not only valuable information and guidance but also psychosocial support that fosters resilience and persistence.

In the domain of Innovation and Creativity, the highest-rated response—“the failure served as a catalyst for generating new ideas and innovative solutions”—also scored a mean of 3.838. This indicates that setbacks often prompt entrepreneurs to rethink established practices, experiment with new approaches, and design novel strategies for problem-solving or business restructuring. Liu et al. [30], affirm that organizational learning from failure forms the foundation for process improvements and the development of innovative products or services, thereby driving long-term growth.

With respect to Risk Management and Mitigation, the highest mean of 3.743 was attributed to the statement that “the failure enhanced the entrepreneur’s ability to identify and mitigate future risks.” This reflects how adverse experiences sharpen entrepreneurs’ capacity for strategic foresight, enabling them to recognize early warning signs, evaluate threats, and implement preventive measures. Zhang et al. [31], similarly highlight that learning from failure strengthens entrepreneurial dynamic capabilities, allowing for more comprehensive strategic decision-making and improved risk responsiveness.

Finally, within Entrepreneurial Mindset and Confidence**,** the most highly agreed-upon statement and the overall highest-rated response in the table was “the entrepreneur began to view failure as a learning opportunity and stepping stone toward success,” with a weighted mean of 3.905. This finding points to a profound cognitive shift: entrepreneurs who have faced failure tend to develop greater resilience, adaptability, and optimism, viewing setbacks as integral to the entrepreneurial journey rather than as definitive endings. Golamari [32], supports this perspective, explaining that failure often serves as a formative experience that enhances adaptability, resilience, and strategic insight, ultimately acting as a springboard for future achievement.

In summary, the results demonstrate that while business failure is inherently difficult, it can also generate substantial positive outcomes ranging from personal and professional growth to enhanced innovation, improved risk management, and a stronger, more opportunity-driven mindset. These constructive effects highlight the transformative potential of failure, underscoring its role not only as a challenge to be endured but also as a valuable stepping stone in the entrepreneurial process.

Relationship Between Causes and Effects of Business Failure

To address Objective 4, Pearson correlation was used to test the relationship between each internal and external cause of business failure and its effects on the business, on the individual entrepreneur, and on positive learning outcomes, at the 0.05 level of significance. Internal causes showed a statistically significant relationship with at least one effect category in 11 of 32 tested pairs against business-level effects, 13 of 32 against individual-level effects, and 7 of 32 against positive effects. External causes showed significant relationships in 17 of 32 pairs against business-level effects, 12 of 32 against individual-level effects, and 18 of 32 against positive effects — indicating that external pressures were more consistently and significantly linked to both harmful and constructive outcomes than internal weaknesses were, even though internal factors were rated as more strongly present in Tables 4 and 6.

Relationship between Causes of Business Failure (Internal factor) and Effect of business failure to Individual Entrepreneur.

The correlation analysis reveals several significant relationships between the causes of business failure and the effects of business success on individual entrepreneurs. Notably, issues in the Financial Aspect showed a significant correlation with psychological or mental effects indicating that financial challenges can strongly impact the mental well-being of entrepreneurs, possibly due to stress or anxiety related to managing business finances.

The Employees and Human Resources factor was significantly related to physical effects emotional effects and behavioral effects. This suggests that difficulties in managing people such as staff performance or internal conflicts may result in physical strain, emotional stress, and changes in behavior. This finding is backed up [35] how interpersonal conflicts, stress from managing employees, and emotional labor can significantly impact entrepreneurs’ well-being, including physical strain, emotional exhaustion, and behavioral responses like withdrawal or burnout.

Meanwhile, Machinery and Equipment was significantly associated only with behavioral effects indicating that technical or equipment issues can influence how entrepreneurs act or adapt in response to business problems. This conforms with the study of Shepherd [36] that shows how machines/technology change entrepreneurs’ decisions and actions, i.e. technical tools/technology shape behavior and strategic responses.

The Materials and Operational Aspect showed significant correlations with psychological or mental effects and social effects highlighting that operational inefficiencies and supply issues can affect both the mental health and social interactions of entrepreneurs. This compliments with the study of Essuman *et al*. [37] which explains how unexpected supply chain disruptions such as sudden closure of suppliers, transport failures, or raw material shortages are operational stressors that undermine entrepreneurial well-being.

Similarly, problems in Processes and Systems were significantly related to physical effects**,** emotional effects and behavioral effects. This means that weak or inefficient processes can cause fatigue, emotional strain, and shifts in how entrepreneurs behave or respond under pressure. Consistent with our findings that flawed processes lead to physical fatigue, emotional strain, and behavioral shifts in entrepreneurs, Bennett et al. [38] demonstrate that high role demands and excessive work hours often stemming from inefficient processes significantly increase emotional exhaustion and decrease psychological detachment and work engagement among early-stage entrepreneurs.”

Lastly, the Customer Market Aspect had some of the strongest and most consistent correlations, significantly affecting emotional effects**,** social effects**,** and behavioral effects**.** These results suggest that problems with customer engagement, market presence, or sales performance not only affect business outcomes but also deeply influence how entrepreneurs feel, interact socially, and behave. Consistent with our findings that customer-market challenges significantly influence emotional, social, and behavioral outcomes, Lechat and Torrès [39] demonstrate that emotional demands stemming from customer interactions such as complaints or unmet expectations significantly contribute to entrepreneurial burnout, emotional exhaustion, and diminished engagement, especially when autonomy and job satisfaction are low.

Overall, the analysis shows that internal causes of business failure extend beyond financial consequences they are closely linked to personal effects on entrepreneurs. Challenges in managing people, operations, and customer relations can significantly affect an entrepreneur's mental health, emotional stability, social life, and behavior, underscoring the need for strong internal business management to support both business success and personal well-being.

Relationship between Causes of Business Failure (Internal Factor) and Positive Effects of Business failure.

The correlation analysis explores the relationships between various internal causes of business failure and five key effects on the entrepreneurial development of individuals: learning and personal growth, networking and connections, innovation and creativity, risk management and mitigation, and entrepreneurial mindset and confidence. The findings reveal several statistically significant associations, underscoring how internal business weaknesses influence or constrain entrepreneurs' personal and professional growth.

Starting with the Financial Aspect, a significant positive correlation was found with learning and personal growth. This suggests that financial challenges often motivate entrepreneurs to engage in self-development and learning, potentially as an adaptive or coping mechanism. This aligns with the dynamic equilibrium model proposed by Gorgievski-Duijvesteijn et al. [40], which posits that financial strain triggers adaptive behaviors such as enhanced learning to restore personal well-being and resources. However, financial issues did not show significant correlations with innovation, risk management, or entrepreneurial confidence, indicating that their influence may be more narrowly focused on personal growth responses.

Regarding Employees and Human Resources, significant correlations emerged with networking and connections and risk management and mitigation. These results imply that challenges related to human capital management encourage entrepreneurs to expand their external networks for advice, support, and resources, as well as to develop improved risk handling capabilities. Conversely, this aspect was not significantly linked to learning, creativity, or mindset development. Supporting these findings, Leung [41] highlights that entrepreneurial firms frequently strengthen external networks when facing HR difficulties, leveraging these connections to compensate for internal shortcomings.

In contrast, the Machinery and Equipment aspect showed no statistically significant correlations with any of the five developmental outcomes. This suggests that while equipment issues may disrupt operations, they have a limited direct impact on the entrepreneur's personal development, innovation, or mindset.

The Materials and Operational Aspect demonstrated significant relationships with both risk management and mitigation and entrepreneurial mindset and confidence. These correlations highlight that operational challenges such as supply chain disruptions prompt entrepreneurs to cultivate heightened risk awareness and resilience, strengthening their confidence and adaptive capabilities. Consistent with this, Sanni [42] found that entrepreneurs facing supply chain issues often adopt proactive resilience strategies such as diversifying suppliers, enhancing logistical flexibility, and employing real-time monitoring to mitigate risks and bolster entrepreneurial confidence.

For Processes and Systems (Method), a significant correlation was observed only with networking and connections. This indicates that inefficiencies or weaknesses in internal systems drive entrepreneurs to rely more heavily on external social networks, seeking knowledge, support, or solutions to compensate for these internal deficits. Other developmental outcomes such as learning, innovation, and mindset showed no significant association with this factor. Brüderl and Preisendörfer [43] similarly found that entrepreneurs use external social capital to offset limitations in internal resources, underscoring the critical role of networks when internal processes falter.

Finally, the Customer Market Aspect exhibited a significant correlation with risk management and mitigation. This suggests that difficulties in managing customer relationships and market performance stimulate entrepreneurs to adopt more cautious and strategic approaches to risk. However, this factor did not significantly influence learning, creativity, or confidence development. Dong [44] supports this observation, showing that heightened customer-related risks motivate entrepreneurs to implement strategic risk management practices as a response to weak market performance or customer dissatisfaction.

Overall, these findings emphasize that different internal business challenges influence distinct areas of entrepreneurial development. Financial difficulties primarily encourage learning and adaptation, human resource challenges and system inefficiencies drive network-building, while operational and market issues prompt enhanced risk management and confidence. Recognizing these nuanced relationships can help entrepreneurs and support programs tailor interventions that address both organizational weaknesses and personal growth pathways effectively.

Relationship between Causes of Business failure (External Factor) and effects of business failure to business.

The correlation analysis reveals significant relationships between various external causes of business failure and their corresponding effects on business performance. Among the six external factors examined—political, economic, social, technological, environmental, and legal—political factors showed strong and consistent significant correlations with financial distress market and customer deterioration and operational setbacks. This indicates that unstable political environments, shifting government policies, or political uncertainty can directly disrupt financial flow, customer stability, and operational activities. Our findings align with Liu [45], who demonstrates that misaligned perceptions of political risk between buyer firms and their suppliers significantly undermine operational resilience. Such disruptions directly undermine customer relations and market performance, and ultimately exacerbate financial distress in entrepreneurial ventures."

Economic factors also displayed significant relationships, particularly with market and customer deterioration operational setbacks and external and strategic risks. These findings highlight how inflation, rising costs, or poor economic conditions can weaken business market positioning, hinder daily operations, and increase exposure to long-term threats. Echoing our results, it demonstrates that steep and uneven cost increases driven by inflation can disrupt the structure of business sectors and impose operational stress, supporting our findings that economic factors correlate significantly with market/customer deterioration, operational setbacks, and heightened strategic risk

Similarly, social factors were significantly correlated with financial distress ($r = 0.261$, $p = 0.025$), market and customer deterioration and operational setbacks suggesting that demographic trends, community behaviors, and social expectations play a substantial role in shaping business performance. Mirroring our observations that social factors significantly contribute to financial distress, market/customer deterioration and operational setbacks, it demonstrates that negative public opinion and media attitudes can undermine the business environment for SMEs, whereas supportive family environments can buffer these adverse social forces."

Technological factors showed strong significant relationships with market and customer deterioration operational setbacks and external and strategic risks. This indicates that a lack of technological adaptation or outdated systems can impair customer engagement, disrupt internal operations, and leave businesses vulnerable to broader risks. Consistent with our findings that technological deficiencies correlate strongly with market/customer deterioration, operational setbacks, and external/strategic risks, it demonstrates that enterprises with higher levels of digital transformation exhibit greater financial resilience experiencing smaller downturns in revenue and profitability. Moreover, cross-country evidence shows that digitally advanced firms better withstand external shocks compared to less-digital counterparts. Meanwhile, environmental factors were significantly related to operational setbacks and external and strategic risks pointing to how environmental concerns such as natural disasters or climate-related changes can affect operations and long-term strategic planning. Consistent with our findings that environmental factors significantly correlate with operational setbacks and strategic risk exposure, Zhang [46] demonstrates that natural disasters often inflict direct infrastructural damage and interrupt supply chains, which in turn degrade operational continuity and elevate long-term strategic risk among affected businesses.

Lastly, legal factors had significant effects on financial distress operational setbacks and workforce and organizational decline. These results suggest that legal challenges, regulatory burdens, or compliance issues can lead to financial strain, disrupt workflows, and negatively impact employee management and organizational structure. Consistent with our findings that legal factors significantly correlate with financial distress, operational setbacks, and workforce decline, it reviews how regulatory and litigation burdens across corporate, environmental, employment, and insurance domains impose tangible financial costs, disrupt workflows, and complicate organizational practices in small businesses."

In summary, the analysis shows that external environmental forces play a critical role in business failure, especially in the areas of market stability, operational efficiency, and strategic positioning. Political, economic, technological, and social factors have the most consistent and significant influence across multiple areas of failure. These insights highlight the importance for businesses to remain adaptive, compliant, and responsive to external changes in order to reduce risks and sustain long-term success.

Relationship between Causes of Business failure (External Factor) and effects of business failure to individual entrepreneur.

The correlation analysis examining the relationship between external causes of business failure and their effects on entrepreneurs across five dimensions physical, psychological, emotional, social, and behavioral reveals several key insights.

Starting with political factors, a significant correlation was found only with emotional effects. This suggests that political instability or shifts in government policies predominantly trigger strong emotional responses among business owners, such as frustration, anxiety, and demoralization. Other domains including physical, psychological, social, and behavioral effects did not show significant correlations. This aligns with broader observations that political uncertainty primarily affects entrepreneurs' emotional well-being. Supporting this, a recent Inc.com report by Crumley [47] indicated that 75% of respondents experienced a "low mood largely driven by politics and current events," underscoring the unique impact of political factors on emotional health without necessarily affecting other functional domains.

In the case of economic factors, only behavioral effects showed a significant relationship. This implies that economic pressures such as inflation, unemployment, or market volatility primarily influence entrepreneurial behaviors and decision-making, potentially leading to impulsivity or increased risk aversion. Physical, psychological, emotional, and social effects were not significantly impacted by economic conditions. This finding is consistent with Dalton [48], who reports that entrepreneurs under economic strain often exhibit altered risk behaviors, even when other personal aspects remain stable.

Social factors showed significant correlations with both physical effects and social effects. This indicates that social challenges such as shifts in consumer behavior, peer pressure, or community expectations can induce physical stress and strain, while also affecting how entrepreneurs engage within their social networks. Cardon and Patel [49] support this, demonstrating that entrepreneurial stress, often rooted in social role expectations, results in measurable physiological strain and altered social interactions.

Technological factors were significantly correlated with physical social and behavioral effects. These results suggest that difficulties in adopting or keeping pace with technology manifest not only as physical symptoms such as fatigue or stress but also disrupt social relationships and influence entrepreneurial behaviors, including adaptability and risk-taking.

The environmental factors exhibited significant correlations with psychological, social and behavioral effects. This indicates that environmental challenges ranging from climate change and natural disasters to sustainability pressures profoundly affect entrepreneurs' mental health, social interactions, and behavioral responses. Abdelwahed and Ramish [50] support this, showing that eco-anxiety and climate-change-related stress exacerbate psychological distress, impair creativity and cognitive function, and disrupt social engagement.

Finally, legal factors were significantly related to psychological and emotional effects implying that dealing with legal obligations, regulatory compliance, and permits can generate mental stress and emotional fatigue for entrepreneurs. However, legal issues did not significantly influence physical, social, or behavioral domains. This is consistent with Kitching et al. [51], who found that regulatory burdens frequently lead to psychological and emotional exhaustion without necessarily manifesting in physical symptoms or social and behavioral changes.

In summary, these findings demonstrate that external causes of business failure exert differential impacts across entrepreneurs' well-being dimensions. Emotional, psychological, and behavioral effects emerge as the most commonly and strongly influenced domains. Notably, technological and environmental factors show broader, more consistent effects across multiple dimensions of entrepreneurs' personal well-being. These results underscore the critical need for external support mechanisms and adaptive strategies that address not only the business risks but also the psychological resilience and holistic well-being of entrepreneurs.

Relationship between Causes of Business Failure (External Factor) and Positive Effects of Business Failure

The correlation analysis explores the relationships between external causes of business failure namely political, economic, social, technological, environmental, and legal factors and their impact on key entrepreneurial development outcomes: learning and personal growth, networking and connections, innovation and creativity, risk management and mitigation, and entrepreneurial mindset and confidence.

Beginning with political factors, these showed significant positive correlations with learning and personal growth, innovation and creativity and risk management and mitigation. This suggests that political challenges often compel entrepreneurs to enhance their knowledge, develop innovative strategies, and strengthen their risk management capabilities. However, political factors did not significantly influence networking or entrepreneurial confidence. Supporting these findings, Atanassov [52] demonstrates that firms tend to increase R&D investments during periods of political uncertainty, reflecting a strategic use of innovation and learning as coping mechanisms to bolster adaptability under volatile conditions.

Economic factors showed a more limited influence, with a significant correlation only observed with entrepreneurial mindset and confidence. This indicates that economic hardships may primarily affect entrepreneurs' self-perception of resilience and confidence, while other developmental aspects such as learning, networking, innovation, and risk management remain unaffected. Guerrero and Walsh [53] corroborate this, showing that prior business failures combined with entrepreneurial confidence foster resilience and persistence, suggesting that economic challenges can bolster mindset strength even when other capabilities do not improve.

Regarding social factors, a significant correlation was identified solely with learning and personal growth. This implies that social dynamics and challenges foster internal development, broadening entrepreneurs' perspectives. Other developmental areas including innovation, networking, and confidence were not significantly impacted. This aligns with the Self-Expansion Model which posits that social engagement facilitates broader self-concept and internal growth, even if external outputs like innovation or confidence remain unchanged.

Technological factors demonstrated significant correlations across four developmental outcomes: networking and connections innovation and creativity, risk management and mitigation and entrepreneurial mindset and confidence. This indicates that grappling with technological changes or failures motivates entrepreneurs to expand their networks, innovate creatively, refine risk strategies, and build confidence. This supports this view, revealing that digital technology adoption substantially enhances entrepreneurial confidence, motivation, and innovation capabilities, while also improving engagement with entrepreneurial ecosystems.

The environmental factors exhibited the most widespread impact, showing significant correlations with learning and personal growth, networking, innovation, risk management and entrepreneurial mindset. These findings suggest that environmental challenges such as natural disasters or climate-related issues act as catalysts across nearly all entrepreneurial development dimensions. This is consistent with Wei et al. [53], who demonstrate that greater natural disaster intensity increases engagement in social entrepreneurship, particularly among individuals with a fear of failure or limited human capital, highlighting environmental adversity as a driver of learning, innovation, networking, strategic risk management, and resilient mindsets.

Finally, legal factors also showed significant positive relationships with four out of five development areas: learning and personal growth networking, innovation, and risk management. This indicates that navigating legal complexities such as permits, compliance, and regulations promotes entrepreneurial growth in knowledge, networks, innovation, and risk capabilities, though it did not significantly affect entrepreneurial confidence.

In summary, the analysis highlights that technological, environmental, and legal factors exert the most widespread and consistent influence on entrepreneurial development. Political challenges also significantly promote innovation, risk awareness, and personal growth. In contrast, economic and social factors impact more limited domains, primarily entrepreneurial confidence and personal learning, respectively. These findings underscore how external business challenges can act not only as barriers but also as vital drivers of entrepreneurial resilience, capability building, and adaptive growth.

B. Qualitative Findings

Thematic analysis of the 60 semi-structured interviews identified recurring themes across 17 guide questions covering the history, indicators, challenges, causes, effects, coping strategies, and lessons of business failure, and entrepreneurs' advice to other stakeholders. Rather than listing all individual participant responses, Table 15 presents the thematic matrix — the themes identified for each question together with illustrative, representative participant responses (coded P1–P60 by interview order). The complete set of paraphrased participant responses underlying this analysis is available from the corresponding author upon request and may be included as online supplementary material.

Summary of Qualitative Results

Across the 17 questions, three cross-cutting patterns emerged. First, entry into entrepreneurship was predominantly necessity-driven, financed with small personal or borrowed capital rather than planned investment. Second, the proximate causes of failure clustered around financial practices — extending credit to customers, reliance on high-interest daily loans, and poor bookkeeping — more than around external market conditions, which entrepreneurs mentioned but framed as secondary to their own financial decisions. Third, the effects of failure were multi-dimensional, spanning financial hardship, psychological and emotional strain, and strained family and social relationships, but a substantial share of entrepreneurs also reframed the experience as a source of resilience, more disciplined financial habits, and practical lessons for future ventures — echoing the quantitative finding that positive effects were rated strongly agree alongside the negative ones.

Overall, integration of both datasets demonstrates that business failure cannot be explained solely by organizational deficiencies or environmental constraints. Rather, entrepreneurial failure reflects the interaction of firm-level capabilities and ecosystem conditions while simultaneously functioning as an important mechanism for entrepreneurial learning and capability renewal. This integrated explanation would not have emerged from either quantitative or qualitative findings independently, illustrating the added value of the convergent parallel mixed-methods design.

Summary of Quantitative and Qualitative Findings

Quantitative Finding	Qualitative Theme	Interpretation	Theory
Weak financial planning	Borrowed capital and poor financial discipline	Confirmation	RBV
Regulatory pressure	Licensing challenges	Complementarity	Entrepreneurial Ecosystem
Entrepreneurial resilience	Learning after failure	Expansion	Schumpeter

C. Integration of Quantitative and Qualitative Findings

The two strands of evidence converge on financial management and regulatory/legal exposure as the most consequential causes of failure: the quantitative data rank poor financial planning and legal/regulatory consequences among the highest-rated items in both the internal and external factor tables, while the qualitative narratives independently foreground credit-related financial practices as the trigger event entrepreneurs recall most vividly. The two strands also converge on the dual character of failure's effects: quantitatively, positive-effect items were rated strongly agree at levels comparable to the negative business- and individual-level effects, and qualitatively, entrepreneurs spontaneously described lessons learned and renewed resilience alongside financial and emotional hardship. This convergence strengthens confidence that the quantitative associations are not artifacts of the survey instrument but reflect a pattern entrepreneur also volunteer unprompted in open-ended interviews.

DISCUSSION

Taken together, the findings portray business failure among Tandag City and Bislig City MSEs as jointly produced by internal capability gaps and external environmental pressures, consistent with the study's dual theoretical anchoring. As the Resource-Based View [33] would predict, the internal resources most closely tied to firm-level performance — financial planning and standard operating procedures — were the most strongly implicated internal causes, and their absence translated most directly into business-level effects such as legal exposure and market exit. As the Entrepreneurial Ecosystem framework [55] would predict, external conditions — regulatory and tax exposure in particular — were rated even more strongly than internal factors and, in the correlation analysis, were more consistently associated with significant effects across all three effect categories than internal causes were. This suggests that while entrepreneurs experience internal shortcomings as the more immediate, personally attributable cause of failure — consistent with the qualitative emphasis on credit practices and financial discipline — the external environment may in fact carry more statistical weight in determining whether failure translates into harm or into a constructive outcome.

The consistent presence of strongly rated positive effects alongside negative ones, both quantitatively and qualitatively, supports [34] view of failure as creative destruction and [56] effectuation theory, in which entrepreneurs treat setbacks as information that reshapes future action rather than as terminal outcomes. Kolb's [57] experiential learning theory offers a mechanism for this pattern: entrepreneurs who reflected on the concrete experience of failure (credit mismanagement, cash-flow breakdown) were able to abstract lessons — discipline, planning, resilience — that they reported applying to subsequent ventures. This reframes failure, in this population, less as the endpoint of an entrepreneurial trajectory and more as a transitional event within it, provided the entrepreneur has access to the financial literacy and support structures needed to act on the lesson learned.

The study likewise confirms the substantial influence of legal, economic, technological, political, social, and environmental conditions on enterprise sustainability. Entrepreneurs consistently described regulatory compliance costs, inflation, declining consumer purchasing power, technological disruption, and increasing market competition as important external pressures affecting business performance. These findings support the Entrepreneurial Ecosystem Framework (Isenberg, 2011)**,** which emphasizes that entrepreneurial success depends not only on individual capability but also on the broader institutional environment. Even well-managed enterprises may experience considerable difficulty when operating within unstable economic conditions or resource-constrained ecosystems. The results suggest that improving entrepreneurship outcomes requires not only strengthening entrepreneurs' internal capabilities but also creating supportive institutional environments that reduce unnecessary regulatory burdens and expand access to financial, technological, and educational resources.

These findings should be read alongside prior business-failure research reviewed in Section II, which has similarly identified financial mismanagement, weak planning, and adverse external conditions as recurring causes across different national and sectoral contexts. What this study adds is evidence, specific to secondary-city Philippine MSEs, that internal and external causes are differentially linked to business-level versus individual-level and learning-related effects — a distinction that aggregate, single-strand studies are not positioned to make.

Practical and Policy Implications

For entrepreneurs and business support practitioners, the findings support prioritizing financial literacy — budgeting, cash-flow management, and prudent use of credit — as a central component of capacity-building programs, consistent with [58] Financial Literacy Theory and with [59] Human Capital Theory more broadly. Because entrepreneurs in this study attributed failure most immediately to their own financial decisions (credit extension, high-interest borrowing), training that is hands-on and scenario-based is likely to be more effective than generic business seminars.

For local government units, the prominence of legal, regulatory, and tax-related items among external causes — and their strong statistical association with negative business effects — supports simplifying permit and compliance procedures and expanding access to affordable, formal financing for MSEs, in line with the Entrepreneurial Ecosystem framework [55]. For educational institutions, the study supports integrating experiential, practice-based entrepreneurship education [57] rather than purely theoretical coursework, so that students encounter and reflect on financial decision-making before entering business ownership themselves.

IV. CONCLUSIONS AND RECOMMENDATIONS

This study advances the understanding of entrepreneurial failure by demonstrating that business failure among micro and small enterprises (MSEs) is a multidimensional phenomenon arising from the dynamic interaction between internal organizational capabilities and external environmental pressures, while simultaneously serving as a catalyst for entrepreneurial learning and resilience. Moving beyond traditional explanations that attribute failure solely to managerial deficiencies or unfavorable market conditions, the findings show that enterprise outcomes are shaped by the combined influence of firm-level resource limitations, institutional and ecosystem constraints, and entrepreneurs' capacity to adapt, learn, and recover from adverse experiences.

A key theoretical contribution of this study is the integration of the Resource-Based View (RBV)**,** the Entrepreneurial Ecosystem Framework (EEF)**,** and Schumpeter's Theory of Creative Destruction into a unified explanatory framework. The findings demonstrate that these theories are complementary rather than competing perspectives. The Resource-Based View explains how deficiencies in managerial capabilities, financial management, leadership, and organizational systems increase enterprise vulnerability; the Entrepreneurial Ecosystem Framework illustrates how regulatory complexity, economic uncertainty, financing constraints, and market conditions shape entrepreneurial outcomes; and Schumpeter's perspective explains how failure can become a mechanism for entrepreneurial renewal through experiential learning, strategic adaptation, and capability development. Together, these perspectives provide a more comprehensive explanation of entrepreneurial failure than any single theoretical lens could offer.

Methodologically, the study contributes to entrepreneurship research by employing a convergent parallel mixed-methods design that integrates quantitative evidence from 74 entrepreneurs with qualitative insights from a nested subsample of 60 participants drawn from the survey respondents. This methodological triangulation not only strengthened the credibility and richness of the findings but also generated insights that would not have emerged through either quantitative or qualitative inquiry alone. The integration of statistical relationships with entrepreneurs' lived experiences demonstrates the value of mixed-methods research in capturing the complexity of entrepreneurial failure and post-failure learning.

The study also contributes to the international entrepreneurship literature by providing empirical evidence from secondary Philippine cities, an entrepreneurial context that remains underrepresented in existing research. Much of the current literature on business failure is derived from metropolitan regions or developed economies where institutional conditions, financial systems, and entrepreneurial support mechanisms differ substantially from those in resource-constrained environments. By examining entrepreneurs operating in Tandag City and Bislig City, this study extends existing knowledge to developing-economy settings and demonstrates that the interaction between organizational capabilities, ecosystem conditions, and entrepreneurial learning is relevant beyond the Philippine context. These findings therefore offer transferable insights for policymakers, entrepreneurship educators, MSME development agencies, and financial institutions seeking to strengthen entrepreneurial resilience in similar regional economies across Asia and other developing countries.

From a practical perspective, the findings underscore the need for integrated interventions that simultaneously strengthen internal managerial capabilities and improve the external entrepreneurial environment. Entrepreneurship development programs should move beyond business start-up promotion by emphasizing financial literacy, strategic planning, operational management, risk assessment, digital capability, and entrepreneurial resilience. Likewise, government agencies and MSME support institutions should simplify regulatory processes, improve access to affordable financing, expand mentoring networks, and strengthen ecosystem-based support mechanisms that enable entrepreneurs to recover from failure and re-enter productive entrepreneurial activity.

Finally, the study highlights several directions for future research. Longitudinal investigations are needed to examine how entrepreneurial learning evolves over time and influences the performance of subsequent ventures. Comparative studies across different regions, industries, and developing economies would further determine the contextual applicability of the integrated theoretical framework. Future research may also employ structural equation modeling, longitudinal mixed-methods designs, or multilevel analytical approaches to examine the complex relationships among organizational capabilities, entrepreneurial ecosystems, resilience, innovation, and long-term business sustainability. Such investigations would continue to advance entrepreneurship scholarship by deepening understanding of entrepreneurial failure as both a challenge to enterprise survival and a pathway to entrepreneurial growth.

Recommendations for Future Research

Future studies may extend the present research by:

1. conducting longitudinal investigations examining entrepreneurial recovery over time;
2. comparing business failure across different Philippine regions and economic sectors;
3. examining the influence of entrepreneurial personality traits, innovation capability, and digital readiness on business survival;
4. evaluating the effectiveness of entrepreneurship training and government support programs in reducing business failure; and
5. employing structural equation modeling or longitudinal mixed-methods designs to examine causal relationships among organizational capabilities, environmental conditions, entrepreneurial resilience, and business performance.

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