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**A strategic assessment and evaluation of the major factors behind the high failure rate of many restaurants in the city of Beirut-Lebanon**

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## **A strategic assessment and evaluation of the major factors behind the high failure rate of many restaurants in the city of Beirut-Lebanon**

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**Abstract:** Only 65% of restaurants survive beyond their fifth year, despite being a lucrative industry. Restaurant failure is prevalent in contemporary global business environments, including Lebanon. This study sought to explore external, internal, and personal factors that contributed to high closure rate of restaurants in Beirut despite its dining potential. A qualitative study using semi-structured interviews solicited owners' perception of restaurant failure. Using snowball sampling, we interviewed 28 restaurateurs who ceased operation before their fifth year of operation. Findings found internal more than external factors accounted for restaurant failure, with personal factors playing a significant role. The research recommends restaurateurs focus on prudent financial management by investing more on professional development, human resource management and marketing, and technological aids, and less on aesthetic or high-end items at start-up that reduce return on investments. Moreover, owners should develop and implement pragmatic and consistent business strategies to improve brand positioning and operational coherence.

**Keywords:** strategic management; restaurant failure rates; Beirut restaurants; internal; external and personal factors; operations management; financial management; entrepreneurship; business life cycle; BLC; Lebanon.

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**Biographical notes:** Laurent B. Yacoub teaches at the Faculty of Business and Management at the University of Balamand (UoB) since 2009. He is also a freelance Management Trainer and a Hospitality Consultant. After his long years of experience in managing five-star hotels in Paris, he switched his career and join the academia, bringing to the classrooms his experience and know-how, supporting the theoretical concepts with practical examples. His fields of research include operations management, entrepreneurship, business failures and marketing management.

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## 1 Background and introduction

Restaurants are in high demand and have relatively low entry barriers; however, they often experience high failure rates for various reasons, ranging from managerial incompetence, unprofessional staff, poor location, to low food quality (Desjardins, 2017; Yim et al., 2014). The pervasiveness of restaurant failures suggests factors related to the internal and external environments influence restaurant performance.

In Beirut, the capital of Lebanon, recent investigations into restaurant failures identified challenges presented by dwindling tourist numbers, economic hardships among citizens, and political instability (Guchait et al., 2015). Worsening security issues in Lebanon post-eruption of the Syrian war contributed to a decrease in tourist numbers, including high-end clientele from the wealthy Gulf region, who had frequented Beirut's restaurants (Osman and Farahat, 2018). Despite attempts at re-birth (Issacs, 2019), and the 2015 launch of new restaurants in the city, which resulted in a 3.47% sectorial increase, restaurateurs were unable to foresee the implications of street protests and political instabilities that eventually disrupted the food supply chain (Blominvest Bank, 2015). Lack of sound business strategy and poor managerial skills also contributed to the downfall of many restaurants in Beirut (Blominvest Bank, 2015).

Review of research on restaurant failure showed that challenges by the internal and external environments of these organisations have been investigated using PESTLE, SWOT, Porter's five forces, VRIO, and KSF analyses. In Beirut however, the tumultuous political and economic environment surrounding the country's restaurant industry is posit to be insufficient to explain the high rate of closure of Beirut's restaurants. Insights by Beirut restaurateurs are also invaluable, yet these narratives are often overlooked sources of information about experiences and challenges that lead to restaurant closure in the city. The result is perhaps a limited approach to causes of business operations in Lebanon.

It is against this background, that this research sought to understand how and why internal and external challenges which forced restaurant closure in Beirut, was perceived by restaurateurs and investors, including administrative challenges, supply chains, market conditions, and political instability. Since management issues are commonly attributed to restaurant failure (Zhang et al., 2018), the study sought to understand how this was perceived by owners and managers. To this end, research questions were:

- 1 What are the internal factors leading to the failure of restaurants in the city of Beirut?
- 2 What are the external factors leading to the failure of restaurants in the city of Beirut?

### 3 To what extent do personal characteristics (background and experience of owners) contribute to restaurant failure in the city of Beirut?

This case study explores this phenomenon using the business life cycle (BLC). Here, the research objective is to understand how restaurant owners describe their experiences while managing the internal and external factors that lead to business failure. The research may provide valuable information for policy formulation to facilitate the survival of restaurants in Lebanon. An understanding of how macro-environmental pressures influence managerial factors is necessary to identify the most critical factors of Beirut's restaurant sector, and to devise goals so that recommendations of strategies may reduce restaurants failure rate. These outcomes support the study's motivation which rose from limited information about specific factors that explained restaurant closures, and interest in the subject due to the economic importance of the restaurant industry to Lebanon's economy.

## 2 Literature review

### 2.1 *The restaurant industry in the global economy*

The importance of the tourism sector to the global economy is crucial. According to the World Travel and Tourism Council (2018), tourism contributed 3.2% to the world's gross domestic product (GDP) in 2017, attaining a total high of 10.4%. Tourism also provided 3.8% total number of jobs and another 9.9% of indirect employment, along with 4.5% to total global investments in 2017 (World Travel and Tourism Council, 2018). Therefore, tourism provides direct, indirect, and induced support to the global economy, and its resilience results from its ability to adjust to current geopolitical and macroeconomic circumstances, while identifying new revenue-generating channels. The restaurant industry is an integral component of the travel and tourism sector, despite its late entry into the global economy (Helstosky, 2014). Since then, restaurants have evolved rapidly, and been categorised as full service, quick service, and eating and drinking places (Lusk et al., 2011). Restaurants represent a significant contributor to the economy of different countries and in 2016, the restaurant industry generated revenue of US\$899 billion worldwide (National Restaurant Association, 2017). In the USA, restaurants employed about 10% of the country's total workforce (Companies and Markets, 2017); every million dollars spent by diners created 34 indirect jobs connected to the restaurant industry (National Restaurant Association, 2017). However, the restaurant industry underwent radical transformations due to sales decline from establishments offering family and casual dining experiences (Griffith, 2017). Additionally, the change in diners' preferences caused the decline of buffet and cafeteria-type restaurants. This trend was prevalent in developed countries where popular restaurant chains faced bankruptcy as clientele demanded healthier menus not provided by these establishments (Griffith, 2017). The current trend in the restaurant industry is a move towards fast-casual restaurants that combine high-quality menus with prompt service and customised ambience.

Despite the ambiguity of the term *failure*, several rates of business failure have been documented. Pretorius (2009) perceived business failure as the inability to achieve a prescribed legal or financial status, while McGrath (1999) saw it as a perceived state of

business development. For instance, micro enterprises failed because of insufficient functional skills among staff, customer orientation, credit access, inadequate employee training, fierce competition, ineffective logistical chains and high distribution expenses (Fatoki, 2014). Mazzawi and Alawamleh (2019, pp.48–49) found ‘turbulent customer relationship due to communication issues’ to affect training quality. Similarly, Desjardins (2017) observed that in the USA where small businesses comprised 99.7% of all businesses, 20% of them failed in their first year of operation, while only 30% survived their first ten years. Cash flow problems, inability to find the right markets, difficulties in creating competent teams, and competition caused 82%, 42%, 23% and 19% of these failures, respectively. Lee et al. (2015) attributed family feuds to the failure of family firms. However, using resource-based theory and a longitudinal dataset, Chirico et al. (2020, p.23) concluded, ‘non-family firm franchisors outperform family firm franchisors’ but this pattern reversed as family firms matured, highlighting a difference in the business model and performance between the two. Popular stereotypes suggest that 95% of restaurants eventually failed, however Healy and Iomaire (2017) noted that the failure rates occurred in the first, second and third years of operation, i.e., 15%, 38%, and 53%, respectively. In the USA, more than 60% of restaurants failed within a decade of operations and was not different from that of other service sectors (Luo and Stark, 2015). Nel et al. (2018) later qualified that 30% of American restaurants closed after one year of operation. Data from the Bureau of Labor Statistics indicated that although the failure rate of restaurants was high, at around 60%, it did not reach the stereotypical levels of 90% often advanced in the literature (Deutsch, 2017; Shane, 2010). Often, analysis of restaurant failure used only external, internal and personal factors. The classification of external factors related to the macro-environment and competitive landscape. Nizam and Diala-Nettles (2017) classified macro-environmental factors as economic, environmental, demographic, legal, political, social, technological factors. Earlier, Muller and Woods (1991) attributed economic factors to those related to employment trends, unemployment levels, cost-of-living indices and interest rates. According to Lee and Ha (2014), customers opted for inexpensive restaurants during economic recessions, which caused financial losses to high-end establishments. Similarly, unfavourable government policies along with the introduction of new laws, increased local authority regulation, and stricter enforcement of environmental laws could adversely influence restaurant businesses and trigger their failure (Gikonyo et al., 2015). From a social perspective, restaurants that were unable to provide healthy menus in accordance to customers’ preferences; staffed with employees that lacked multilingual proficiency; and received negative reviews and references were likely to experience challenges and even go out of business (Gunden, 2017; Nel et al., 2018). The failure to adopt online technologies such as Wi-Fi connections and point-of-sale services also increased chances of restaurant failure (Aghadaie et al., 2019; Jeon, 2015). In many countries, the risk of new entrants was especially high in the restaurant industry further increasing chances of failure (Eskandari et al., 2015).

The literature often divides internal factors into managerial and operational issues (DeSouza and Haddud, 2019; Nizam and Diala-Nettles, 2017). Limited capital (Nizam and Diala-Nettles, 2017), the inability to control expenditure (Parsa et al., 2012), and poor restaurant location (Yim et al., 2014), were also associated with restaurant failure. Lack of entrepreneurial skills and business experience among restaurateurs (Dias and Teixeira, 2014), inability to develop an appropriate marketing mix (Mamalis, 2007), inability to set the right prices (Yim et al., 2014), and low quality of food (Hsu et al.,

2018) were contributors to restaurant failure. In this regard, Desjardins (2017) attributed failures to the inability to find a market for products and services (42%), and the absence of an effective team (23%), highlighting key components of managerial incompetence. Parkhi et al. (2017), Ishaque et al. (2016), and Huang and Lin (2011) summarised these challenges as failures in service delivery, which was the main cause of customer dissatisfaction, and thus loss of revenue. Ishaque et al. (2016) further categorised these failures as process, people, product, price, place and business environment failures. Besides, restaurants tended to use experimental strategies when trying to achieve the right mix of menu items, marketing tools and human resource management instruments during their infancy, which increased the likelihood of managerial blunders and consequently, the chances of going out of business (Parsa et al., 2005).

## *2.2 Lebanon and the restaurant industry*

Lebanon has unique characteristics that challenge its restaurant industry. For instance, the country underwent dramatic political and religious transformation between the 7th and 11th century, and those negative aftermaths are still in effect (Harris and Harris, 2012). Consequently, Lebanon has a less attractive and non-competitive tourism sector compared to other countries in the Middle East (World Economic Forum, 2017). Lebanon did not leverage its potential in dark tourism (Ghadban et al., 2015), while its infrastructure was underdeveloped in recent times because of damages from political unrests, bombings, and civil war (Bassil et al., 2015). These challenges were most evident in Beirut, which experienced frequent electricity outages, lack of water, and inefficient garbage collection and disposal (Mansour, 2012). Moreover, the Ministry of Economy and Trade (2015) identified six significant obstacles experienced by micro and small enterprises, which comprised about 96% of all companies in Lebanon. The challenges included the inability to grow beyond the influence of owner-managers, nepotism in family-run businesses, gender disparity with the under-representation of women in entrepreneurship, inconsistent development of individual and organisational capabilities, shortage of competent middle managers, and the mismatch between demand and supply in the labour market. Mazzawi and Alawamleh (2019) emphasised the importance of the service supply chain in the provision of quality goods and personnel within organisations. These challenges prevailed despite the government's effort toward political stabilisation and encouragement of travel and tourism. Beirut restaurants were particularly challenged by low activity, with investors preferring other countries in the region, the absence of sufficient legislation and its enforcement, inflexible business strategies by owners, contradictions between healthy food and dining convenience, unavailability of culinary ingredients and inaccessibility of credit (Blominvest Bank, 2015; Habib-Mourad et al., 2014; Transparency International, 2018).

## **3 Method and procedures**

### *3.1 Theoretical framework: BLC theory*

BLC was the overarching theoretical framework. Commonly used in the managerial literature, the theory credits scholars such as Haire (1959), who pioneered the development of organisational theory. BLC addresses the phases of a business from its

embryonic and transitional stage to its period of decline (Von Wobeser, 2016). Life cycle authors propose stages of business life mimic that of living organisms since internal and external factors impact their development and growth. To contextualise this survival pattern, researchers have delineated life cycles from as few as three to as much as ten stages (Inc. Newsletter, 2020), based on the level of granularity, although their outcomes are identical. In this study, the proposed model consists of five-cycles – launch; growth; shakeout; maturity; and decline.

- Launch refers to the investment of resources into the business, e.g., time, money, or products.
- Growth is a precarious or tentative stage as the business is still growing but the owner must focus on marketing and boosting sales.
- Shake-out refers to the period when the business peaks which could result from competition so market saturation or adverse market fluctuations.
- Maturity refers to the period when revenue slows down – by this time, based on its time in the market, competitors may be factors may be a factor; the final stage.
- Decline can signal demise or a rejuvenation of the business based on a fresh injection of ideas, cash, or business expansion.

The opportunity or severity of factors varies based on the developmental stage of the business. For instance, most authors concur that the longer a business remains open the less the adverse impacts by internal and external factors, as it develops some immunity to risks and is better positioned to grasp opportunities. The mobility during the growth phases occurs as the business attempts to fit within its specific environment. The BLC model empowers managers to change the goals and strategic implementations to fit the next stage in the life of the business. Through short-sightedness, business owners are less likely to become preoccupied with the decline and dissolution stage of the business in the early stages. Consequently, their focus may be on finance, chain supply, physical location, staffing, and other aspects of the business, thus encouraging their neglect of perhaps more salient areas of the business.

Its conceptualisation in this research envelops the macro-environmental and competitive factors surrounding the restaurant life cycle. While the BLC framework includes the PESTLE analysis model with its focus on the external environment, and the external and business factor include Porter's five forces, SWOT analysis, VRIO resources and capabilities, and key success factors (KSF), in this study, the BLC framework extends to a post-conflict environment in which these restaurants must now function.

### *3.2 Research design*

The city setting of Beirut was preferred because of its significance as the capital of Lebanon and its unique characteristics and history in the Middle East region. Restaurant owners were logical candidates to respond to the enquiry because of their integral managerial role, and high level of involvement in decision-making. This single case study follows an interpretivist philosophy as it argues that restaurateurs 'are active in the construction of knowledge' [De Massis and Kotlar, (2014), p.17] and representative of the BLC. Their involvement also articulate the realism of analysing the phenomenon of

failed restaurants by consolidating the search for main trends associated with the high failure rate of restaurants in Beirut, and consideration of the deep psychological motives informing the decisions of restaurant owners.

### *3.3 Research procedure*

A semi-structured questionnaire collected data from homogeneous participants who were recruited via snowball sampling; this resulted in 28 restaurateurs whose businesses closed between 2013 and 2018. Snowball sampling, as a form of non-probability sampling, enabled the inclusion of individuals who would normally have a limited chance of participation because they may be involved in different ventures. Stakeholders who assisted included the Ministry of Finance, the Ministry of Tourism, as well as different food suppliers in Beirut's restaurant industry, who were competent to report on failed restaurants. Government records and the syndicate of restaurants' owners were useful sources of data on restaurants that had fallen off the list between 2010 and 2018 and considered as having failed. This helped with construct validation (Creswell and Creswell, 2019). Interviews protocols in accordance with guidelines recommended by Edwards and Holland (2013) were established.

A pilot study conducted prior to the main investigation defined and tested the efficacy of the data collection instrument (Malmqvist et al., 2019) to ensure validity and reliability. Pilot samplers included restaurant owners from Beirut, Byblos and Sidon. The data collection protocol consisted of 24 questions that revolved around their approaches to financial management, marketing, and customer solicitation; country-specific factors; factors in the external environment; relationships with business associates; power delegation, and any owner's mistakes that may have contributed to their restaurant's failure.

Face-to-face interviews, conducted between January and June 2019, lasted about 55 minutes with each participant, and were audio-recorded using a smartphone. Interviewees were encouraged to share as much information surrounding their perception of why their restaurants failed. Interviews ceased when saturation was achieved (King and Horrocks, 2019).

Ethical requirements involved protecting the anonymity of individual participants, thus a numerical system replaced names, and being respectful when asking questions about their painful experience. Transcribed interviews were thematically analysed (Creswell and Creswell, 2019). After sanitising the transcripts for missing responses, and coding, from which 126 sub-themes emerged, which subsequently reduced to 72 themes, and consolidated under 17 themes. Next, restaurant-level and societal factors that had influenced restaurant failure were separated and their relationships established. These themes were useful in understanding the optimal way to understand restaurant failure among businesses in Beirut.

## **4 Findings and discussion**

### *4.1 The profile*

The 29 participants comprised a mixture of gender with ages ranging from 25 to 48 years. All the participants were Lebanese, had an education level higher than high school, and



were resident in Lebanon at the time their restaurant was operational. Most of the respondents were married, and three restaurants were family-owned business.

Interviewees were forthcoming about the reasons they perceived led to the closure of their restaurants. These varied from internal arrangements, external factors, and psychosocial issues. These responses revealed many themes, which when winnowed, then consolidated, addressed the research questions. Seventeen themes emerged which were summarised and presented in Table 1.

**Table 1** Responses from owners on contributory factors to restaurant failure in Beirut

	<i>Interviewee responses</i>	<i>Interviewee no.</i>
1	Management incompetence leading to high manager turnover	21
2	High level of customer dissatisfaction	5
3	Use of different cuisine ingredients	3
4	Lack of credible market intelligence	10
5	High operational costs	5, 1
6	Credit crunch	7
7	Non-existent or ineffective marketing	17, 2
8	Lack of cuisine and service innovation	24, 11
9	Misplaced investments	12
10	Owner incompetence	12, 15, 23
11	Poor supply chain management	10
12	High rent of premises	10, 21
13	Insecurity	11, 26
14	Economic downturn	11, 26
15	Fraud	21
16	Poor stakeholder relations	25
17	Personality clashes	2, 21, 25

#### 4.2 *Internal factors*

Internal opportunities and threats occur inside and outside the business based on its stage of development. Issues that arise at start-up differ from those that occur when the business has started to mature. Most of the reasons attributed to the failure of Beirut restaurants implied internal factors within the restaurants, although they appeared intertwined mainly with personal and to a lesser extent, external factors.

#### 4.3 *Managerial skills*

Most participants indicated they had not implemented any human resource procedures because they lacked sufficient knowledge, relevant skills and adequate financial resources. Instead, they relied on their business experience, which was not always in the restaurant industry. Interviewee #5 admitted: "No procedures were used for human resources. The back office of the company was bad; no standardization whatsoever. Even the accountant lacked of basic skills". Correspondingly, Interviewee #6 whose business

closed after two years, despite being part of a chain confessed: “No human resources procedures for selection, and recruitment”. While 13 owners had experience in the areas of tourism and hospitality or another related area such as cooking or marketing, the others were inexperienced with at least two participants indicating this was their first time running a restaurant. While owners tried to fill the experts gaps, multi-task was sometimes unsuccessfully. Interviewee #8 admitted: “I used to handle all the tasks by myself; doing everything all by myself.” Zhang et al. (2018) cautioned that polychronicity, i.e., allocating time on different tasks simultaneously, was detrimental to customer and employee satisfaction in the restaurant industry. Interviewee #24 admitted:

“My partner was supposed to handle the floor and the restaurant, as I am a partner with other businesses to run. Unfortunately, my partner was comfortable dealing with all the back office tasks and not to deal with the customers; so I had to go to the front. And this part is very important, because a good manager or the owner should always be between the chef and the guests and make sure everything is OK; if you miss this part you miss the entire restaurant, and this is how we actually lost it.”

Many owners fired their managers frequently (29%), blaming the high turnover on fraud. These findings were consistent with Parsa et al. (2012), who attributed the lack of operational procedures and prudent control mechanisms to management inefficiencies. Interviewee #5 reported unethical collaboration with suppliers: “...the Restaurant Manager had commissions from suppliers to over buy. So we believe that there was fraud in purchasing”. Similarly, Interviewee #7 pointed out internal theft: “It is a liquor place, and many of the managers that we recruited tried to take advantage. Managers used the restaurant resources for their own benefit; drinking on duty and offering drinks to clients for free”. This was not only isolated to workers since dishonest partners also drained cash flow. Interviewee #12 said this about a partner: “One year after opening, I realised that he was stealing from the restaurant and allowing himself management fees even though it was not mentioned in our contract”.

Lee (2015) and Dias and Teixeira (2014) argued that incompetent managers were unable to detect fraud promptly, because of poor hiring structures and absence of operational monitoring. Interviewee #5, who admitted to the inexperience of partners in the restaurant industry agreed:

“The quality of staff recruited was OK, but the bad management turned good employees into bad. They lost ownership. The owners recruited a very bad restaurant manager who ruined everything in the restaurant and was the main reason of its failure. This manager took advantage of the lack of experience of the owners. He took very bad decisions in pricing, production, menu selection, etc. In addition, this manager was rarely present on the floor, spent his time in his office, barely knowing what is happening on the floor. This affected the quality of the food and the service. The chef was bad too.”

Sometimes, operational irregularities were revealed only after owners interceded as Interviewee #16 explained: “After we fired the manager (six months after opening) I was running the restaurant, and I was able to drop the cost and manage a part of the operations. And I realised the high amount of investment in stock, and the fraud happening in the restaurant”.

#### 4.4 *Return on investment (ROI)*

Many restaurants were unable to achieve a return on their initial investment, even after exhibiting promising performance initially (growth stage). They cited high expenses due to rental increases, wages, over-investment in interior decoration as the reasons for their inability to deliver a decent ROI. Interviewee #1 mentioned going along with partners on décor despite having more restaurant experience, “so [it] took us 1 year to open as the decoration and layout took too long and lots of money...”. This misstep was due to a perception that ‘many Lebanese people go to restaurants because of the decoration’ (Interviewee #1). This restaurant closed after eight months. Owners also neglected to focus on layouts that met the needs of clientele. For example, Interviewee #3 said: “...our decoration used to push away our clients, and passers-buys used to think that our restaurant is very expensive”. Additionally, many restaurants ran their operations on debts, which limited their cash flow and injured their creditworthiness. Interview #12 reported: “My partner started mismanaging when recruiting: he picked employees and gave them huge salaries and this was draining our cash flow”. Interview #16 confessed: “We bought lots of equipment that we never used, very expensive furniture. This strategy has suffocated our cash flow”. Interviewee #23 also mentioned missteps made at the embryonic stages: “...we always had shortage in cash flow since the beginning, especially that the rent was very high”. Additionally, Interviewee #1 reflected: “The monthly expenses were too high compared to the revenue. We did not break even; we lost lots of money. We are still reimbursing the loans until today”.

These findings were consistent with those of Nizam and Diala-Nettles (2017), Parsa et al. (2012), and Kim et al. (2009), who attributed restaurant failure to expense overruns. Similarly, Desjardins (2017) observed that cash flow problems afflicted over 80% of small businesses. Interviewee #24 said: “the initial investment was really very small. We did not secure ample capital and a high amount that will allow us to do extraordinary projects, and survive during hard times”. In the same vein, while many of these restaurants occupied prime locations initially, they were unable to adjust to the changing business environment. These restaurants also had low visitor traffic, despite claiming to enjoy high customer satisfaction levels. Interviewee #8 recalled: “The location was the main reason for failure. If my business was in a different area, it would have succeeded”. However, the interviewees revealed that although clients liked their restaurants, cost-cutting menu ingredients had lowered the customer satisfaction levels and even drove some customers away. Interviewee #11: “Clients who came used to love us but we couldn’t reach more traffic”; and Interviewee #19: “The food was good at the beginning; then it started to deteriorate”.

Moreover, restaurateurs revealed they did not conduct any market research, which led to restaurant closures as noted by Zhang and Enemark (2016). Interviewee #13: “...the main problem and mistake is that we did not do our market research”. Interviewee #14: “If we did a proper market research from the beginning, we would have decided on a different location”.

Mamalis (2007) interpreted this phenomenon as inadequate marketing mix, which denied the restaurant owners valuable customer feedback due to the lack of adequate and effective communication channels. Based on these findings, the market research, initial investment, monthly costs, layout and decorations, and elements of marketing mix themes emerged. Most restaurateurs indicated they did not prioritise marketing activities, preferring instead to concentrate on restaurant location, pricing and management issues.

Interviewee #24: “We did no market research before opening; we only searched for the location and went for it. No marketing activities whatsoever; when the restaurant started witnessing problems, the owner decided to advertise on billboards”.

In addition, while many owners engaged bloggers to promote their business online, these agents lacked influence socially and often behaved unprofessionally. Interviewee #12 reported: “I also spent lots of money on marketing, but sometimes it was allocated in the wrong place; like bloggers who took lots of money and I realised that they are inexperienced unprofessional people”.

Aghadaie et al. (2019) found a positive and significant relationship between managers’ social intelligence and socio-cultural advertising effectiveness, as they were cognisant of what they wanted and savvy enough to realise when bloggers were ineffective.

Interviewee #13 reported: “We were very aggressive on marketing and promotions to boost sales, and we did so many things” and still experienced slow sales. As such, the restaurants invested heavily in influencer campaigns over social media without deriving a return on their marketing investment.

Location choice, competition, and country-related issues such as security, political instability and diminished tourist traffic were common external factors cited by many restaurant owners. However, restaurateurs confessed that the impact of these factors was lower than that of internal factors.

#### *4.5 External factors*

Most owners were ill equipped to analyse the influence of the external factors in their business circumstances. For instance, Interviewee #2 stated:

“At the beginning the restaurant used to host lots of tourists from the Gulf areas for the first year. These clients used to stay for a long time in the capital’s hotels, and came to our restaurant on a daily basis. After the start of the Syrian war in 2011, we did not see any Gulf tourists in our restaurant and this in a way affected the business; but it was not the main reason of closure.”

It is evident these entrepreneurs were unable to adjust to the prevailing external circumstances affecting their businesses. Interviewee #9 noted: “Political and security factors of the country. With all the tension happening in Syria we had a drop in tourists and with the non-smoking ban, we have lost too many guests” (in September 2011, Lebanon had instituted a smoking ban in all public indoor places). Interviewee #15 also attributed failure to the conflict: “the war in Syria in 2011 started affecting the tourism in Lebanon”. Interviewee #18 concurred:

“The main reason that pushed us to close was the external factor: the country security issues as we had many bombing and security issues in the area during this period that affected the volume of the business. As well as the strikes and the electric power cut. The business was doing well; but the country factors pushed us to close”.

Despite this, some entrepreneurs were willing to modify their models. As Interviewee #11 recounted:

“Our aims were to attract 50% of the clientele from locals and 50% from tourists who are excited to try the Lebanese cuisine. With the security instability the 50% tourists disappeared especially that the years 2011 to 2013 were marked with very critical and instable environment, so we were generating our revenue from the locals only.”

However, other factors emerged as Interviewee #21 recalled: “then after the residents started complaining”. Already burdened with post-war conflict, restaurateurs had a mixture of issues. Interviewee #25 “Plus the volume of business dropped with the crisis in Syria and the security issues and terrorist attacks in Lebanon and we started experiencing fraud in the restaurant”.

Despite these claims, Desjardins (2017) and Lehota et al. (2015) argued that lack of competitiveness, which can be injured by a poor business environment in a country, drove restaurant failure. For these reasons, external factors did not feature in the main reasons for restaurant failure in this study; rather themes such as managerial skills, personal characteristics of owners and flexibility emerged. Notably, many restaurateurs responded that they maintained good supplier relations paying handsomely for their supplies. Interviewee #21 recalled: “Good relationship with suppliers. Always superior quality of product purchased”. This was a common response.

Small restaurants used this strategy to maintain a working relationship with their suppliers, while acknowledging supplier payment drained their finances. Although Al-Tit (2015) and Mamalis (2007) concurred with the importance of high-quality ingredients in delivering high-quality cuisines, large spending on ingredients was ill advised at the expense of maintaining a healthy financial status or addressing other important operational and management issues in a restaurant. For this reason, relations with suppliers and the role of owners in restaurants emerged as the overarching themes. DeSouza and Haddud (2019) noted the paucity of Middle-Eastern managers’ understanding of the concept of supply chain management and hence an inability to effectively apply competitive advantages. Interviewee #19 noted the disharmony with suppliers when ‘We had a very bad relationship with suppliers as we failed to pay them on time’.

#### *4.6 Personal factors*

Pressure for changes from BLC also came from family, which resulted in stress and other dysfunctional situations that boded ill for the business. To maintain good family relations, restaurateurs tended to bring their personal problems into the business environment. For instance, a thriving four-year business closed because the owner siphoned money from the business to support a luxurious life style. Interviewee #25 admitted: “As the restaurant was doing very good and generating lots of money and pushed us to live a life of luxury and over spending”. Additionally, they also expended huge sums of money on domestic affairs to appease their families, although in this research not many of the businesses were family-run. Interviewee #4: “This is a family business managed by my mother and myself and it had lots of stress on us. I had no personal life”.

Commingling funds in the restaurants led to perpetual cash flow problems, which often led to the owners to decide to wind up their businesses. These challenges indicated that restaurateurs were unable to balance professional and family life, precipitating failure of their establishments. Interviewee #2: “The restaurant did affect my personal life in many ways. Especially that I used to have another job; working in a company until 5 pm;

then at the restaurant in the afternoon until closing. Not being able to spend time with my parents, my spouse and my family”.

Lee et al. (2015) acknowledged that the professional-family life conflict challenges many family-owned micro and small enterprises, leading to high rates of their failure. It also emerged that the owners were unable to communicate effectively with their suppliers and families on matter related to business for fear of losing face.

Interviewee #20 admitted: “The project was too heavy on my shoulders; as I was doing everything; I couldn’t handle the stress and in the same time couldn’t delegate as I was the person behind the creation of the recipes”. Moreover, many restaurant owners refused to believe that their inability to communicate effectively with pertinent stakeholders was a personal weakness; therefore, they were likely to repeat their inaction, endangering the survival of their restaurants (Chirico et al., 2020). Interviewee #20 revealed conflict in the partnership:

“2 years after opening, I realised that my partners and I do not have the same objectives. My partners did not want to work on the franchise project. When I started to work on the manuals and standardizing the recipes to enhance the quality and focus more on consistency, my partners started complaining and nagging about the extra ‘unnecessary’ work.”

**Table 2** Emerging themes of reasons for restaurant failure in Beirut

<i>Themes</i>		<i>Application in failed restaurants</i>
<i>Internal factors</i>		
1	Elements of the marketing mix	Inconsistent
2	Technology	Limited use of technology
3	Managerial skills	Limited
4	Procedures	Inconsistent patterns in terms of procedures
5	Initial investment	Excessive
6	Monthly costs	Inflated
7	Relations with suppliers	Relations with suppliers are very good because restaurants overpay for ingredients
8	Human resource management	Restaurants hire various employees, provide little training, and overspend on salaries in an attempt to ensure low turnover
9	Market research	Either investments in market research are inflated and do not generate required results or owners do not conduct any research
<i>Personal factors</i>		
10	The role of owners at restaurants	Owners failed to find their own role in the organisation; they are usually absent from the workplace
11	Personal characteristics of owners	Owners are less experienced and usually do not have a relevant educational degree
12	Flexibility	Radical strategic changes lead to loss of consistency between the marketing mix components
13	Layout and decoration	Owners overspend on layout and decoration

De Massis et al. (2014) acknowledged that communication between business partners was problematic in family-owned businesses because the business owners were unable to

confront their partners and stakeholders. This fear fomented tensions among stakeholders, precipitating avoidable crises in businesses. These findings provide evidence of the role of owners in their restaurants, their personal characteristics, and monthly expenses as the emerging themes.

The analysis of the responses from the interviewees yielded 13 themes (see Table 2).

Nine of these themes are associated with internal factors, while the other four demonstrate personal factors that trigger restaurant failure in Beirut. Notably, external factors did not emerge, despite their implications in the internal and personal factors. As such, their influence in the failure of Beirut restaurants was not significant.

## **5 Conclusions and recommendations**

In this study, we aimed to understand the internal, external, and personal factors that contributed to restaurant failure in Beirut based on the perception of restaurateurs. The city is significant because of its prior elevated status, unique characteristics, and history in the Middle East region, and its current operations within a conflict zone. Specifically noted was the contributory role of political instability, administrative challenges, and market conditions in restaurant failure. Internal factors leading to the failure of restaurants in Beirut included:

- 1 inconsistent application of marketing mix elements
- 2 limited use of technology
- 3 limited managerial skills
- 4 inconsistent operational procedures
- 5 inflated monthly costs
- 6 poor human resource management
- 7 ineffective market intelligence.

Owners neglected to recognise external factors contributing to the failure of restaurants, although implications pointed to political instability, insecurity and economic hardships. Failed restaurants were unable to respond adequately to external crises due to owner incompetence. However, the influence of internal factors to restaurant failure outweighed that of the external factors, considering that a significant number of restaurants survived in the same circumstances in Beirut. Therefore, the external factors played a contributory role rather than a causative one. Undoubtedly, personal characteristics played a significant role in the failure of restaurants in Beirut. These personal aspects included the lack of adequate academic qualifications, the lack of or insufficient managerial training and experience, poor stakeholder relations, inconsistent business strategies and inflexibility. Altogether, the study responded to the three questions by providing some elucidation about why and how many restaurants in Beirut failed within three years of operations – internal; operational factors and personal factors caused restaurant failure and restaurants failed due to external factors. However, the study revealed that while external factors were salient, they were not the sole contributor to the failure of Beirut's restaurants.

### *5.1 Managerial implications*

As a managerial implication, the study highlighted the need for restaurateurs to exercise prudent financial controls by avoiding unnecessary overspending, and make concerted efforts to manage costs, especially at the launch stage of their business. Instead managers should be inclined to invest in acquiring the requisite managerial skills through training, and slowly expanding their business experience. At the launch stage of many businesses, it should be anticipated that salaries will be low, profits marginal (if any) because the focus is on developing markets and customer-base for the restaurant. In addition, owners should explore the sagacity of hiring qualified outsiders, such as human resource experts or other management positions, with the expressed intention to advance business objectives. These hires would be instrumental in helping to control operational expenditure, while creating effective employee recruitment, retention and promotion policies. Moreover, prudent resource management would facilitate the establishment of strict operational procedures, enhance stakeholder relations, and maximise the adoption of technology for supply chain management (Mazzawi and Alawamleh, 2019) and cost effective evaluative tools in customer service (Parkhi et al., 2017). Additionally, restaurateurs' investment in and utilisation of market intelligence will inform better business decisions. An accurate knowledge of the market would help with the identification and implementation of appropriate marketing mix elements to project a cohesive brand image.

### *5.2 Theoretical implications*

Previous studies have examined the failure of businesses in Lebanon and other hospitality sectors (Bassel et al., 2015; Ghadban et al., 2015). However, this is the first known study using the BLC that attempts to understand how internal and external factors in the environment, other than conflict-related factors could affect restaurant failure. This is important for an economy recovering from civil war, and equipped with limited resources for rebuilding. These findings contribute to the current literature on family and non-family owned business and have important implications for future start-ups as Beirut attempts to rebuild itself post-conflict. The research demonstrated that the theoretical constructions of the launch and growth stages of the restaurant business were significant parts of the life cycle since these were the points at which these restaurants floundered and failed. Therefore, any interventions such as cash injections, business consultation, or training needed to emphasise on these two areas.

### *5.3 Limitations of the study*

There are several limitations based on the research design. First, the single case qualitative study provided an opportunity to contribute to the business literature by advancing the theoretical understanding of restaurant failure; however, the design is not generalisable to other business populations. The results were also not generalisable to other restaurant failures in other war-torn areas in the world. Therefore, more research is required on other business models and other post-war countries to derive other enlightening conclusions about restaurant failure. The research can also benefit through different methodological or theoretical frameworks of this phenomenon.

The current study interviewed a small sample of restaurateurs with specific questions designed to elicit their perceptions of business failure; however, other researchable



attributes, for example, whether gender was a factor in decision-making or whether age or maturity was instrumental in some of the decisions taken.

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