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***“Small Firm Failure as a Configurational Phenomenon: A Critical
and Philosophical Review of Early-Stage Failure Research”***

DBA Level 7

Research Principles and Philosophy

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Abstract

This report critically examines research on early-stage small-firm failure through a critical-realist lens, arguing that failure is better understood as a causally complex and potentially configurational phenomenon than as the consequence of isolated risk factors. The review is organised around seven themes spanning the meaning of failure, resource, capability, governance, environmental and policy conditions, and the contrast between variance-based and configurational explanation, and closes by examining what it means to claim that a condition causes failure. The analysis deliberately establishes the contribution of variance-based research before examining its limits. Regression and survival analysis remain valuable for estimating average relationships and establishing population-level regularities; where different combinations of conditions generate the same outcome, however, an approach centred on net effects may not represent conjunctural causation, equifinality or causal asymmetry. [Lamrani Abou Ellassad et al. \(2026\)](#) is selected as the focal study because its replication and extension demonstrate, within a single population dataset, how alternative definitions of growth and failure can invert the observed relationship. The report concludes that a critical-realist, configurationally informed design provides a defensible foundation for subsequent research into how government support might be differentiated.

Keywords: small-firm failure; critical realism; configurational analysis; causal complexity; government support; research philosophy

1. Introduction

1.1 Background and Context

Small firms are economically significant, organisationally fragile and theoretically heterogeneous, operating with fewer financial buffers, narrower managerial teams and less established infrastructure than larger firms ([Heller, Karapanagiotis and Nilsen \(2025\)](#)). Their vulnerability is most visible during crises, when financing constraints, demand disruption, institutional change and managerial overload occur together ([Belghitar, Moro and Radić \(2022\)](#)). Research has accordingly accumulated around a broad set of explanations, including financial constraint, managerial capability, governance, environmental turbulence and public support. The central problem here is not whether these factors matter, but how they matter together.

A firm rarely encounters a single causal condition in isolation. A young business may face a liquidity problem alongside a founder capability gap, a market shock and weak governance routines, while another faces the same liquidity problem yet survives because it holds stronger financial controls and diversified

demand. If both are represented through a financial-constraint variable and a set of controls, part of the causal story is not merely unobserved but structurally inexpressible within the model.

A simple illustration makes the point concrete. Consider two firms entering their third year with comparable capitalisation. Firm A combines thin capital with an experienced owner-manager and stable demand, and survives. Firm B combines the same thin capital with weak planning capability and volatile demand, and fails. A model estimating the average effect of capitalisation would treat these as equivalent observations on the same variable and attribute their divergence to unexplained variance. The presence of a risk factor may therefore matter less than the configuration in which it occurs.

1.2 The Research Problem

Existing research predominantly estimates the average independent effects of variables such as financial resources, managerial experience, planning capability and market conditions. Such approaches may inadequately represent causal complexity where different combinations generate the same outcome, and where the conditions accompanying failure differ from those accompanying survival rather than mirroring them. The practical consequence is direct: support designed around individual deficiencies may relieve one condition without disturbing the configuration producing vulnerability.

1.3 The Research Gap

Three connected gaps follow. The first is theoretical: failure is frequently conceptualised through separate deficiencies rather than interacting configurations, so evidence accumulates without integration. The second is methodological: variance-based regression and structural equation approaches dominate, while configurational methods remain comparatively underused in the study of early-stage failure specifically. The third is practical: government support commonly targets individual deficiencies through discrete instruments rather than asking which bundles correspond to particular configurations of vulnerability.

1.4 Research Aim

The aim is to critically examine how contemporary research conceptualises and investigates early-stage small-firm failure, with emphasis on causal complexity and configurational explanation, and to consider the implications for government support design. The aim is analytical rather than empirical: this report evaluates how failure is explained, and does not itself identify configurations.

1.5 Objectives

Six objectives follow. First, to critically review recent research on early-stage small-firm failure. Second, to identify the principal resource, capability, governance and environmental conditions associated with it. Third, to evaluate the methodological dominance of variance-based explanation. Fourth, to examine

the philosophical assumptions underlying alternative conceptions of causality. Fifth, to evaluate what configurational approaches contribute and what they do not. Sixth, to derive implications for doctoral research and support design.

1.6 Structure of the Report

Section 2 sets out how the literature was identified and analysed. Section 3 reviews seven themes and closes by examining what it means to claim that a condition causes failure. Section 4 analyses one empirical study in depth, and Sections 5 and 6 draw out the contribution and conclusions. The report does not argue that quantitative research is inadequate in general (Ciampi et al. (2021)); the concern arises only where a research question is inherently conjunctural while the method is constructed around independent net effects.

Critical realism provides the declared philosophical position. Its value lies in rejecting both a simplistic empiricism, in which observed regularities are treated as the whole of reality, and a relativism in which causal claims dissolve into interpretation. Bhaskar (2013) and Sayer (2000) distinguish underlying structures and mechanisms, the events they generate, and the empirical observations through which researchers access them; [Fletcher \(2017\)](#) translates this into methodological guidance. For small-firm failure the distinction matters because failure is real while its manifestations are heterogeneous: closure, insolvency, persistent underperformance, strategic withdrawal, acquisition and restructuring appear identical in administrative data while representing different organisational processes.

The gap between mechanism and measurement is demonstrated by [Lamrani Abou Ellassad et al. \(2026\)](#), the focal study of Section 4. Their replication reproduces the established finding that moderate annualised growth is associated with better survival; their extension alters the temporal measure and the treatment of exit, and the relationship inverts. Neither result is an error, and the study is valuable precisely because it shows that an empirical relationship is inseparable from the specification producing it.

2. Method for Conducting the Literature Review

The review adopts a purposive, critical thematic synthesis rather than a systematic review in the PRISMA sense, and the distinction is stated openly. A systematic review claims reproducible searching and screening, and its authority derives from that reproducibility. No such claim is made here: literature was identified through Google Scholar and citation chaining, and studies were selected because they illuminate the conceptual problem rather than because they exhaust the field.

Selection criteria were theoretical relevance to one of the seven themes, methodological diversity so that competing paradigms are represented, and sufficient reporting of methods to permit philosophical

analysis. Literature from 2021 onwards provides the principal evidence base. Older works are retained on two grounds. The first is conceptual foundation, covering Bhaskar (2013), Sayer (2000), Ragin (2008), [Fiss \(2007\)](#), Denrell (2003), Jenkins and McKelvie (2016) and Ucbasaran et al. (2013). The second is a small number of empirical studies retained because no equivalent exists within the window: Gimeno et al. (1997) for the performance-threshold argument, which no subsequent study has superseded; [Iborra, Safón and Dolz \(2020\)](#) as the clearest firm-level treatment of resilience capability against which the more recent configurational work can be contrasted; and Higuchi (2020) because studies sampling non-participants in support schemes remain rare, and the alternative would be to leave that gap in Theme 6 unevidenced.

The analytical procedure involved four stages. The corpus was grouped into the seven themes below; studies within each were compared rather than summarised, with attention to research question, theoretical framing, unit of analysis, outcome definition and methodological logic; each study was then interpreted through ontology, epistemology and axiology, using [Fletcher \(2017\)](#) and Miller and Tsang (2011) to identify commitments that are more often implicit than declared; and the focal study was examined in depth. The central analytical distinction applied throughout is whether a study assumes symmetric, net-effect causality or asymmetric, conjunctural causality ([Fiss \(2011\)](#); [Misangyi et al. \(2017\)](#); Greckhamer et al. (2018)). Extraction was recorded in the review matrix at Appendix A.

The review is critical-realist in standpoint, which does not mean that every study examined is classified as critical-realist. Critical realism supplies the position from which studies are evaluated ([Fletcher \(2017\)](#)). A variance-based paper can produce valuable evidence without articulating a realist philosophy, and a configurational study can apply set-theoretic techniques without thereby providing a convincing account of mechanisms.

Four limitations follow. A single database was used, and Google Scholar has no controlled vocabulary, an unstable ranking algorithm and inconsistent indexing, so the corpus is not representative of the field. Philosophical positions are usually implicit here, so classification required interpretive judgement another reviewer might exercise differently. Screening was conducted by one reviewer without an inter-rater check. Most instructively, a review of failure research inherits the survivorship bias of its sources: if the underlying literature observes surviving firms more readily than failed ones (Denrell (2003)), a synthesis reproduces the distortion rather than correcting it.

3. Critical Literature Review

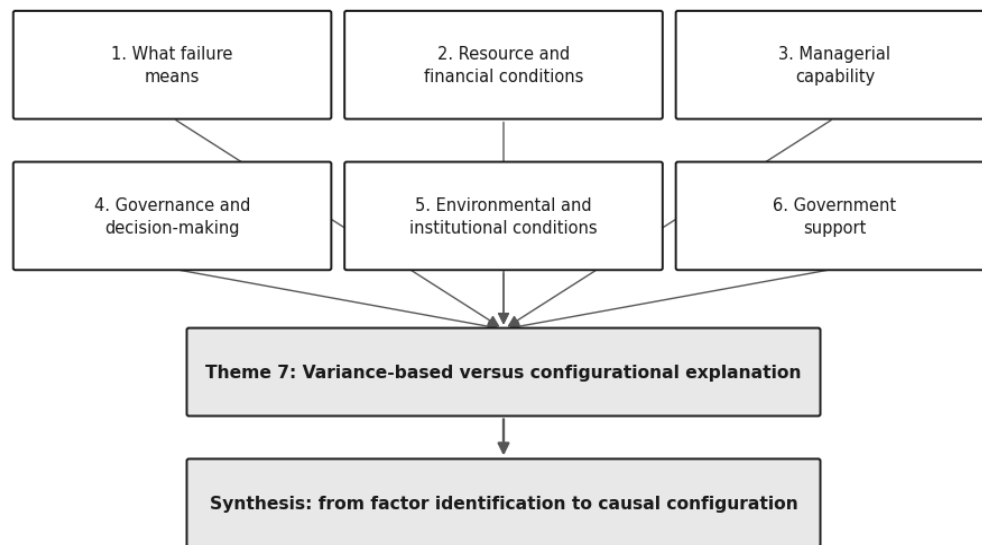


Figure 1. Analytical structure of the review (author-created conceptual framework).

3.1 Theme 1: What Failure Means

The most basic question is deceptively difficult: what counts as failure? Research deploys survival, exit, closure, default, bankruptcy and underperformance as if near-interchangeable. They are not. Jenkins and McKelvie (2016) argue that entrepreneurial failure requires conceptual clarification before measurement, while Ucbasaran et al. (2013) show that failure involves processes extending well beyond the organisational event. Failure cannot be treated as a self-evident binary variable.

The problem is compounded because administrative datasets record organisational events rather than meanings. A firm may leave a register because it was acquired, merged, restructured, voluntarily closed or genuinely ceased trading. Treating every disappearance as failure generates misclassification that is not random: it falls disproportionately on firms likely to be acquired, which are typically the successful ones. Denrell (2003) identifies a compounding distortion, in that organisational learning is skewed when surviving firms are observed more readily than failed ones.

[García-Vidal et al. \(2025\)](#) approach the problem from the opposite direction, modelling closure intention rather than closure itself, and thereby locating exit in a decision formed within the firm rather than an event recorded outside it. Set against register-based studies, the contrast is instructive: these are not competing measures of one construct but different constructs sharing a name.

[Lamrani Abou Ellassad et al. \(2026\)](#) supply the strongest contemporary demonstration, and Section 4 examines it in detail. Their refined failure measure distinguishes genuine firm death from acquisitions,

mergers and restructurings, and their growth measure shifts from short-term annualised change to cumulative lifetime trajectory. The replication confirms the established short-term relationship; the extension reverses it. The methodological lesson is not that one definition is superior but that an empirical result cannot be detached from the construct definition that generated it.

From a critical-realist perspective, failure is real but not exhausted by any empirical indicator (Sayer (2000)). A firm can experience deteriorating viability long before closure, and closure can occur without failure in any normative sense. The researcher moves from an ontological phenomenon to an operational representation, and that movement is necessarily theory-laden ([Fletcher \(2017\)](#)). For the DBA project this creates a foundational design requirement: early-stage failure must be defined before conditions are calibrated, because a configurational analysis conducted on a conceptually unstable outcome would produce precise answers to an ill-formed question.

3.2 Theme 2: Resource and Financial Conditions

Financial conditions are the most established explanation of small-firm vulnerability, and the recent literature converges on their importance while dividing sharply on what a financial condition is. One group treats constraint as a state of the firm at a point in time, measurable and comparable across cases: [Heller, Karapanagiotis and Nilsen \(2025\)](#) track how that state varies with firm size across crisis periods, and [Belghitar, Moro and Radić \(2022\)](#) estimate how policy alters it. A second treats constraint as a process operating through a specific channel, as in [Nicolas \(2022\)](#), where short-term constraint reaches failure by way of investment decisions rather than directly. A third relocates the constraint from the balance sheet to the founder, since [Almuragab et al. \(2024\)](#) show that access to finance and the capability to use it are separable. These are not three measures of one construct. The first locates scarcity in the firm, the second in a mechanism, the third in a person, and each implies a different intervention. What none of them observes is the constrained firm that survived without assistance, which is the comparison the policy question actually requires.

The default-prediction literature is the most developed expression of this tradition, and its own reviewers identify its limits. Ciampi et al. (2021) map the field, while [Cheraghali and Molnár \(2025\)](#) report that a substantial proportion of studies apply no feature-selection procedure and rely on in-sample validation alone. A literature that has generated more than a thousand candidate predictors, yet frequently neither disciplines their selection nor validates out of sample, exhibits the characteristic difficulty of an additive research programme: predictors accumulate without a principle for determining which combinations matter.

The explanatory problem begins where constraint is treated as sufficient. Two firms with comparable liquidity may diverge because they hold different capabilities, governance routines or institutional relationships. A variance-based model estimates the average association, establishing that the condition

matters across a population, yet the average may conceal pathways in which constraint operates as a trigger in one combination, a manageable pressure in a second and a largely irrelevant condition in a third.

Financial literacy illustrates the point: access to financial services is not equivalent to effective use of them ([Almuragab et al. \(2024\)](#)). A founder may hold access to digital finance while lacking capability to evaluate its cost and relevance, while high financial literacy cannot compensate for structural exclusion from credit. Resource conditions are relational rather than additive, with direct policy consequence: an intervention supplying finance to all vulnerable firms will have heterogeneous effects.

3.3 Theme 3: Managerial Capability

Managerial capability constitutes a second major explanatory stream, and Gimeno et al. (1997) remain foundational in a more radical way than is usually recognised: survival depends not solely on economic performance but on the firm's performance threshold, itself shaped by the entrepreneur's human capital, alternative employment opportunities and switching costs. Firms with low thresholds persist while underperforming; those with high thresholds exit despite adequate performance. This is an ontological claim about what exit measures, and it sits in tension with register-based studies treating exit as an economic event.

Two studies illustrate how differently capability can be located. [Iborra, Safón and Dolz \(2020\)](#) treat it as an organisational property, connecting resilience to ambidexterity and strategic consistency at firm level. Higuchi (2020) locates it in the owner's judgement, finding that many did not take up free training because they did not recognise the importance of the learning on offer. The second finding is more troubling than it appears, and it bears directly on Theme 6: the capability deficit and the failure to seek its remedy have the same source, so the firms least equipped to recognise a gap are the least likely to accept help closing it. Support premised on demand from those who need it will therefore reach the wrong firms — a selection problem generated by the phenomenon itself rather than by research design.

Capability is multidimensional and not static. Experience, knowledge, strategic consistency and adaptability are not interchangeable, and a capability decisive under one environmental condition may be unremarkable under another. Critical realism treats capability as a potential causal power rather than a score: managerial experience may prove decisive in a crisis while remaining latent and empirically invisible under stable conditions.

The theme carries an ethical weight the literature rarely acknowledges. Explanations emphasising managerial competence can become individualising narratives, implying that unsuccessful entrepreneurs failed through personal inadequacy while obscuring financial exclusion and environmental shock. The Gimeno et al. (1997) threshold argument cuts against such readings.

The configurational reading is more balanced. Weak capability may be consequential precisely when external pressure is high and financial buffers thin, while strong capability may offset moderate resource constraint ([Iborra, Safón and Dolz \(2020\)](#)). The causal significance of capability appears to depend on what accompanies it. The implication for training provision is correspondingly specific: generic training may help where a capability deficit forms part of the failure configuration but cannot compensate for an untenable market position.

3.4 Theme 4: Governance and Decision-Making

Governance matters distinctively in small firms because ownership and managerial authority are frequently concentrated in one person, which enables rapid decision-making while creating dependence on individual judgement and weak formal control.

[Oliveira Saraiva, Ferreira and Alves \(2024\)](#) provide the most directly relevant evidence, finding that an organic structure characterised by dynamism, decentralisation and control over objectives contributes positively to performance and helps prevent bankruptcy. Two things follow. The result identifies a structural condition, rather than a resource or a capability, as consequential for survival, which means governance belongs in any account of failure alongside the more commonly studied conditions of Themes 2 and 3. It also runs against the intuitive expectation that scarcity favours concentrated authority: a constrained firm might be thought to need decisive individual control, yet the evidence points the other way. Read alongside [Teixeira and Carvalho \(2024\)](#), whose review finds SME governance treated largely as a compliance question, this suggests the field has been asking whether small firms are governed properly rather than whether their governance arrangements affect whether they survive.

Decision-making is further shaped by learning. Denrell (2003) shows how survivorship distorts managerial belief: entrepreneurs learn from visible successes while unable to observe the failures supplying the counterfactual, producing confident strategic assumptions built on a censored sample. From a critical-realist standpoint, governance cannot be reduced to an individual attribute, since decision-making occurs within structures of ownership, accountability, information and institutional expectation. A founder's reluctance to seek external finance may reflect prior experience with lenders or collateral constraints rather than personal disposition.

The configurational implication is that governance conditions operate conjuncturally. Founder concentration, weak financial monitoring and rapid expansion may together constitute a vulnerability that none creates alone, while founder concentration combined with financial expertise and disciplined process may support survival. This is a clear instance of causal asymmetry: the absence of strong governance is not equivalent to the presence of a single deficient-governance variable.

3.5 Theme 5: Environmental and Institutional Conditions

Small firms operate within institutional and environmental systems they cannot control, in which crises, technological shifts, regulatory change and demand shocks alter the conditions of action ([Belghitar et al. \(2022\)](#); Ding and Ding (2022); [Heller et al. \(2025\)](#)).

COVID-19 supplies an unusually clean illustration of conjunctural pressure, because a large population of firms met a common macro-level shock yet produced divergent outcomes ([Belghitar et al. \(2022\)](#)). Some held digital capability, financial reserves and adaptable models; others confronted several constraints simultaneously. A common shock did not produce a common outcome, which is precisely the pattern an average-effects model represents poorly. A purely environmental explanation would in any case be deterministic, removing agency from the account. Critical realism instead treats environmental conditions as structures that enable and constrain action, with firms responding from differing positions.

Age-related vulnerability is similarly conditional. Yang and Aldrich (2017) find that founding conditions pose some risk while subsequent organising activity matters considerably more, which qualifies any account treating newness itself as the operative cause.

The institutional dimension operates similarly. Ding and Ding (2022) show that new venture innovativeness and performance are conditioned by institutional context, with environmental turbulence and legal inadequacy moderating the relationship in opposing directions. [Mina et al. \(2021\)](#) demonstrate that public innovation funding involves allocation decisions rather than simple availability. Both reinforce the view that external conditions interact with firm characteristics rather than acting uniformly upon them.

3.6 Theme 6: Government Support

Government support is where the configurational argument acquires its clearest policy consequence ([Prasannath et al. \(2024\)](#); [Mehta et al. \(2025\)](#)).

Two of these studies, read together, expose an unresolved tension. [Mina et al. \(2021\)](#) find that the scheme attracts applicants with higher growth rates and greater likelihood of prior venture-capital backing and patenting than non-applicants: support flows toward firms already performing comparatively well. [Belghitar et al. \(2022\)](#) find, by contrast, that weaker firms benefited more than stronger ones from COVID-19 support, and that the worst-affected industries were not those benefiting most, because schemes did not discriminate between firms warranting support and those that did not. One shows selection into support; the other a failure of targeting within it. The tension is methodological as much as empirical, since both sample from firms already visible to the policy system and neither observes the eligible firm that never applied. Higuchi (2020) is valuable precisely because it samples non-participants.

The dominant policy logic is intuitive: firms facing constraints should benefit from resources relieving those constraints. The configurational argument suggests instead that effectiveness is conditional.

Financial assistance may be decisive for a viable firm under temporary liquidity stress and ineffective where the business model is structurally unsustainable. Training may address a capability deficit while achieving little where the problem is demand collapse. The policy question is therefore not whether government support works, but for which configurations a given form of support works.

This carries an ethical dimension. Public support has opportunity costs, and protecting every firm is not socially optimal since some exits release resources for more productive use, while avoidable failure destroys employment and local capacity. The normative objective should be to reduce avoidable failure rather than maximise survival at any cost.

3.7 Theme 7: Variance-Based versus Configurational Explanation

Variance-based research remains indispensable, and its methodological self-scrutiny is considerable. Heckman (1979) established the treatment of sample-selection bias as a specification problem; [Podsakoff et al. \(2003\)](#) and [Podsakoff et al. \(2012\)](#) set out how method bias distorts social research. Survival models accommodate time, censoring and time-varying covariates. The focal study of Section 4 illustrates how much a well-executed design in this tradition achieves.

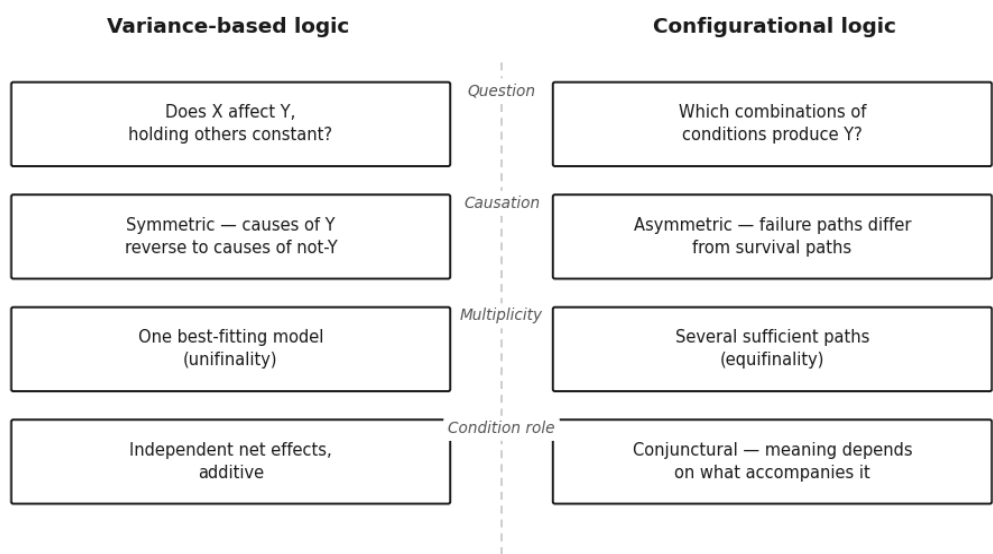


Figure 2. Two logics of causal explanation (author-created, synthesised from Fiss, 2007, 2011; Misangyi et al., 2017).

The issue is explanatory fit rather than rigour. Variance-based analysis asks how change in X associates with change in Y holding specified factors constant; configurational analysis asks which combinations are consistently associated with an outcome. [Fiss \(2007\)](#) identifies the resulting mismatch: configurational theory emphasises nonlinearity, synergy and equifinality, while the research testing it draws on methods assuming linearity, additivity and a single path. Theory and method have been misaligned for decades.

The methodological literature has itself matured in an instructive way. [Fiss \(2011\)](#) establishes the analytical logic; [Misangyi et al. \(2017\)](#) then argue that what had accumulated was not a technique but a perspective; Greckhamer et al. (2018) codify practice standards; and [Nikou et al. \(2024\)](#) audit whether published work meets them, concluding that calibration, necessity analysis and threshold sensitivity are where entrepreneurship applications most often fail. A field that has moved from establishing a logic to policing its own execution is not an emerging alternative but an established one, and should be judged on whether applications meet those standards rather than on the novelty of the method.

The approach is applied as well as advocated, and comparing recent applications is more revealing than listing them. [Carlet et al. \(2026\)](#) identify five configurations associated with contained performance impact among Italian small firms and two with heightened impact; [Liu and Harms \(2025\)](#) identify multiple pathways sustaining new venture team resilience; and [Mafimisebi et al. \(2026\)](#) examine configurations underpinning resilience in crisis navigation. The three studies differ in context, sample and calibration, yet share an outcome: each explains how firms withstand adversity. None examines failure itself. The configurational literature has, in effect, studied the survival side of an asymmetric relationship — which, on its own premises, cannot be assumed to invert into an account of failure. Chaves-Maza and Fedriani (2025) are the exception and consequently the closest existing work to the intended thesis, applying fuzzy-set analysis to identify entrepreneur profiles that should be avoided when allocating public support. Their study establishes that the configurational-plus-policy question is tractable and that any contribution must be positioned in relation to it.

The methodological argument can now be stated explicitly. Themes 2 to 6 indicate that conditions rarely operate in isolation; the same outcome appears reachable by more than one route; a condition's effect depends on what accompanies it; and the conditions accompanying failure are not the negation of those accompanying survival. A method capable of representing conjunction, equifinality and asymmetry is therefore warranted, while variance-based analysis remains necessary for establishing population-level regularity. The conclusion follows from properties of the phenomenon rather than preference for a technique.

The approach is not philosophically neutral, and this report resists presenting it as a superior technique. Calibration decisions are theoretically consequential, and set membership is constructed rather than discovered. Small numbers of cases produce unstable configurations. Consistency and coverage establish set relations, not mechanisms. A configuration is a pattern requiring explanation, not an explanation in itself.

That pluralism is governed by the research question rather than asserted as a general principle: variance-based analysis establishes population-level regularities, configurational analysis identifies combinations, and qualitative inquiry illuminates the mechanisms generating both (Wynn and Williams (2012)).

3.8 Philosophical Implications: What Does It Mean to Cause Failure?

The preceding themes reveal disagreements about evidence that rest on a prior disagreement about causation itself. Three conceptions operate in this literature, and they are rarely stated because they are rarely noticed.

The first is positivist and variance-oriented: causation is regularity, in which X raises or lowers the probability of Y across a population, holding specified factors constant. Its ontology treats conditions such as capital, experience and turbulence as attributes with determinate values independent of the researcher; its epistemology moves from theory to hypothesis, measurement, testing and generalisation. The point requires care. Regression can accommodate interactions, nonlinearity and asymmetric outcomes, so the limitation is not that variance-based work is incapable of complexity. It is that the standard additive net-effect specification does not represent conjunctural set relations in the way configurational analysis does, and that the default assumption in this literature is that causes of Y reverse into causes of not-Y. Most studies in Themes 2 to 6 operate within that default.

The second is configurational: causation is conjunctural, so X contributes to Y when combined with A and B under particular conditions and has no stable independent effect outside such combinations ([Fiss \(2011\)](#)). Its ontology treats firms as wholes whose components acquire meaning only in relation to one another, so a condition is an element of a set rather than a variable with a value. Causation here is asymmetric and permits equifinality. [Misangyi et al. \(2017\)](#) describe this as a distinct perspective rather than an alternative technique, which is the correct emphasis: the difference lies in what a cause is taken to be.

The third is critical-realist: causation is generative, and observable outcomes arise from underlying mechanisms whose causal powers are activated, suppressed or counteracted by context (Bhaskar (2013); Sayer (2000); Danermark, Ekström and Karlsson (2019)). Its distinctive claim is stratification — what is real exceeds what occurs, and what occurs exceeds what is observed — so the absence of an empirical regularity does not establish the absence of a mechanism ([Fletcher \(2017\)](#)). A statistical association is therefore evidence about the empirical domain requiring explanation in terms of the real (Miller and Tsang (2011)).

Arranged as a progression from variables to relationships to configurations to mechanisms, the three conceptions clarify what each delivers. The variance conception establishes that a condition matters across a population but not how it matters within a firm. The configurational conception identifies recurring combinations but produces patterns requiring explanation rather than explanations. The critical-realist conception supplies explanatory ambition but no technique of its own, which is why it functions as a philosophy within which methods are selected rather than a method competing with them.

This conditions how the review should be read. The disagreements in Themes 1 to 6 are not simply empirical disputes awaiting better data. When [García-Vidal et al. \(2025\)](#) model closure intention while register studies model closure events, or Gimeno et al. (1997) locate exit in the founder's threshold while survival models locate it in firm performance, the disagreement concerns what kind of thing failure is and what would count as explaining it.

3.9 Synthesis and Research Gaps

Across the seven themes a consistent tension emerges. Financial conditions, managerial capability, governance, environment and policy each matter, yet they are studied largely as separate streams. The gap is not a shortage of predictors — [Cheraghali and Molnár \(2025\)](#) document a default-prediction literature containing over a thousand — but a shortage of integrated explanation.

Three deficits are consequential, and Table 1 summarises them. The first is conceptual: failure is not consistently distinguished from exit and closure. The second is causal: the literature is rich on individual conditions and thin on combinations and asymmetry. The third is practical: support is evaluated at programme level while firms experience vulnerability as bundles of conditions.

Table 1. Summary of research gaps identified across the seven themes.

Gap	What current literature does	What remains unaddressed
Theoretical	Treats failure as the accumulation of separate deficiencies in resources, capability, governance or environment	How conditions interact, and why a condition is consequential in one combination and inert in another
Methodological	Relies predominantly on regression, survival and structural equation models estimating net effects	Representation of conjunction, equifinality and asymmetry, which net-effect models cannot express
Causal	Reports average effects across populations, with interaction terms as the main concession to complexity	Whether distinct pathways lead to the same outcome, and whether survival conditions invert failure conditions
Conceptual	Uses failure, exit, closure and discontinuance with limited differentiation	Consistent theoretical justification of the outcome construct, given that the choice can invert findings
Empirical	Configurational studies exist but concentrate on resilience, performance impact and crisis response	Configurational evidence on early-stage failure specifically, where firm mortality is highest
Policy	Evaluates support instruments individually and samples from programme participants	Which combinations of support correspond to which configurations of vulnerability, and why eligible firms do not apply

The gap can therefore be stated precisely. Existing research identifies multiple determinants of early-stage failure but provides limited explanation of how their causal significance depends on conjunctural combination, temporal sequencing and contextual condition, and addresses this least of all in relation to the design and targeting of government support. The limits of the claim matter: configurational methods are not absent from small-firm research, as Theme 7 showed; they remain comparatively underused in the study of early-stage failure and its relationship to support design.

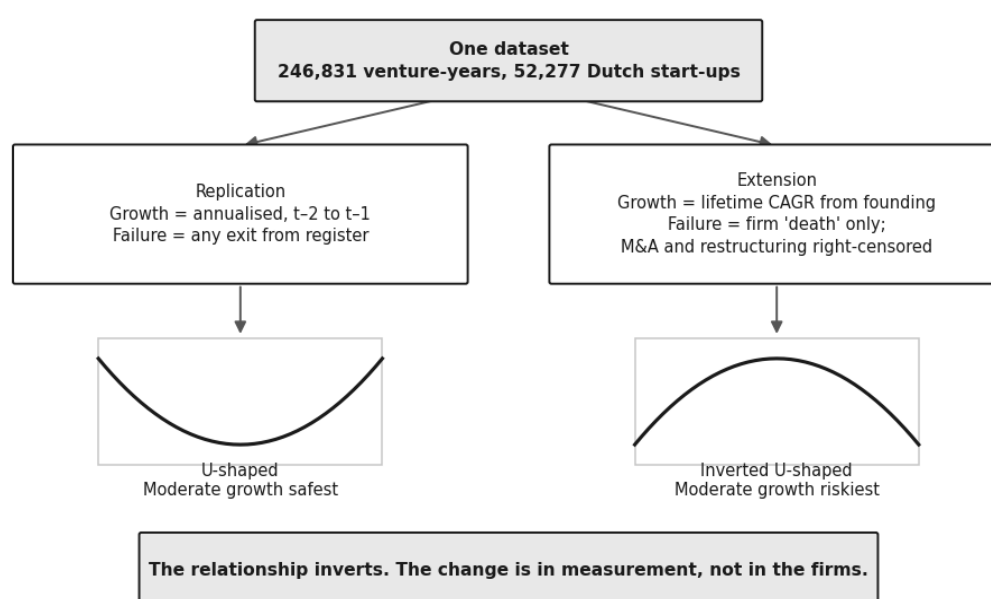
4. Philosophical and Methodological Analysis of the Selected Study

4.1 Overview of the Study

[Lamrani Abou Ellassad, Criaco, Jansen and Mom \(2026\)](#) examine whether the venture growth–survival relationship is inverted U-shaped, through a replication and extension of an influential prior study of Canadian ventures. The exact replication reproduces the earlier specification, measuring growth as annualised employment change from $t-2$ to $t-1$ and treating any disappearance from the register as exit. The extension alters two constructs: growth becomes the compound annual growth rate across the venture’s lifetime, and failure is restricted to registered firm death, with acquisitions, mergers and restructurings treated as right-censored.

The empirical basis is population census microdata from Statistics Netherlands, drawing on three linked administrative registers covering registration events, employment and financial indicators ([Lamrani Abou Ellassad et al. \(2026\)](#)). The multi-industry sample comprises 246,831 venture-year observations from 52,277 ventures observed between 2007 and 2019, of which 15,424 exits and 12,853 failures are recorded; failures represent 83 per cent of exits. Estimation uses Cox proportional hazards models with robust standard errors clustered at firm level.

The replication confirms a U-shaped relationship in which moderate annualised growth minimises exit risk. The extension produces an inverted U-shaped relationship in which moderate lifetime growth carries the greatest failure risk, and ventures at both extremes survive best. The same underlying population dataset and survival-modelling framework therefore yield contrasting conclusions once the temporal growth measure and the outcome definition are changed.



The contribution is not simply that redefining failure reverses a result. Two refinements operate jointly: growth becomes cumulative rather than episodic, and strategic exits are separated from genuine failure. The study demonstrates the combined significance of temporal and construct specification within a design that removes the usual competing explanations of sampling and self-report.

4.2 Ontology and Epistemology

The authors do not position the study philosophically, and no ontological or epistemological claim appears anywhere in the paper; what follows is interpretation rather than a report of their position. Several design features can be read as compatible with a stratified realism. The authors argue that observed annualised growth can misrepresent the underlying process, because firms anticipating closure downsize deliberately, so measured decline in the final years is a symptom of an unfolding failure process rather than its cause. Their response is to measure cumulative growth only to $t-2$, preserving temporal separation between mechanism and event. The distinction between an underlying process and its observable trace resembles the stratification described by Bhaskar (2013) and Sayer (2000), though it is reached through econometric reasoning, and it would overstate the case to describe the authors as critical realists.

The study can reasonably be interpreted as post-positivist in orientation, though this too is inference rather than declaration. Knowledge is produced by operationalising constructs, estimating models and testing robustness, with validity established statistically rather than interpretively. The approach suits the question, since a population dataset permits examination of survival at a scale no qualitative design could reach.

Interpreted through critical realism, the estimated relationship remains an empirical regularity rather than a complete causal account (Miller and Tsang (2011)). Growth may affect survival through resource accumulation, legitimacy, market position or managerial strain, and the same rate may carry different consequences depending on the firm's wider configuration. The study cannot distinguish these mechanisms, and does not claim to.

4.3 Axiology and Researcher Positionality

No positionality statement appears, which is conventional within this tradition and reflects an assumption of neutrality rather than an argument for it. The design nonetheless reveals clear commitments to replication, measurement precision and theoretical refinement. Replication is a significant value commitment in a field where influential empirical relationships harden into background assumptions.

A more consequential value judgement is embedded in the reclassification of acquisitions and mergers as non-failures. This is defensible, since a venture acquired because expansion created market value has not failed in any meaningful sense. It remains a normative decision about what counts as a good outcome, and it is instructive against Gimeno et al. (1997), for whom firms persist below viability because the founder's threshold rather than the firm's performance governs exit. On that reading, survival may signal a founder without alternatives rather than a healthy enterprise.

Three questions expose the values embedded in this literature more generally. Is firm survival automatically desirable, given that some exits release resources for more productive use? Is closure always failure, given that a founder may close a viable business to take a better opportunity? And does support policy implicitly privilege growth-oriented entrepreneurship over the far larger population of firms that never intended to scale? None of these questions is answered by the studies reviewed here, yet each is presupposed by them. Naming them is a more substantial axiological analysis than observing that researcher values were not reported.

For the intended DBA study, positionality requires explicit reflection because the research carries a policy purpose. A researcher motivated to improve government support may begin from a normative preference for reducing failure, and that preference should be examined rather than concealed. The appropriate axiological position is not the prevention of all failure but the identification of avoidable failure and improvement of fit between intervention and causal condition.

4.4 Reliability, Validity and Methodological Quality

The study's methodological strengths must be established before its limits are examined. Because the data are a population census rather than a sample, the selection concerns dominating survey-based SME research are largely absent, and the authors note this in choosing a Cox specification over a maximum-likelihood model designed to correct for self-selection. There is no self-report, no single-informant problem and no social-desirability bias, so the common method concerns set out by [Podsakoff et al. \(2003\)](#) do not arise. The proportional hazards assumption is tested through Schoenfeld residual diagnostics, and a LASSO Cox model allowing polynomial terms to fifth order confirms that the inverted-U pattern is not an artefact of the imposed quadratic specification. Robustness checks span alternative growth windows, age strata, founding-size strata and a narrower failure definition.

Construct validity presents the more serious difficulty. Growth is measured exclusively as employment in full-time equivalents, and the authors acknowledge that a firm may expand revenue while reducing headcount, particularly in service and knowledge-intensive sectors. The finding that low lifetime growth accompanies survival is therefore compatible with several interpretations, only one of which is deliberate retrenchment.

A more fundamental limitation concerns who enters the dataset. Ventures are tracked only once they begin hiring and reach two employees, so firms failing before that threshold — precisely the cases most exposed to the liability of newness — are absent by construction. This is a design decision rather than a sampling accident, meaning a census-based study still observes a censored population. It is the survivorship problem (Denrell (2003)) operating at entry rather than exit, and it constrains generalisability to early-stage failure specifically.

A third issue concerns missing financial data, addressed through multiple imputation using predictive mean matching. The technique is well chosen but assumes data are missing at random. Firms approaching failure may plausibly cease filing accounts, in which case missingness correlates with the outcome and the assumption fails in the direction that matters most.

Finally, the relationship between replication and generalisation deserves comment, since reliability is the concept at issue. The study reproduces the earlier specification in a different national, temporal and industrial setting, and the authors are explicit about each difference. This is a strong test of robustness and portability: if the relationship holds under changed institutional conditions, confidence increases. It should not be equated with reproduction under identical conditions, which is reliability in the narrower sense.

4.5 Ethical Considerations

The study raises ethical questions not visible from its publication declarations, which cover funding and conflicts of interest only. No ethics statement, approval reference or account of data governance appears, despite the analysis resting on linked administrative records of employment and finance for 52,277 firms.

This is characteristic rather than exceptional. Bell and Bryman (2007) found that ethical treatment in management research centres on consent, harm and confidentiality as applied to individual participants, with limited attention to research involving no direct contact. National statistical agencies operate access, disclosure-control and pseudonymisation regimes, so governance arrangements likely existed; the point is that they are unreported and therefore unassessable. The substantive questions concern lawful access, disclosure risk from register linkage, proportionality, and responsible secondary use of data collected for administrative purposes.

Two further ethical dimensions are specific to failure research. The first concerns the people behind the firm: business failure carries documented personal and social stigma, and owner-managers constitute a comparatively vulnerable research population whose commercially sensitive financial information is analysed without direct researcher contact or individual informed consent (Ucbasaran et al. (2013)). This is not improper in itself, since secondary administrative data may be lawfully accessed under statutory collection and sharing frameworks; it does mean, however, that consent-based safeguards are

unavailable and must be replaced by governance arrangements the publication does not describe. The second concerns downstream use. If configurational or predictive findings inform eligibility criteria, a firm could be categorised as high-risk on the basis of conditions it did not choose and cannot quickly alter, and denied support precisely because it needs it. This imposes an obligation to present configurations as diagnostic descriptions of vulnerability rather than as risk scores attached to individual firms.

Three considerations follow for the intended research. Statistical association should not harden into deterministic labelling. Research on failure can inform eligibility criteria, so mechanically applied classification could produce exclusion in the name of support. And failure results from structural conditions as well as managerial decision.

4.6 Critical Appraisal and Alternative Approaches

The study's central strength is that it treats replication as an occasion for theoretical refinement rather than confirmation, demonstrating that temporal horizon and outcome definition materially determine empirical conclusions. This is the methodological reflexivity the present report argues the wider failure literature requires.

Its limitation relative to the present problem is more interesting than a mismatch of scope. The headline finding is itself an equifinality claim: disciplined retrenchment and sustained aggressive expansion are associated with the same outcome, and the authors describe these as different survival logics operating through different mechanisms. Yet the Cox framework expresses this only as the shape of a curve. It cannot identify which combinations accompany each path, nor whether the conditions producing failure invert those producing survival. The authors approach the limit through interaction terms between growth, age and profitability — the variance tradition's nearest substitute for configuration, which still presumes symmetry and net effects.

The strongest evidence for this reading comes from the authors themselves. In setting out directions for future work they call for investigation of whether distinct configurations of growth trajectories differentially influence survival outcomes, and for examination of how industry dynamics, technological change and institutional context shape the effectiveness of those trajectories. A rigorous study in the variance tradition, working with population data and extensive robustness testing, arrives at a configurational question it cannot itself answer. That is a more persuasive demonstration of methodological boundary than any external critique, and it is offered without prejudice to the tradition's value.

Alternative approaches would contribute differently. An interpretivist design could examine how founders understand growth, failure and support, though it could not establish whether configurations recur across a population. A broader variance-based study could estimate additional net effects while

remaining unable to represent multiple sufficient pathways. A configurational study could examine combinations directly, at the cost of population scale. The conclusion is methodological fit rather than replacement.

4.7 Implications for the Present DBA Research

Three implications follow. Failure must be operationalised with explicit theoretical justification, since this decision can invert findings. Time must be treated as substantive rather than technical, because the temporal window encodes an assumption about which process is observed. Relationships should not be assumed to hold across institutional contexts. A fourth concerns sampling: the exclusion of ventures below two employees shows how easily the earliest and most fragile stage of firm life escapes observation, and a study of early-stage failure must confront that threshold rather than inherit it.

These considerations support a design in which early-stage failure is defined as a theoretically justified outcome, conditions are calibrated as sets, and alternative configurations are examined, while conventional statistical analysis is retained where it adds value. Configurational results would then be treated as evidence of empirical patterns that may indicate deeper mechanisms, without claiming that set-theoretic analysis discovers mechanisms in itself.

5. Discussion and Contribution

The literature review and focal study converge on a single proposition: small-firm failure is better examined as a process of interaction among conditions than as a set of isolated predictors. This does not diminish variance-based research; it specifies a boundary around what particular methods can explain. The focal study is valuable precisely because it reaches that boundary through rigorous work rather than weakness.

The first contribution is ontological. Failure should be treated as a real organisational phenomenon manifesting through multiple events and trajectories, which is compatible with critical realism because reality is not equated with the observations available to the researcher. Section 4 supplied a direct demonstration: the inversion between replication and extension occurred without any change in the firms themselves.

The second contribution is epistemological. Different methods produce different forms of knowledge: regression estimates average relationships, survival analysis models time-to-event processes, qualitative inquiry examines meaning, and set-theoretic analysis examines combinations. A coherent design must establish what kind of knowledge the problem requires before selecting a method, rather than selecting a method and adapting the question to it.

The third contribution is methodological. Configurational analysis is warranted here because the problem exhibits the four properties set out in Theme 7. Financial constraint may accompany failure when combined with weak capability but not when capability is strong; environmental shock may be survivable where governance and resources are robust; support may be effective for one configuration and inert for another. This is no longer speculative, since [Carlet et al. \(2026\)](#) and Chaves-Maza and Fedriani (2025) have produced interpretable configurations in comparable settings.

Figure 4 sets out the resulting conceptual framework. Context conditions firm-level resources, capabilities, governance and access to external support; these combine into configurations rather than acting additively; several may lead to early-stage failure; and the configurations accompanying survival are not the simple inverse of those accompanying failure. The final branch carries the policy argument: a single-condition instrument addresses one element of a configuration, while a combination-based package addresses the configuration itself.

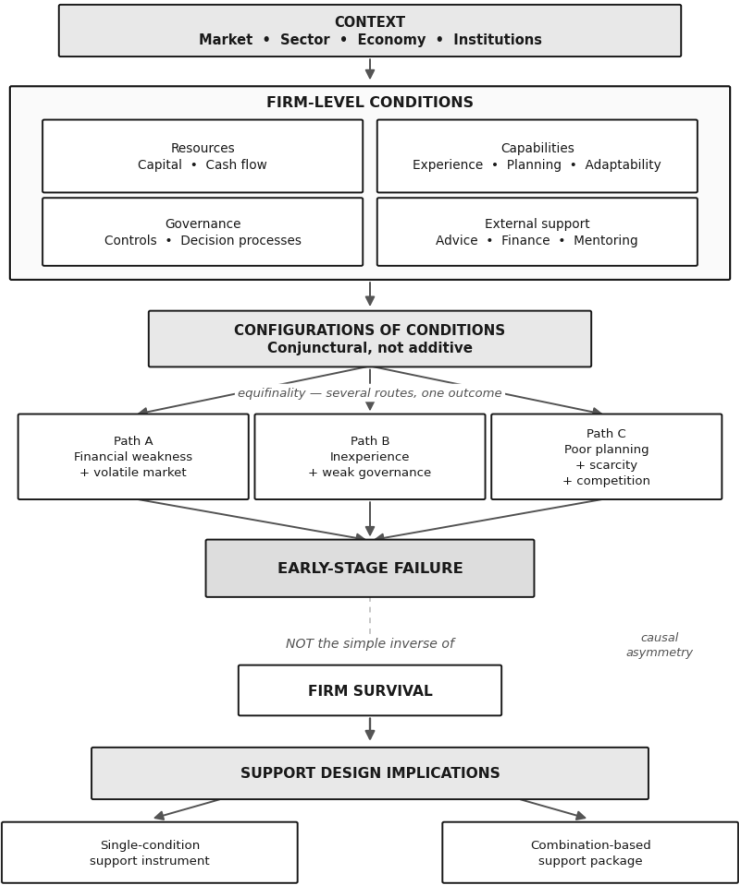


Figure 4. Proposed conceptual framework (author-created, developed from the synthesis in Section 3.9).

This alters the policy question, and the alteration can be made operational. Present evaluation logic asks whether a programme works on average. A configurational logic proceeds in four steps: identify the configuration in which a firm sits; identify the mechanism through which it generates vulnerability; identify the intervention capable of acting on that mechanism; and evaluate whether the intervention

changes the configuration rather than whether it improves an average outcome. Eligibility ceases to be a threshold on a risk score and becomes a diagnostic judgement about which conditions co-occur.

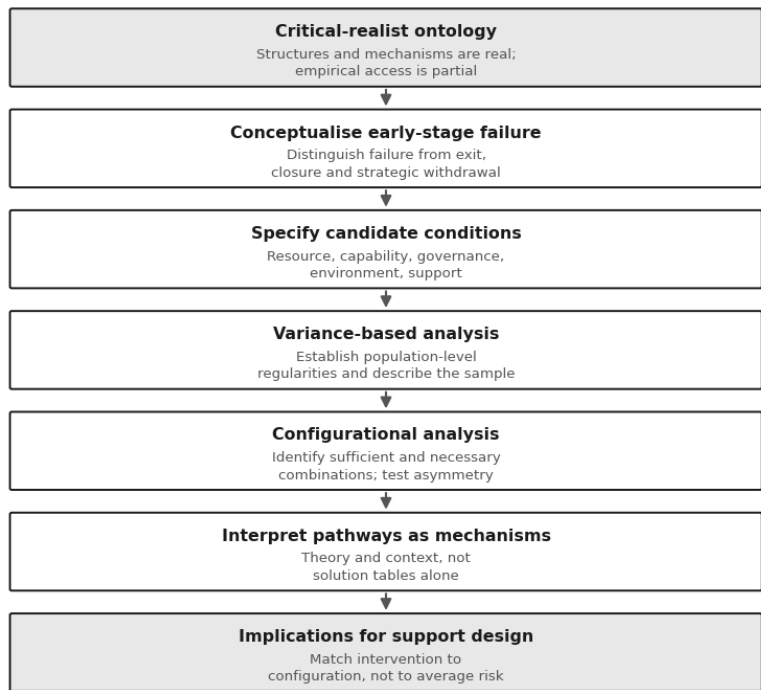


Figure 5. Proposed research framework (author-created conceptual contribution).

Figure 5 translates that logic into a research sequence, deriving method from problem rather than the reverse. It also supports a more differentiated conception of intervention: a firm under temporary liquidity pressure with viable demand may require bridging finance, one with weak financial capability may require combined advisory and financial support, and a rapidly growing firm with weak governance may require financial control assistance rather than more capital. These illustrations are conceptual, but they indicate what configurational evidence would need to establish before diagnostic allocation became operable.

6. Conclusion

This report has argued that early-stage small-firm failure is better understood as a configurational phenomenon than as the outcome of isolated causes, with consequences for research philosophy, methodology and policy design. Four conclusions follow. The first is substantive: early-stage failure has multiple potential antecedents spanning resource, capability, governance, environmental and policy conditions, and no single condition emerges from the reviewed literature as necessary or sufficient. A related conceptual point conditions all of the others: failure, exit and closure are not interchangeable, and the choice between them is not a technical preliminary but a theoretical commitment capable of inverting empirical findings, as Section 4 demonstrated.

The second conclusion is theoretical. Those antecedents appear to operate jointly rather than independently, so their causal significance is conditional on what accompanies them. Critical realism supplies a coherent foundation for this position because it treats organisational structures, mechanisms and events as real while recognising that empirical observation offers incomplete access to them, permitting causal explanation without reducing causality to statistical association.

The third conclusion is philosophical, and it is the report's central claim. As Section 3.8 argued, different conceptions of causality lead researchers to ask fundamentally different questions about failure, and much of the apparent inconsistency in this literature reflects that divergence rather than defective evidence. The limitation of variance-based work emerges where the problem requires explanation of combinations, alternative pathways and asymmetry. Configurational analysis offers a complementary capacity subject to real constraints: calibration is theoretically consequential, set relations do not establish mechanisms, and robustness must be demonstrated ([Nikou et al. \(2024\)](#)).

The fourth conclusion concerns doctoral research and its practical purpose. Configurational research may provide a more managerially useful explanation by identifying multiple pathways to failure and survival and translating these into more targeted principles for government support. If failure is configurational, support must become more differentiated, since a generic financial instrument cannot address every pathway. The policy objective should not be to prevent every failure but to identify where failure is avoidable and where intervention creates additional value.

The intended thesis can contribute by connecting four elements usually separated: the conceptualisation of failure, critical-realist philosophy, configurational explanation and support design. Its question becomes not what predicts failure, but which combinations accompany early-stage failure and which forms of support correspond to those pathways. Given the work identified in Theme 7, that contribution must be positioned as an extension of an active research programme.

The final position is an argument for alignment. Where the phenomenon is complex, theory should represent complexity; where the question concerns combinations, method should examine combinations; and where research carries policy consequence, its ethical and axiological assumptions should be stated rather than left to inference.

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Appendix A: Literature Review Matrix

Sources are classified by review theme, the outcome or focus examined, the method employed, and the causal logic the design is interpreted as assuming. The final column applies the analytical distinction used throughout Section 3 — whether a study treats causation as symmetric and additive, as conjunctural and asymmetric, or as generative. These classifications are interpretive rather than positions the authors declare, since philosophical commitments in this literature are usually implicit. Theme numbers correspond to Sections 3.1 to 3.7; philosophical and methodological sources are marked Phil.

Author (year)	Theme	Outcome / focus	Method	Interpreted causal logic
Jenkins & McKelvie (2016)	1	Conceptualisation of entrepreneurial failure	Conceptual review	n/a — definitional
Ucbasaran et al. (2013)	1	Process and consequences of failure for entrepreneurs	Conceptual review	Process
García-Vidal et al. (2025)	1	Business closure intention	Binomial logistic regression	Symmetric, net effect
Gimeno et al. (1997)	1, 3	Persistence of underperforming firms; performance threshold	Panel, econometric	Symmetric, net effect
Denrell (2003)	1, 4	Undersampling of failure in managerial learning	Formal modelling	Selection mechanism
Nicolas (2022)	2	Short-term constraints and SME investment	Panel econometrics	Symmetric, net effect
Heller et al. (2025)	2	Firm size and financing-constraint dynamics	Panel econometrics	Symmetric, net effect
Ciampi et al. (2021)	2	SME default prediction research field	Systematic review	Predictive
Cheraghali & Molnár (2025)	2	Methods used in default prediction	Systematic methods review	Predictive
Almuraqab et al. (2024)	2, 3	Financial literacy and digital financial access	Quantitative, cross-country	Symmetric, net effect
Iborra et al. (2020)	3	SME resilience, ambidexterity, strategic consistency	Quantitative survey	Symmetric, net effect
Higuchi (2020)	3, 6	Participation in free business training	Quantitative, participant and non-participant	Selection
Teixeira & Carvalho (2024)	4	Corporate governance in SMEs	Systematic review	Mixed
Oliveira Saraiva et al. (2024)	4	Turnaround, decline and strategic posture	Quantitative empirical	Symmetric, net effect
Mehta et al. (2025)	4, 6	Strategic planning and sustainable performance	SEM, 410 responses	Symmetric, mediated
Ding & Ding (2022)	5	Innovativeness, institutional environment, performance	Quantitative, moderation	Symmetric, moderated
Yang & Aldrich (2017)	5	Liability of newness revisited	Panel, emergent organisations	Symmetric, net effect
Belghitar et al. (2022)	5, 6	Government policy effects on SMEs during COVID-19	Quantitative, 42,401 UK SMEs	Symmetric, net effect
Mina et al. (2021)	6	Applications and allocations, European SME Instrument	Quantitative, applicant-level	Selection
Prasannath et al. (2024)	6	Support policy, entrepreneurial orientation, performance	PRISMA review, 65 articles	Symmetric, net effect

Author (year)	Theme	Outcome / focus	Method	Interpreted causal logic
Fiss (2007, 2011)	7	Set-theoretic approach to organisational configurations	Methodological	Conjunctural, asymmetric
Ragin (2008)	7	Fuzzy-set social inquiry	Methodological	Conjunctural, asymmetric
Misangyi et al. (2017)	7	Neo-configurational perspective	Conceptual review	Conjunctural, asymmetric
Greckhamer et al. (2018)	7	QCA practice standards in strategy research	Methodological	Conjunctural, asymmetric
Nikou et al. (2024)	7	fsQCA practice in entrepreneurship research	Methodological review	Conjunctural, asymmetric
Carlet et al. (2026)	7	Small-firm vulnerability under permacrisis	fsQCA, 43 Italian firms	Conjunctural, equifinal
Liu & Harms (2025)	7	New venture team resilience pathways	Configurational	Conjunctural, equifinal
Mafimisebi et al. (2026)	7	Organisational resilience in crisis navigation	Configurational	Conjunctural, equifinal
Chaves-Maza & Fedriani (2025)	6, 7	Failure profiles and public support orientation	fsQCA, large entrepreneur sample	Conjunctural, equifinal
Lamrani Abou El Assad et al. (2026)	1, 7	Growth–survival relationship; focal study	Cox regression, 246,831 obs.	Symmetric, net effect
Bhaskar (2013); Sayer (2000)	Phil.	Stratified realist ontology	Philosophical	Generative
Fletcher (2017); Wynn & Williams (2012)	Phil.	Applying critical realism in research design	Methodological	Generative
Miller & Tsang (2011)	Phil.	Testing management theories through mechanisms	Methodological	Generative
Podsakoff et al. (2003, 2012)	Phil.	Common method bias and its control	Methodological	n/a — validity
Heckman (1979)	Phil.	Sample selection bias as specification error	Econometric	n/a — validity
Bell & Bryman (2007)	Phil.	Ethics practice in management research	Content analysis	n/a — ethics