



KADIR HAS UNIVERSITY
GRADUATE SCHOOL OF SOCIAL SCIENCES
BUSINESS ADMINISTRATION DISCIPLINE AREA

**THE CONTRIBUTION OF ENTREPRENEURIAL
LEARNING, RESILIENCE AND RECOVERY TO
VENTURE SUCCESS AFTER FAILURES: TWO CASE
STUDY EXAMPLES**

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SUPERVISOR: ASSOC. PROF. CEYDA EYİUSTA

MASTER'S THESIS

ISTANBUL, DECEMBER, 2018

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ACCEPTANCE AND APPROVAL

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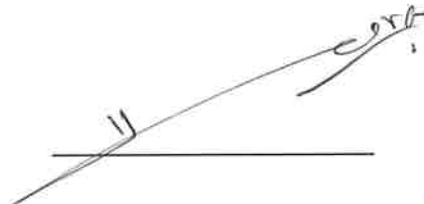
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HEERA MEHWISH SUKHERA

ABSTRACT

In the past, studies on entrepreneurship are all exploring the successful journey of entrepreneurs. However, research on entrepreneurial failure to create a more comprehensive meaning of entrepreneurs' journey has begun recently. Despite these attempts, failure remains a fairly under investigated area and thus it is vital to comprehend the experience of failure in entrepreneurial context. The intention of this thesis is to provide a comprehensive and critical scrutiny of the research on entrepreneurial failure and develop an organized framework of the entrepreneurial failure phenomenon. This thesis analyzes the failure from the standpoint of entrepreneurs who have the experience of failure/abandonment in their venture. Using the philosophical position of explanatory approach, two case studies were used as the research method. Failure stories of two entrepreneurs were analyzed and subsequently, theoretical themes derived from the findings were integrated into a theoretical model. Findings showed that the failure may affect an entrepreneur both emotionally and psychologically. In this context, resilience plays a crucial role in re-entry to business and future venture success. Additionally, results revealed that the entrepreneurs are becoming more self-aware after the failures and they come up with different learning outcomes, which facilitate the re-emergence and recovery. This study ultimately demonstrates how failure, despite being an unwanted experience, can be exploited as a foundation to bounce into a substantial venture creation by tapping into one's values and beliefs, inter-personal, intra-personal and contextual factors and resources within the social environment.

Keywords: entrepreneurship, entrepreneurial failure, entrepreneurial learning, resilience, recovery, new venture success

ÖZET

Geçmişte, girişimciliğe yönelik çalışmalar, girişimcilerin başarılı bir şekilde gerçekleştirdiği yolculuk üzerine odaklanmışlardır. Bununla birlikte, girişimcilik yolculuğunda girişim başarısızlığının da incelemeye alınması yakın zamanda gündeme gelmiştir. Yakın zamandaki çabalara rağmen, başarısızlık girişimcilik yazınında oldukça az araştırılmıştır. Bu tezin amacı, girişim başarısızlığı üzerine kapsamlı ve eleştirel bir inceleme yapmak ve bu konuyla ilgili kapsamlı bir çerçeve geliştirmek ve sunmaktır. Çalışma, başarısızlığı kariyerlerinde bunu deneyimlemiş girişimcilerin bakış açısıyla ele almaktadır. Tez kapsamında, açıklayıcı bir araştırma tasarımıyla, iki farklı vaka analizi yapılmış; iki farklı girişimcilerin başarısızlık ve takip eden başarı hikayeleri analiz edilmiştir. Sonuçlardan elde edilen temalar kurulan modele entegre edilmiştir. Bulgular başarısızlığın girişimcileri hem duygusal hem de psikolojik olarak etkileyebileceğini göstermiştir. Bu bağlamda, dayanıklılık yeni bir girişim kurma ve başarı olma noktasında önemli bir etken olarak ortaya çıkmıştır. Bununla birlikte, bulgular girişimcilerin başarısızlık sonucunda kendileriyle ilgili farkındalıklarının arttığını ve başarısızlıktan farklı dersler çıkardıklarını göstermiştir. Sonuç olarak bu çalışma, istenmeyen bir durum olmasına karşın başarısızlığın kişinin değer ve inançları, bireylerarası ilişkileri, çevresel faktörler ve sosyal çevredeki kaynaklar dahilinde, bir sonraki girişimde başarılı olma anlamında temel bir çıkış noktası olabileceğini göstermektedir.

Anahtar kelimeler: girişimcilik, girişimcilik başarısızlığı, girişimcilikte öğrenme, dayanıklılık, iyileşme, yeni girişim başarısı

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INTRODUCTION

Entrepreneurs are naturally predisposed to failure. Twenty-four percent of all entrepreneurial startup ventures tend to fail within the first two years and the sixty-three percent fail within the first six years (Timmons & Spinelli, 2006). Do we really identify the causes of failure, learning outcomes out of failure and how might this catastrophe be converted into upcoming entrepreneurial success? How does entrepreneur's respond to failure as they establish subsequent ventures? These are the questions for which we don't have enough information. Regrettably, past studies show a greater emphasis on entrepreneurial success than on failure in startup ventures (Shepherd, 2003). Moreover, the main emphasis of studies, which have studied failure, understood causes of failure (Abdullah, Deen, Saban, & Abdurahman, 2009; Zacharakis, Meyer & DeCastro, 1999). As Minniti and Bygrave (2001) put it, entrepreneurial failure is undeniably a vital area of investigation, and scrutinization of the reasons of business failure can improve the probability of success in the subsequent ventures.

Failure might cause stress, trauma, and pain for the entrepreneurs as it may cost them to lose their social identity. Some entrepreneurs can be stigmatized as a result of failure, for some it can result in sadness and feeling of loss and denial (McGrath, 1999; Shepherd, 2003; Coelho & McClure, 2005; Politis & Gabrielsson, 2009; Smith & McElwee, 2011). The mishandling of failure for entrepreneurs can cost them financial loss and, psychological wellbeing (Coelho & McClure, 2005; Shepherd, Wiklund & Haynie, 2009). Nevertheless, in spite of the negative outcomes, failure cans also extant incredible learning prospects for the entrepreneurs (Cope, 2005; Cope, 2011). It can, for example, help them develop valuable skills such as being resilient in the face of challenges (Shepherd, 2003). It can influence an entrepreneur's enthusiasm and motivation to reenter (Cope, 2011; Singh, 2007).

Undeniably, many entrepreneurs who experience both failure and success become "serial entrepreneurs" (Wright, Robbie, & Ennew, 1997). Serial entrepreneur is the term to define those who, after spending a certain amount of time in a start-up, move on to another business, or start multiple businesses.

This study is about entrepreneurial failure and recovery. The main purpose of this research is to comprehend the concept of entrepreneurial failure from the viewpoint of

experienced entrepreneurs whose ventures got failed and who subsequently start a new venture. The second, but correspondingly a vital, aim is to develop a conceptual model focusing on the factors, which influence entrepreneurs' "recovery" process and lead them to establish a subsequent successful business startup.

The research questions for this research can be listed as:

- 1) *How do entrepreneurs perceive the causes of their failed ventures?*
- 2) *What are the learning outcomes for the entrepreneurs out of their failed ventures?*
- 3) *What factors drive entrepreneurs to become resilient when they experience a venture failure?*
- 4) *What factors impact entrepreneurs' ability to learn, persist and attain a subsequent successful venture creation?*

CHAPTER ONE: LITERATURE REVIEW

1. ENTREPRENEURSHIP

1.1 DEFINITION OF ENTREPRENEURSHIP

According to Business dictionary, entrepreneurship is the capacity and willingness to develop, establish and manage a business venture along with any of its risks in order to make a profit. The most superficial example of entrepreneurship is the starting of new businesses (Business Dictionary, 2018). Similarly, according to Cambridge dictionary, entrepreneurship is an expertise in starting new businesses, particularly when this contains seeing new opportunities (Cambridge Dictionary, 2008). Thus, Entrepreneurship is the state of being an entrepreneur, or the activities connected with being an entrepreneur.

The term "entrepreneurship" originates from the French term "entrepreneur". The term "entrepreneur" appears for the first time in the text written by Richard Cantillon in 1755 (Essai, 1755) entitled "Essai sur la Nature du Commerce en Général". The word is used for a person who purchases products at known prices and later resells them on the market at prices not known, bringing stability to the market system. Classical economic movement that followed Cantillon set the stage for the balance models that helps to approach to uncertainty in business and forecasting economy. So, according to Cantillon for an entrepreneur to be successful, she/he needs to be vigilant, cautious, and risk bearer.

Verin (1982) introduces the first traces of the semantic concept of entrepreneurship, which locates the historical origins of this term in the late 17th and early 18th centuries. There were two initial uses of the term: According to the first one, entrepreneur was a fighter who wants a conquest, the typical spirit of the Middle Ages Crusades and in the second, an entrepreneur was described as a person doing a civil engineering construction with an established design and Payment. In the modern sense of market economy, an entrepreneur is an individual who deliberately accepts financial risks to develop new projects and is considered as an economic agent assuming an innovative and active behavior. To this level, thanks to the noteworthy number of companies who give contribution to the evolution of the entrepreneurial environment and their great

consideration and acknowledgement to entrepreneurs; entrepreneurs have impact on the macroeconomic indicators.

In economists' point of view, entrepreneurship would be the same with individual achievements in the business arena. But then again as the business has settled, the collective performance of the people within the group or company becomes life-threatening for its victory and success. Hence, entrepreneurship is vital for the continuance of the business (Panda, 2011). Around 1800s, the French economist named Jean Baptiste Say, was the person who literally invented the term entrepreneur. He described the entrepreneur "as a person who allocate resources from one person with a lower productivity to another with higher productivity to increase profit that results in creating value"

Later, in the beginning of 20th century, the theories of entrepreneurship which relates to the term innovation dates back to the work of Joseph Alois Schumpeter. Schumpeter was one of the first to overthrow the static neoclassical economic theories and foresaw creative destruction as the crucial factor of the growth of innovation and economy (Schumpeter, 1951). According to Schumpeter, entrepreneurs such as Alexander Graham Bell and Thomas Edison were visionaries with specific characteristics who could build new industries with Schumpeterian profits. Schumpeter, however, reconsidered the major role of entrepreneurs in his later works resulting in an interesting discussion between Schumpeter as an advocate of big monopolies and Arrow, as an advocate of perfect competition and thus more entrepreneurship as drivers of innovation (Schumpeter, 1943; Arrow, 1962). This discussion has led to a number of scholarly works to investigate entrepreneurship and most of the scholars have sought a magic pill to identify and inspire entrepreneurs. Constructed on the early theories of Schumpeter, some scholars have focused on the individual characteristics of the successful entrepreneurs. On the other hand, there were concerns about whether entrepreneurial 'traits' or 'founding processes' need to be studied as the defining entrepreneurial characteristics. According to the trait researchers, entrepreneurs were motivated out of opportunity related to their specific background. For Max Weber (1898), as quoted by Swedberg (1990, p.57) entrepreneurship refers to "taking over and organization of some part of an economy, in which people's needs are satisfied through exchange, for the sake of making a profit and at one's own economic risk". Moreover, Weber also added

that entrepreneurs were the main check and balance upon the power of bureaucrats in society. Since then the word entrepreneurship is the combination of investor and entrepreneur because of the expectations and difference action they are taking.

One of many complications in outlining entrepreneurship is that it entails a relation between two spectacles: there are rewarding opportunities on one hand and there are private entrepreneurs on the other (Page, 2009). According to Israel Kirzner, who is an Austrian economist, entrepreneurship is a concept as a prospect to identify profit opportunities (Klein, 2008). Based on the discussions above, the following table provides different definitions of entrepreneurship which have been widely used in the literature.

TABLE 1 ENTREPRENEURSHIP DEFINITIONS

Author	Definitions
Cole (1968)	“Entrepreneurship is an activity dedicated to initiation, maintenance and development of a profit-oriented business”
Drucker (1985)	“Entrepreneurship is an innovation act who presupposes the endowment of the exciting resources with the capacity of producing wealth”
Gartner (1985)	“Entrepreneurship is the creation of new organizations”
Hisrich and Peters (1989)	“Entrepreneurship is the process of creating something different, with value, by allotting the necessary time and effort, presupposing the taking of financial, social and physical risks and obtaining monetary rewards and personal satisfaction”
Stevenson et al. (1989)	“Entrepreneurship is following an opportunity irrespective of the existing resources”
Kaish and Gilad (1991)	“Entrepreneurship is first of all a discovery process and secondly is the process of acting on an opportunity of lack of balance”
Herron and Robinson (1993)	“Entrepreneurship is a set of behaviors which initiate and manage the re-allotment of economic resources and whose purpose is the creation of value by these means”

Source: Misra and Kumar (2000)

Previous definitions reveal that entrepreneurship is very tough to define as it is a multi-dimensional term. This is the reason that makes its really complicate to calculate different entrepreneurial activities, in diverse sectors as technology, trade, demand curve and mechanism of discovery etc. Similarly complicate to present new concept of activities that are of entrepreneurial nature.

According to Shane & Venkataraman (2000) in the early 1990s, entrepreneurship has been encouraged as a vital factor for the growth of economy. In both academy and practice, the most noteworthy and lasting finding was that entrepreneurship is accomplished by “enterprising individuals”. Similarly, in this scenario an entrepreneur

is a heroic symbol (e.g. Hatch, 2005), even a protector and savior of the economic growth and survival (Sørensen, 2008). Major determinants of how different authors define successful entrepreneurship are compiled by Praag (1999) as seen in Table 2. As such, risk bearing, competency in creativity, managerial activities and development are the significant features of entrepreneurship.

Finally, according to Osberg (2007), entrepreneurship has three foundations: Opportunity creation or seizing that opportunity, Opportunity seeking ability, personal qualities and abilities to use these opportunities and capabilities to manage and get benefit from these opportunities thus, making a business or getting capital out of it. Additionally, sometimes entrepreneurs create these opportunities themselves by following the need or solving certain problem in the market. Thus, their actions create certain results like more opportunities which did not exist before.

TABLE 2 FEATURES OF SUCCESSFUL ENTREPRENEURSHIP ACCORDING TO CLASSICAL AUTHORS

Author	Entrepreneur(starting)	Entrepreneur(successful)	To be successful
Cantillon (1755)			Attentiveness and careful Risk bearing
Say (1832)	Sufficient reputation to obtain capital	Judgment, perseverance knowledge of world, business and occupation	To support risk
Marshall (1920)	youngsters risk taking actions	Intelligence, general ability (dependent on family background and education), knowledge of trade, bear the risk, leadership, to hold capital	
Schumpeter (1951)	The desire to start with more determination and energy if there are less alternatives for societal divergence		Leadership
Knight (1921)	Ability to raise capital, desire/motivation is important	Ability to cope with uncertainty, trust in yourself, vision and intellectual capacity	Luck
Kirzner (1985)	Vigilance	Creativity and leadership to exploit the profit opportunities	

Source: Adapted from Van Praag (1999)

1.2 WHO IS AN ENTREPRENEUR?

By definition, an entrepreneur is a person, an innovator, and/or a decision maker who finds out an opportunity or a need and creates a business to fill it. As clarified by Drucker (1985), the French term meaning “between” and “to take” were the words that developed “entrepreneur”. With this paraphrase in mind, the person one who take risks for success by introducing a business between the supplier and the customer in order to take advantage of on new endeavors. Risk has been acknowledged as a distinctive attribute of an entrepreneur.

Since the days of Aristotle, entrepreneurs have been a cause of debate. Historians have been studying what entrepreneurship is for more than 200 years and all over history, the description of an entrepreneur has altered to match according to time period. As change as the economy fluctuates and changes (Praag, 1999), economists, investigators, and scientists identically have altered the definition of an entrepreneur.

By means of description, an entrepreneur is the “one who starts a business or other venture that promises economic gain but that also entails risks” (The New Dictionary of Cultural Literacy, 2005). Richardson (1994) contemplates an innovator as a synonym for an entrepreneur. Similarly, according to U.S. Small Business Administration an entrepreneur is the one who “organizes and manages a business, assuming the risk for the sake of profit. An entrepreneur sees an opportunity, plans, starts the business, manages the business and receives the profits” (Entrepreneur post, 2015).

The term “entrepreneur” is frequently used in the context of economy, by media or in academia, and also by regular people in their daily communications (Buame, 1996). In 1800s, a French economist and plenty of other writers pay specific attention to the both entrepreneurs and entrepreneurship together with different features they possess and specifically which part of economic sector they belong to. Although the term entrepreneur primarily was applied to the civil engineers, contractors and later on architects were also called as entrepreneurs by the government of France. Subsequently, after the 1700s, the French economists, Cantillon (1986) were the first handler of the notion of ‘entrepreneur’ in technical terms. Cantillon (1986) defined the entrepreneur as the agent who manufactures a service or a product by organizing a mechanism of

production. Similarly according to Schumpeter (1951) an entrepreneur is the person who is responsible for collecting and joining all features of production to produce high quality products, and similarly a person who is a competent organizer of resources in quest of opportunity and prospect for adding value, might create the capital and turn out to be successful and then, possibly will be called as an entrepreneur. An entrepreneur might be also described as a bearer of uncertainty, an economic function, as provider of resources or as an innovator as represented in Figure 1.

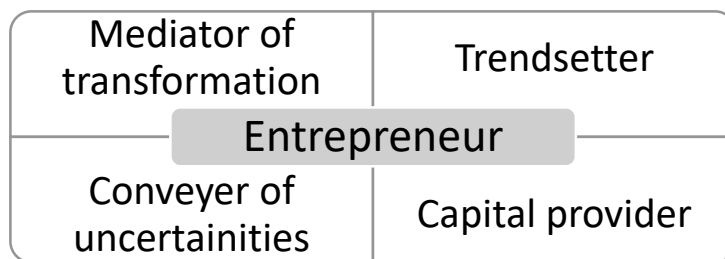


Figure 1 Characteristics of the entrepreneur

Source: Kaslsson, Friis, and Paulsson (2004)

Few scholars have labeled the person who is keen to accept high level of financial, professional and personal risks to chase a prospect as an entrepreneur; but the rising indication displays that entrepreneurs are more compulsive entrepreneurship specialists than simply speculators and gamblers (Schumpeter, 1951). This proposes that an entrepreneur is not only a person that owns a small business (Sexton and Bowman-Upton, 1990). “Risk bearing” impression exists in many present theories on entrepreneurship; however, the philosophy of bearing risk alone is not satisfactory enough to explain why some people turn out to be entrepreneurs while others do not. For example, Marshall (1920) proposed that unusual skills are essential to contribute to entrepreneurial activities while Kirzner (1985) stated that the compulsory trait of an entrepreneur is the capacity to identify opportunities and prospects.

Based on these opinions, combination of two different ideas is important: the distribution of information presented to the potential entrepreneurs, and how environmental issues change the rate of creating entrepreneurs in one society (Schumpeter, 1951). Additionally, Gartner (1985) described that the art of establishing and combining available resources of production into goods and services of a higher social value stretches to an extensive series of domains other than economic means of production. Vast amount of theories has proposed that entrepreneurs progress from the

population in which there are diverse entrepreneurial chances. Specifically, entrepreneurs, and entrepreneurial behavior, can be initiated in all systems of professions for instance research, education, science, political and medicinal fields and social work. Therefore, other compulsory characteristics may exist that may help to clarify why some people become entrepreneurs while some don't.

Entrepreneurs can be seen as people of business, who built (start and develop), produce and accomplish a venture, take risk, put in their hard work, finances and time in it. The leadership and self-awareness qualities like being creative and an innovator are the new features of the entrepreneur, in addition to the risk bearing feature (Biswas, 2000). The entrepreneur as the manager of big corporations, has to manage their company when facing challenges like new mergers, new products creation and even when pivoting their companies, while negotiating all these challenges the authority given to them is increasing in a way that when they have proficiency of multi-actions, when they have access or control over the data and info and when they represent huge cost to substitute them if they left the company (Arthurs, 2009).

The entrepreneurs see the change as standard and vigorous part of their business. Generally, they do not create these variations themselves. But this can be classified as an entrepreneur or the entrepreneurial spirit - because the entrepreneurs are always a change seeker, is receptive to it and takes advantage of it as a prospect. Thus, entrepreneur is not likely to act as a mediator of change but a person who recognizes and seize risks and challenges and turning them into business projections.

As Ronstadt (1984) stated, that entrepreneurship is the self-motivated process of producing capital. This capital is formed by the persons who take risks in terms of impartiality, stability, time, and assurance in contrast they offer value for some services and products. The value in these services and product must be added by entrepreneurs contributed the essential resources and capabilities. Lazear (2005) stated that entrepreneur is the people who are capable to manage insufficiency of resource. Panda (2001) describes an entrepreneur as a person that takes a decision by seizing an opportunity in society, sets up a business by buying necessary raw material, produce the product/service go on board with all administrative processes of revolution,

investigation and coordination of all activities related to that particular product/ service.

Panda (2011) states that the entrepreneur:

- i) seizes and creates new prospects for venture creation;
- ii) Works under challenges, takes risks, presents new products to the market, uses the allocated resources and chooses the purpose and meaning of the product/service.
- iii) Is self-aware of their own abilities, takes on competition and manages his/her entrepreneurial activities.

In addition to the various definitions presented above, there are also other popular definitions for the term “entrepreneur” as seen in Table 3.

TABLE 3 DESCRIPTIONS OF THE ENTREPRENEUR

Author	Definitions
Schumpeter (1934)	“An entrepreneur is a person making new combinations causing discontinuity. The realization of new combinations may include a new product or a quality of a product, a new method of production, finding a new source of raw materials or reorganization of the industry”
Hoselitz (1960)	“An entrepreneur is a person who buys at a price that certain and sells at a price that is uncertain”
Leibenstein (1968)	“An entrepreneur is a person who owns all the necessary resources to produce and launch on the market a product which responds to a market deficiency”
Kirzner (1985)	“An entrepreneur is a person who perceived the existence of profit opportunities and initiated some actions to complete the unsatisfactory current needs”
Bygrave and Hofer (1991)	“An Entrepreneur is a person who perceives an opportunity and creates an organization to follow it”

Source: Adapted from Misra and Kumar (2000)

In general, entrepreneurs are continuously watching their actions and then consequences of these actions, if changes are required, they made it and then act again thus this process eventually produce and create new opportunities’, it can be said the entrepreneurs are the identifiers and creators of opportunities (Henry, 2010). As Lambing (2000) described, entrepreneurs who build or create their business on new product by innovating it with a new perception are the classical type of entrepreneur on the other hand some entrepreneur build or buy their business on an existing product in existing market.

In the light of above discussions, it can be said that an entrepreneur is someone who starts a side hustle or a new venture or take advantage of a new opportunity that can

sooner or later create a full-time, justifiable business with full time workforce. Being an entrepreneur means not just owning a business or job creator. The world's most powerful modernizers are entrepreneurs for example from Bill Gates and Steve Jobs who made Pc a part of every home to Elon Musk sending people to Mars, entrepreneurs visualize the world in a different way. But the existing definitions in the literature hardly ever highlight the massive influence the entrepreneurs have on the world. Entrepreneurs perceive opportunities and respond to them whereas a regular person perceives them as irritating problems and complications.

1.3 ENTREPRENEURS AND THEIR CHARACTERISTICS

In the United States, entrepreneurship is viewed as significance big source of employment like at social level eighty percent of the jobs come from entrepreneurship field. (Birch, 2000; Birley, 1986). Schumpeter (1951) described entrepreneurship as a big source for invention and progress in technology field. As for individuals, it is the most significance job option because it can give enough sources to fulfill their career dreams, provide freedom from authority and financial independence, and furnish goals to do something big and giving back to society (Evan Douglas, 2000). Although the main interesting element for all entrepreneurs is to create a successful business, most of the entrepreneurs fail because of the uncertainty of the startups (Knight, 1921; Ucbasaran, 2013).

The integral part of the entrepreneurial journey is doubt and uncertainty as consequences of entrepreneurship are not known so some may fail and others may be successful. However, most studies on the concept of entrepreneurial process especially in past are mainly interested in entrepreneurs, their ventures and the growth element. Due to such arguments, the research on entrepreneurship failures is increasing and researchers are using different tactics such as academic and theoretic to understand this phenomenon. Nonetheless, to understand and examine and entrepreneurship failure, it is imperative to understand the major characteristics of the entrepreneurs first.

Personal characteristics of entrepreneurs and their relation to entrepreneurial success have been widely researched so far. Olson (2000) studied aforementioned relationship by focusing on the traits of risk-taking or risk tolerance, control, and ambition and

found that these traits are correlated with the venture success. Timmons (1989) described entrepreneurship as the act of innovation and creativity because the entrepreneurs are creating something out of nothing they are continuously innovating, learning and taking risks, basically they are opportunity seekers. This idea of entrepreneurs needs enthusiasm, devotion and leadership abilities like taking a risk head on, accepting challenges in the face of trials. However according to some intellectual's entrepreneurship quality is by birth it's not something you can learn, while for others it's a lifelong learning journey. According to Deamer (2004) only personal qualities and abilities does not make one an entrepreneur, however for becoming an entrepreneur one has to own some specific characteristics because first and foremost they have to be fully committed to what they are building, and having a passion and hardworking capabilities like working for 40 hours in a week, they have to have a vision and goals for success. Even if the entrepreneur failed in his/her past ventures, resilience is the key that will make goals attainable and thus result in success. In addition, various scholars have discussed that following characteristics or traits may also have an impact on entrepreneurial success.

Risk taking. The first person who used the concept of "entrepreneur" was J.S Mill according to Brockhaus (1987, p. 1) "*when defining entrepreneur and his characteristics he concluded risk bearing is the main characteristics of an entrepreneur in addition with management , command, control and vision for success*". Entrepreneurs are acknowledged to be risk takers because they are putting their resources, time and energy into their business without a guarantee. Opportunity seeking, risk bearing and ambition to open a new venture and to create value is the amalgamation of entrepreneurial process.

Ambition. Determination, self-awareness, setting goal, having a vision and getting in a competition are the features associated with the ambition aspect of entrepreneurs. Individuals with these features and traits are more conscious and driven with ambition to reach their goals (Olson, 2000). Determination, resilience and personal ingenuity and commitment towards one's goals are related to ambition and there are the traits of entrepreneurs who are successful (Administration, 2015).

Self-efficacy. Self-awareness and to believe in one's ability to succeed is known as self-efficacy. It's the awareness of own abilities and personal insights to achieve the goals and the vision. As Krueger (1998) states that one can increase determination and ambition due to self-efficacy and it can result in future successful venture creation. For entrepreneur's self-efficacy is the achievement of business goals. For instance, a famous well-known clothing brand Tommy Hilfiger, started his business with the capital of just \$150.00. Hilfiger's success is the result of his capabilities, ambition and increased determination with skills (Gehlhar, 2005). Consistent with Krueger's definition, Tommy Hilfiger's self-efficacy among other personal skills is the reason of his success. Due to his high-level self-awareness he has bested so many other designers in his field.

Discipline. During the turmoil in entrepreneurial journey, discipline is the most effective trait entrepreneurs possess as it keeps them determined in the face of challenges. So according to Finkekstein (2006), discipline is all about following rules, regulation and not altering business plan and goals due to market fluctuation. Discipline also refers to following a plan that was original and focusing on goals, so that tracking growth and success can be measured. As entrepreneurs are acting on their own so it's safe to say they have to stick with their decision because they will handle the consequences of their own decisions and for that motivation and discipline is the key. Other traits associated with discipline are compliance, values and work ethics, commitment and control, which are the personal traits of successful entrepreneurs.

Positive attitude. Right attitude and optimism are the key to any entrepreneur because it's what will get you through trials and challenges even failures. According to the U.S. Small Business Administration's program office the study on successful entrepreneur shows that determination, ambition and being optimistic was one of the key traits. (Administration, 2015). Thus, it can be concluded that successful business is also associated with the attitude and determination of entrepreneur and the ability of an entrepreneur to be optimistic and to comprehend the internal system is the key for successful venture creation.

Locus of control. One's inner control and the belief that they are in control of the situation is said to refer as Locus of control. Entrepreneurs with high locus of control are more than willing to accept challenges and consequences of their own actions they

accept tasks connected with their business (Olson, 2000). Littunen (2000, pp. 298-300) observed that locus of control, ambition, determination, self-efficacy, good work ethics and leadership abilities are the key traits that motivate entrepreneurs to achieve their goals thus eventually resulting in success.

Gender. Commonly gender is said to be a factor affecting the success of venture. In past, stereotypes of the society gave men the advantage of attaining and starting their own ventures. In contrast women were at disadvantage. Nonetheless in today's world women have come so far. Regardless of these complications women still have difficulty to overcome gender discrimination. However, according to Merrett and Gruidl (2000) "female entrepreneurs are less successful than their male competitors" (Merrett & Gruidl, 2000, p. 426). In their study, women-owned businesses are still at large and succeeding. Recent research has also specified that business, work and employment are initially the pursuit of men. Nonetheless, now many women are pioneers in business world. Gender is not connected to the success of business. (Women's Business Center, 2008).

CHAPTER TWO: ENTREPRENEURSHIP FAILURE: DEFINITION, CONCEPTUALIZATION, CAUSES AND ITS OUTCOMES

In more recent times, researchers are keen to investigate the concept of entrepreneur and their actions in venture creation. They are more focused and more determined to find out the main reasons of success (Venkataraman, 1997; Hannafey, 2003) as well as the elements that bring success (Alstete, 2008). However, according to some scholars research on the notion of failure in entrepreneurial journey is not adequate enough and investigation on failure will contribute so much to the understanding of entrepreneurial process (McGrath, 1999; Singh, 2007; Shepherd, 2003).

2.1 DEFINITION OF ENTREPRENEURIAL FAILURE

To comprehend entrepreneurship, it is vital to investigate failure as it can help to understand and process what are the learning outcomes (Warren, 2004) and to why failure is considered critical in an entrepreneurial expertise creation. Thus, failure research will be of great assistance to policy makers, educational institutions and governmental institutes to comprehend the demands of individual who wants to be an entrepreneur and to serial and profile entrepreneurs who are facing challenges in this journey.

What is failure? As scholars define failure in many contexts like death, exit, end point, so it can be said that failure have diverse terminology (McGrath, 1999; Shepherd, 2003). Furthermore, according to Carter and Auken (2006, p. 494) in terms of clear definition of failure it can be defined in four ways: “insolvency, discontinuance, business winding up avoiding additional suffering, and failing to make a go of it.”

Cannon and Edmondson (2001, p. 162), theorize failure as “deviation from expected and desired results” in their group study, thus this definition means failure resulting from group level conflicts and problems of different situations and scale. Consequently, failure can be defined as small problems that leads to big conflicts thus resulting in big calamities and trials. In McGrath’s view if the venture does not fulfill the vision and main goals this contribute to failure (1999, p. 14). McGrath’s description of failure is more related to entrepreneurial context as compare to Canon and Edmondson. Both

descriptions have a similarity that failure is outcome of inability to meet the firm goals and objectives.

Bankruptcy is another way of describing failure (Zacharakis, 1999; Carter & Auken 2006) many defined failure as financial incapability. On contrary, according to Lussier and Halabi (2010, p. 366), when the business is not making any profit it's a failed business. Similarly, Coelho and McClure (2005, p. 15) states that failing the market test run, making less profit than cost results in firm failure. In this definition, it can be said that to cease the business operation is also considered as a firm failure, bankruptcy is not the only reason.

Failure is "firm's value falls below the opportunity cost of staying in business" (Cressy, 2006; p. 103). It can be said that failure is about value creation, if a firm cease to create value it means a failure. It can have two themes: one can be from entrepreneur's point of view like a firm falls below entrepreneur's standard. Thus, if there is no opportunity left to run this particular business, then it's a failed business in entrepreneurs' perception, he/she may leave, pivot or abandoned the firm. Likewise, this definition does not specify that the firm continuance in business or just the entrepreneur abandoned it to pursue another venture.

Failure in terms of "business discontinuance" is stated by Bruno (1992, p. 293). Many issues such as financial, environmental, regulations and lack of resources can result in business discontinuous. Correspondingly, Shepherd (2003) states that failure "occurs when a fall in revenues and/or a rise in expenses are of such a magnitude that the firm becomes insolvent and is unable to attract new debt or equity funding; consequently it cannot continue to operate under the current ownership and management" (p. 318). In Shepherd's definition a major calamity and severe consequences are seen as the result of failure. Furthermore, Gelder (2007) describes failure as a ceasing business when a new improved opportunity arrived, which is better in terms of finances and employee's point of view. Gelder (2007) also describes it as outcome of fewer resources and due to financial loss entrepreneurs are forced to shut down business. Similarly, according to Michael and Comb (2008) state: "failed outlets include those not renewed by the franchisor, closed for voluntary reasons, cancelled for quality control, and terminated for not paying fees. We specifically excluded reacquisitions by the franchisor because

reacquisitions do not imply franchisee failure” (p. 80). Most comprehensive definition is of Singh (2007) as it describes failure as “business discontinuance” and defining it as “failure involves not only economic factors such as bankruptcy and liquidation but also other factors such as intractable disputes and legal problems and personal issues of the entrepreneur”.

To conclude, studies shows that entrepreneurial failure can be individual and firm level failure. According to Sarasvathy, Menon and Kuechle (2013), there are two basics concepts of failure in individual level failure it is a possibility of just failure of an entrepreneur not the firm, because firm may continue to succeed in authority of another subsequent entrepreneur. In contrast a business may fail and entrepreneur may cease to create another venture. Thus, as defined by Sarasvathy (2004), firm failure does not mean entrepreneur failure.

Entrepreneurial failure can also occur in the context of exit for entrepreneurs such as retiring, moving investment to another business. Such extractions and exit are often described as failures (DeTienne, 2010). Henceforth, the entrepreneur leaving or abandoning a firm does not seem reasonable to classify as an entrepreneur failure. This concept will be further discussing in next section.

2.2 CONCEPTUALIZATION OF ENTREPRENEURIAL FAILURE

It is hard to separate an entrepreneur from the venture (Ucbasaran, 2013) as is the human capital of the entrepreneur is a key resource for the firm (Busenitz, 2001). Therefore, when conceptualizing failure, both firm and individual-level criteria need to be considered with an objective and subjective focus

Objective firm-level criteria. Shepherd and colleagues (Shepherd, Douglas and Shanley , 2000; Shepherd, 2003; Wiklund, 2006) suggest that insolvency can be a significant criterion to understand failure. Precisely, they state that a failure takes place when there is expenditure is high and profits are low to such a level that the company turns out to be insolvent and incapable to attract new funding. Thus, if the firm is not flourishing under the same administration (Shepherd, 2003, p. 318).

Thus, in objective firm level criteria failure in context of lack of financial resources and bankruptcy imply failure (Shepherd, 2003; Shepherd, 2009; Shepherd and Haynie, 2011), so Failure here means that business cannot continue under the current administration. Therefore, to comprehend the notion of failure it is important to investigate entrepreneur's personality, traits and characteristics (Shepherd and Haynie, 2011).

Subjective firm-level criteria. Is about entrepreneur's perception of firm's progress (Gaskill, Van Auken & Manning, 1993; Headd, 2003). For instance, in the study by Headd (2003), to estimate the rate of failure when entrepreneurs were asked about their firms' performance, it led to the classification of failure on basis of performance and other motives. The firms who were on verge of bankruptcy and liquidation can also be included in this criterion (Wennberg, 2010). Firms which have met their designated objectives but there is also a chance of poor and low performance. DeTienne (2014) suggests that sometimes in entrepreneur's point of view firm main objectives are fulfilled and now it's in vain to continue can also be the reason of ceasing the firm functions voluntarily. Some of these acts are considered positive and some can be negative, thus proving the approach of subjective-firm failure.

Objective individual-level criteria. When the business fails to fulfill entrepreneurs' objectives or goals, this concept of failure is considered as objective individual level criteria. According to Gimeno's (1997) threshold performance theory, "an entrepreneur's human capital influences the minimum performance level he/she is keen to show. If the venture functions fall below the level set by entrepreneur, he/she exits the firm". As every individual has a different threshold performance scale some might find a successful firm as a failure while for other it might be a successful venture creation. (Gimeno, Folta & Cooper, 1997). Ucbasaran (2013) proposes a similar definition of business failure: one has a lower level of threshold performance rate will exit the firm if it's not fulfilling their basic criteria to remain (Ucbasaran, 2013).

Subjective individual-level criteria. According to Cope (2011) and Singh (2007) firm failure has drastic consequences and as a result it has severe impact on entrepreneurs.

For example, Singh (2007) discovered the outcome and consequences of failure and its impact on entrepreneurs. In Cope's (2011) study, the cases for investigation were chosen on a criteria of learning outcomes of failure, impact of failure on their life, and personal wellbeing. These investigations focused on the impact of failure on entrepreneurs and how entrepreneurs recovered from these trials and what the learning outcome were. Thus, personal impact of failure was used to standardize the concept of entrepreneurial failure.

2.3 ORIGINS OF ENTREPRENEURIAL FAILURE

Abundant studies have so far focused on the origins of failure (Borchert & Cardozo, 2010), with the assumption that understanding what originate the venture failure can decrease the probability of failure in the future (Abdullah, 2009; Carter & Auken, 2006). Additionally, as business failures influence the national economy negatively as well as leading to negative consequences for individual entrepreneurs (Ahmad, 2009), it is important to identify their major causes. Existing studies highlight that there are various motives for venture failure and main causes will be summarized below:

Financial issues. Lack of capital for startups is the main financial motive and cause of failure (Bruno, 1992). Lack of financial strategy, not pivoting fast enough can also be included in this criterion of failure cause. Furthermore, lack of knowledge before starting a venture, lack of information about rules and regulations of governmental bodies are also main causes, thus subsequent impact which lead entrepreneurs to ask help from, family friends and colleagues (Ekanem, 2007). Having a backup plan, savings or personal financial resource can make a lot of difference on the probability in ceasing the severe trauma and sometimes may help saving the business. Moreover, it can help the entrepreneur to focus on the main goals of company and how to save it from potential failure. Other financial issues can be increased debt, late debt payments, pressures from investors, low cash flow due to no profit as suggested by Abdullah (2009). So these issues are also the causes of failure. Also, poor financial goals, no financial strategy, not having enough financial resources and no plan for contingency also result in firm failure (Hogarty, 1993).

Employee- and customer-related issues. Second main cause of failure is the lack of suitable employees or their incapability's, lack of skills and necessary education (Abdullah, 2009). When entrepreneurs failed to manage their employees or have a difference of opinion, conflicts may occur (Ahmad, 2009). Customer related issues rise due to the lack of mutual trust or broken trust payment delays, when a firm does not have a customer strategy or lack of loyalty programs for customers (Abdullah, 2009).

Business planning issues. Third issue arises when a firm does not have a business plan (Gelder J.-L. V.-P., 2007; Hogarty, 1993). Without a business plan, a firm failure rate is higher due to lack of research and strategy for how to run a business for long time or lack of business goals. Similarly, firms which have a business plan and goals are in less danger of failure (Hiemstra, Kooy and Frese , 2006). Last but not the least, lack of marketing research, no distribution and targeting strategy, failing to launch the product according to market standards also result in business failure (Ahmad, 2009).

Leadership issues. Leadership related problems are the fourth category of failure reasons which are associated with the role and abilities of the owners and/or managers. Owner-manager's inability to run a business, lack of experience or necessary skills also results in venture failure (Liao, 2008). Lack of adequate training (Michael, 2008), lack of management abilities and experience may result in venture failure. On the contrary, if the manager/owner has the plenty of required skills in managing one's business, he/she can reduce the potential dangers of future failure (Swiercz and Lydon, 2002). Furthermore, an owner-manager's overconfidence, egoistical approach and bias in firms' function can also result in venture failure (Beaver, 2005). Not being able to create a balance between employees and incapability to challenge competition, or lack of risk bearing skills (Bruno, 1992; Cannon & Edmondson, 2001), mistaken judgments of investor and employees (Ahmad, 2009; Busenitz & Barney, 1997), bad relationships and lack of trust with investors and stakeholders (Ahmad, 2009; Bruno, 1992; Zacharakis, 1999) and falling into the traps of success (Bruno, 1992) are cited as the causes of firm failure.

Product- and service-related issue. If the services and products are not aligned with the market quota it can be a cause of firm failure glitches in product manufacturing (Hogarty, 1993). In addition, issues related to products like wrong launching strategy,

faulty product, lack of marketing before launch, relying too much on one class of customers (Bruno, 1992), lack of distribution and marketing channels of the product/services (Hogarty, 1993), can also lead to business failure.

Environmental issues. Like bad economy, state of market, market collapse and more issues related with environmental factors lead to ultimate failure (Zacharakis, 1999). The state of the overall economy, presence of market giants, negative cultural impact, the state of the industry, hence all aspects of environmental issues lead to venture failure (Abdullah, 2009).

Cognitive biases. An overconfident entrepreneur can impact firm growth hence result in failure (Hayward, 2006). Biased judgments such as the wrong idea of success (Hogarth & Karelaia, 2011) may explain the wrong time entry and thus business failure. Hayward (2006) suggests that overconfidence of an entrepreneur is also a reason for venture failure and thus deny any chance of success. Recently, in an empirical study on overconfidence, Cardon (2011) found that in the origins of business failures, overconfidence is 5 % (Cardon, 2011). Yet, overconfidence can also perceive as a positive characteristic of entrepreneur as it will help entrepreneurs develop resiliency in bouncing back from failure thus helping them (Hayward, Forster, Sarasvathy & Fredrickson, 2010).

Thus, these seven factors are the main causes of venture failure. According to Cope (2005) it is better to investigate the origins of failure together with the outcomes of failure. This issue is worth investigation as entrepreneurs are the main actors of venture creation and learning outcomes of failure may influence the choice to reenter in entrepreneurial activity (Minniti & Bygrave, 2001; Cannon & Edmondson, 2001).

2.4 OUTCOMES OF ENTREPRENEURIAL FAILURE

After the venture failure, entrepreneurs are subjected to trials which can be both positive and negative. According to some scholars, failures can be used as a stepping stones for future success by learning from it (Coelho & McClure, 2005; Shepherd, 2003). Nevertheless, according to Shephard (2003), there are several consequences of failure on entrepreneurs. Financial cost is the first one as it's the major source of destruction, loss of income and joblessness followed by it. In extreme situations entrepreneurs are

on danger of survival. **Emotional cost of failure** is also a failure outcome as entrepreneurs are experiencing emotional turbulence. Precisely, failure brings numerous negative emotions like stress, fear, pain, trauma, stigma (Shepherd, 2003).

In particular, Shepherd (2003) describes emotional cost as the case that entrepreneurs are so attached with their venture that for them it's like losing a dear one which result in grief and pain. **Social cost** is the third reason that leads to failure, such as in the both formal and informal relationships (Singh, 2007). Moreover, it can damage the relationship in professional context (Singh, 2007).

As predictable, failure has a huge impact on entrepreneurs' life. Sometimes they fell into deep traumatized situation because failure has cost them almost everything they own from financial resources to their personal life like separation and broken marriages hence losing loved ones (Singh, 2007).

While some studies highlight the financial and monetary cost failure implicates on entrepreneurs, others focus on more personal costs of failure and its impact on entrepreneurs that results in grief and feeling of loss, losing one's identity, confidence due to business failure (Shepherd, 2003; Shepherd, 2009). The results shown in latter section shows that failure does not only effect entrepreneurs on external level but it also influences them on personal, emotional and psychological level (Cope, 2003).

The widespread impact of failure affects not only entrepreneurs but it has effect on their families, friends and other social contacts. One of the entrepreneurs scrutinized in Cope's (2011)¹ study, clearly stresses on this suggestion. The entrepreneur in this study stated that he felt he was a total "failure" because everything came crashing down. The results suggest that failure works as a detach toll in the context of entrepreneurs' personal life by making him suffer resulting in grief and emotional turmoil. As a result, entrepreneurs become socially isolated and can further go in social oblivion (Whyley, 1998).

¹ In Cope's (2011) study which involve both the UK and the US, the aim of the research was to develop a detailed "phenomenological hermeneutical" conceptualization of the lived experience of failure (Lindseth and Norberg, 2004). Such an approach moves beyond description to enable interpretative accounts that do "not negate the use of a theoretical orientation or conceptual framework as a component of inquiry" (Lopez and Willis, 2004; 730). The sample consists of three entrepreneurs that were geographically spread throughout the UK (Gill, Colin, and Ben), whilst the remaining one (US participant, George) was based in Silicon Valley, California.

The experiences of the participants in Cope's study (2011) also reveal that failure has an enormous impact on entrepreneur's life —financial, emotional, social, professional and entrepreneurial cost was discovered as an outcome of failure. As financial costs concern, all entrepreneurs went through financial loss in the form of income or job and huge debts but few were able to recover quickly than others. Entrepreneurs who recover quickly were the ones that didn't invest too much of their personal resources in venture creation so they recover more quickly and found another job. Nonetheless, some consequences were far worse as it took them about five to six years to recover from debt. Though the financial cost is clearly damaging, there was a robust effect on entrepreneurs' emotional wellbeing and one may describe it as "emotional toll which is the hardest part". The *emotional cost* inflicted by failure was draining for the entrepreneurs as one described it as "shock to the system". Many experience stress, sadness, grief and depression. In one case such extreme levels of stress and grief led to high blood pressure and the need to take various medications.

The findings also explain that entrepreneurs also experience complex *social cost*. The main cause that they find failure very hard because of the aftershocks like how are they going to manage after such a big loss. In the context of social cost entrepreneurs explained the feeling of guilt, shame, embarrassment. Consequently, all entrepreneurs experience some kind of social disability in terms of relations with family, friends and colleagues and professional contacts as they became distant. As for *physiological costs*, the influence was on their psychology as they found themselves become isolated from others like friends and family.

The results concluded that huge influence of failure was on social thus leads to loneliness, as he/she felt that they can turn to no one for advice or support. But this issue was not long lasting as they did move out of isolation phase and regain their social status eventually. The last but not least cost is *entrepreneurial cost of failure*. While most entrepreneurs moved on after failure they got a job, joined another venture, but failure did take a toll on their confidence, resilience, decision making just as seen in entrepreneur's narratives: "I am a bit more wary now", another said "I had to be bailed out in the end and that just knocked my self-confidence, it knocked everything...I think from that time I became less go for it". It can be seen that entrepreneurs lost their optimism, and decision-making as a result of failure.

Furthermore, research emphasizes on the fact that failure can cause emotional distress and low self-esteem. An entrepreneur can feel self-stigmatized and can go under depression on extreme level (Shepherd, 2003). Cope's (2011) study also highlighted that failure may have influence on entrepreneur's family, social acquaints and professional relations. Similarly, Singh (2007) found that three out of five marriages broke up within a few months of failure.

CHAPTER THREE: ENTREPRENEURIAL RECOVERY, LEARNING AND RESILIENCE AFTER FAILURE

3.1 ENTREPRENEURIAL RECOVERY

Based on the cases and arguments in previous sections, a significant topic to investigate is that during or immediate aftermath of failure, from whom entrepreneur can seek support. According to Shepherd (2003), some entrepreneurs might recover quickly from this traumatized event called failure with the support of their family, friends and colleagues, thus concluding that to recover from failure social interaction plays a crucial role. Similarly, Shepherd (2009) also suggests that new relationship acts as a distraction from failure thus helping them recover from it.

In the recovery process, entrepreneur goes through the feeling of loss due to the attachment with their venture, because they put so much time, effort and money. He generates a familiarization thus creating a feeling of loss in result of the failure. Grief is another outcome of failure in process of recovery. Grief is a negative emotion associated with the feeling of loss (Archer, 1999). According to Royer (2003) “Managing grief represents a particularly salient task in the context of corporate entrepreneurship practice because team members are often passionate about ‘their’ projects”.

The main goal for venture creation is success. However, when a venture does fail it’s not all about negative outcomes because within this disastrous event there may be a hope and learning lesson for subsequent success. The phenomenon of failure to subsequent success is not an unexpected result of failure. For subsequent success, entrepreneurs must learn from their mistakes so that in the next venture these mistakes can be avoided (Green, 2003). Learning from prior mistakes can lay a foundation for future entrepreneurial successful venture creation (Hayek, 1945).

3.2 ENTREPRENEURIAL LEARNING

Entrepreneurial learning theory has proposed that failure in entrepreneurial journey can cause a significant amount of learning outcome which are helpful in entrepreneurs

personal and professional career (Cope, 2003). Thus, learning in entrepreneurial failure context is described as an interactive process (Hamilton, 2004). Accordingly, it seems important to examine specific contexts like learning outcomes of failure (Cope, 2005; Politis, 2005).

Failure is not a desirable outcome of venture creation as for many entrepreneurs it's the most painful and expensive consequence (Coelho & McClure, 2005).

According to McGrath (1999), some scholars perceive failure as a negative event thus creating "anti- failure bias". Similarly, in empirical studies on entrepreneurial failure, there is a major focus on "liabilities of newness" (Thornhill and Amit, 2003). Therefore, Stokes and Blackburn (2002) state that with this overwhelming study conducting on origins of failure result in the ignorance of more important areas for investigation such as learning outcomes of failure. As shown in Table 5, learning from failure can be taken as a prerequisite in entrepreneurial journey.

According to Sitkin (1992), all types of failure cannot be considered as learning lessons as some are just disasters. He also described the term "intelligent failure" which means the small failure which can induce enormous learning outcomes. Alternatively, Sitkin (1992) claims that sometimes when failure attacks an entrepreneur's values and beliefs it can be hard for them to process the whole failure experience and use it as a learning lesson. Moreover, according to Ellis and Davidi (2005), there is a fair chance that we can use success as a learning lesson too in order to comprehend the why and how it happened and what works as in context of venture success. Hence, it can be said that it is of significance if we don't overemphasize the importance of learning from failure while neglecting the possibility of important lessons learned from success. Thus, this proposal has a probability of implication that how entrepreneurs recover and learn from experience of failure in entrepreneurial venture creation.

Scholars from Organizational Behavior (OB) suggest there is a possibility of an individual and organizational level hindrance regard the learning outcomes from impending failure in entrepreneurial activity which is shown in Table 5 (Cannon and Edmondson, 2001). In psychology field, Shepherd (2003, 2009) asserts that in order to learn from failure, entrepreneurs have to recover from psychological and emotional turmoil that failure has implement on them. In the context of entrepreneurship, Baumard and Starbuck (2005) inquire about the magnitude of learning from this failure.

Similarly, Cardon and McGrath (1999) name failure as a learning experience. Further, some scholars contribute to this concept and name it as a “stepping stone” with regard to learning from failure and apply this learning to future entrepreneurial activities (Gupta, 2005). Additionally, Sarasvathy and Menon (2002: 9) suggest that these lessons can be used as guidelines for what task to do and which ones to avoid in future entrepreneurial venture creation. In qualitative studies Politis (2008) and Politis & Gabrielsson (2009) assert that habitual entrepreneurs are keener to learn from their past mistakes in order to continue with future venture creation. Zacharakis (1999) emphasizes not on learning aspect but on failure playing a vital role to comprehend and avail alternative sources to apply in future.

TABLE 4 PRIMARY FACTORS TO CONSIDER IN UNDERSTANDING LEARNING AND RECOVERY FROM FAILURE

Scholar/field	Research/study kind	Summary of the study's contribution	Area to improve and study gap
Baumard and Starbuck (2005) / Strategic Management	Qualitative	Confirms problems with learning from success. Examines “small” and “large” failures in a large communication firm. Demonstrates that small failures tend to reinforce core beliefs and only foster incremental learning. Large failures support even less learning as they are predominantly attributed to external causes. Proposes that unlearning successes may be a prerequisite for learning from failure	Application to entrepreneurial context. Learning processes and outcomes need to be associated with small and large failures.
Cannon and Edmondson (2001)/Organizational Behavior	Conceptual	Examines barriers to learning from failure at individual-level, including damage to self-efficacy and self-esteem and at organizational level, including the risk of stigmatization and erosion of credibility. Argues that small failures to communicate in work relationships can lead to (preventable) major failures. Examines the antecedents of shared beliefs about failure in work groups and argues that group-level beliefs can mitigate unpleasant emotions that can arise in confronting failures.	Detailed examination of personal and social impacts of failure is needed. Process of recovery and specific learning outcomes need to be examined.
		Exploratory study conducted with	Research

<p>Cardon and McGrath (1999)/ Entrepreneurship</p>	<p>Quantitative</p>	<p>students committed to entrepreneurship and sought to examine two attributional approaches to learning from failure: First, a ‘helpless’ reaction, in which failure is attributed to lack of innate ability. A resulting sense of inadequacy leads to anxiety, depression and a sense of shame. Second, a “mastery reaction”, in which failure is attributed to lack of effort and so results in redouble efforts and remains unflaggingly optimistic, viewing failure as a genuine learning experience” Results highlighted a predominant mastery reaction to failure</p>	<p>questions need to be examined with practicing entrepreneurs. Need to examine the impact of failure and learning processes leading to mastery vs. helpless reactions</p>
<p>Cave (2001)/ Entrepreneurship</p>	<p>Qualitative and Quantitative</p>	<p>Examines attitudes to failure of UK and US entrepreneurs, particularly stereotypical view that in the US failure seen as a learning experience whereas in the UK it is stigmatized. Found that UK respondents identify perceived societal stigma to failure, whilst US participants do not see it as such a problem. All respondents underlined the importance of learning lessons that could be applied to make subsequent ventures more successful</p>	<p>Examination of processes of learning and recovery is needed. Engagement with wider learning theory is needed.</p>
<p>McGrath (1999)/ Entrepreneurship</p>	<p>Conceptual</p>	<p>From a real options perspective argues that the key issue is not avoiding failure but managing the costs of failure. Asserts that distaste for failure can lead to cognitive biases and an unscrupulous avoidance of failure through direct manipulation. Such an “ant failure bias” can interfere with the entrepreneur's ability to learn from failure.</p>	<p>More explicit focus on learning from failure is needed. Empirical demonstration of the benefits of failure is required.</p>
<p>Politis (2008)/ Entrepreneurship</p>	<p>Quantitative</p>	<p>Suggests that “habitual” entrepreneurs have more positive attitudes to failure and credit learning from failure as a more important aspect of experience base than “novice” entrepreneurs. Habitual entrepreneurs report to a significantly higher extent that failures give opportunities for reflection and are more likely to lead to “something else in the long run”. However, majority of respondents are encouraged by the experience of failure and feel more equipped as a</p>	<p>Understanding of how and what failure adds to knowledge base is needed. Process of reflection and learning is lacking. Analysis of positive outcomes of</p>

		result	failure can be made.
Politis and Gabrielsson (2009)/Entrepreneurship	Quantitative	Using experiential learning theory as guiding framework, identifies two critical career experiences that are associated with more positive attitudes to failure—prior start-up experience and business closure experience. Both experiences are beneficial in the development of an entrepreneurial mindset, in which failures seen as opportunities for learning. Stresses importance of habitual entrepreneurship in learning from failure.	Understanding of how entrepreneurs learn from failure and associated outcome is needed. Impact of prior experience on recovery and learning can be examined.
Scott and Lewis (1984)/Entrepreneurship	Conceptual	Argues that in the UK there is a cultural norm that failure is a negative event, representing a breakdown in social relationships to be guarded against. From a contrasting perspective, points out the learning experience that failure may create, but stresses that not all failures lead to learning. Argues that failure is a developmental experience that may impact identity formation and may lead to more effective future actions.	Analysis of learning processes and outcomes of failure is lacking. Empirical testing of propositions is needed.
Shepherd (2003)/Entrepreneurship	Conceptual	Conceptualizes the process of grief recovery from failure and financial and emotional costs of failure. Defines two distinct orientations to grief recovery. A “loss orientation” involves actively confronting the loss and associated negative emotions in order to “work through” what happened and make sense of the failure. A “restoration orientation” is based on avoidance and suppression, purposefully distracting oneself from loss related thoughts, allowing for the gradual fading of memories associated with the loss. Oscillation between the two orientations is most effective in speeding the recovery process.	Empirical examination of these propositions is lacking. Articulation of other costs of failure is needed. Development of a more socialized view of loss and recovery is needed. Explication of learning outcomes can be made.
		Identifies four life aspects affected by failure—economic, social, psychological and physiological. Examines two distinct coping	Engagement with theories of learning to establish

Singh (2007)/ Entrepreneurship	Qualitative	strategies. First, “problem-focused” strategies that manage the problem faced and second, “emotion-focused” strategies that regulate the emotional reactions to the problem. Also examines learning in relation to these four areas of impact, particularly in relation to psychological and social aspects of the entrepreneur's life.	learning processes is needed. Relationships between different costs of failure need to be examined.
Sitkin (1992)/ Organizational Behavior	Conceptual	Highlights the liabilities of success including complacency, myopia, and lack of experimentation. Proposes that Unlike failure, success does not engender “thoughtful” processing. Argues for the importance of small or “intelligent” failures as being most effective in promoting learning. Such failures are valuable because they are less challenging and do not engender a threat-rigidity response. Key features of intelligent failures are: they result from thoughtfully planned actions and are of a modest scale.	Relevance to entrepreneurial context needs to be discussed. Appreciation of complete venture failure is needed. Specific learning outcomes of failure need to be scrutinized.
Stokes and Blackburn (2002)/Entrepreneurship	Qualitative and Quantitative	Examines attitudes to, and lessons from, closure. Respondents in this study are encouraged by the experience to continue as business owners and see failure as a positive learning experience. Most important learning experience is related to personal management— coping with setbacks, self-management and adapting to change. Learning about trust and relationships is also critical. Entrepreneurs feel better quipped and motivated to start another venture through the lessons learned.	Richer illustration of learning outcomes from qualitative perspective is needed. Engagement with learning theory to establish learning processes is needed.

Source: Cope (2007)

3.3 ENTREPRENEURIAL RESILIENCE

According to the definition in Webster Dictionary, “resilience is an ability to recover from or adjust easily to misfortune or change” (Webster Dictionary, 2018). Similarly, Richardson (2002) describes resilience as an initiative force that makes a person face challenges and turmoil with determination.

A person who can recover and adjust during hard circumstances in personal life and professional is also known as resilient (De Vries & Shields, 2005). Based on the collaborative, mixed-method research conducted in 11 countries, Ungar (2007) describes seven factors defining resilience (Table 6).

TABLE 5 DIFFERENT ASPECTS OF RESILIENCE

	Aspect	Explanation
1	Access to material resources (internal aspect)	Availability of financial, educational, medical, and employment assistance and/or opportunities, as well as access to food, clothing, and shelter
2	Access to supportive relationships (internal aspect)	Relationships with significant others, peers, and adults within one’s family and community
3	Development of a desirable personal identity (external aspect)	Desirable sense of one’s self as having a personal and collective sense of purpose, ability for self-appraisal of strengths and weaknesses, aspirations, beliefs, and values including spiritual and religious identification
4	Experiences of power and control (external aspect)	Experiences of caring for one’s self and others, the ability to affect change in one’s social and physical environment in order to access health resources
5	Adherence to cultural traditions (external aspect)	Adherence to, or knowledge of, one’s local and/or global cultural practices, values, and beliefs
6	Experiences of social justice (external aspect)	Experiences related to finding a meaningful role in one’s community that brings with its acceptance and social equality
7	Experiences of a sense of cohesion with others (external aspect)	Balancing one’s personal interests with a sense of responsibility to the greater good; feeling a part of something larger than one’s self socially and spiritually

Source: Ungar, 2007 (p. 295)

From above illustration, it can be said that resilience can be counted as an important trait of an entrepreneur in addition to ambition, passion, self-awareness and confidence. As entrepreneurs keep a watchful eye on their actions and their reactions to it, resiliency can be an important underlying foundation for future success. Some scholars argue that external and internal environment also affect entrepreneurial actions in failure and how they react to it. As seen in research by ACS (2010), in the context of different societies,

entrepreneurs do have external and internal features that affect resilience in their entrepreneurial journey.

Resilient entrepreneurs are usually able to recover immediately and appropriately from the trauma of failure and they tend to take lessons from it, then use these learnings as a guideline for future endeavors (Seibert, 2009). Thus, entrepreneurial resilience represents an entrepreneur's perseverance and fearlessness to achieve the envisioned goals in entrepreneurial venture creation.

3.4 ATTRIBUTES OF ENTREPRENEURIAL RESILIENCE AND THEIR IMPACTS ON ENTREPRENEURIAL PERFORMANCE AFTER FAILURE

In recent years, resilience is known as a trait that helps in determination and ambition when facing challenges and failure in entrepreneurial process. Researches on resilience phenomena tend to investigate if an entrepreneur with a resilience trait is more successful in comparison to entrepreneurs who are not successful (Ayala & Manzano, 2014; Hayward, 2010), and furthermore how they learn and adjust themselves in those crucial circumstances and create future successful ventures (Bullough, 2014).

Entrepreneurial failure is a possible outcome for any kind of venture. The failure experience can be considered as a practicality of value of future successful venture. However, according to Husted (2006), "some entrepreneurs might not be willing to share the knowledge learnt from the failure experience, with the fear of blame or punishment by the business partners". Shepherd (2004) argues that "recovery from entrepreneurial failure" includes "learning from the failure" and "commitment to the subsequent venture creation".

Regarding the impact of resilience on entrepreneurial failure, it stands to reason that different attributes of resilience would provide entrepreneurs with the opportunity to learn from the failure and make them more committed to subsequent venture creation. These attributes can be classified into three extensive groups' namely intrapersonal, interpersonal and contextual factors or attributes.

3.4.1 INTERPERSONAL FACTORS

As presented in Table 7, various attributes of resilience can be found in this group, which can have either direct or indirect effects on the process/success after entrepreneurial failures. These attributes can be grouped under five sub-factors:

Personal traits. When listing all the features of entrepreneurs in resilience context self-efficacy and confidence are one of the first to notice *Self-efficacy* refers to believing and having faith on one's ability, in one's strong pursuits and ability to accept risk and upcoming challenges (Holienska, 2016; Markman, 2005; Yang & Danes, 2015). According to Jenkins (2014) self-efficacy is directly proportional to entrepreneurial performance in venture creation because if entrepreneurs don't have confidence and self-assurance here is a possibility of business failure because of the mismanagement of the situation. Similarly, social relations are also significant because if the entrepreneurs feel there is no one supporting them; they might feel vulnerable thus, making business vulnerable to impending failure and challenges. In addition to the trait self-efficacy, *perseverance* and *proactive personality* are also very significant in recovering from failure as perseverance means the determination to stay on course even after failure (Markman, 2005), and proactive personality calls for timely finishing certain tasks and less procrastination (Przepiorka, 2016; Rauch & Frese, 2007).

Motivation. Motivation is found to be a basic factor behind entrepreneurs' intentions and behaviors towards failure in their entrepreneurial journey. In this aspect, entrepreneurs' goal commitment intentions are backed up by the basic need for achievement and motivation which will further result in venture success (Caliendo & Kritikos, 2008; Rauch & Frese, 2007). Additionally, as quoted by Yamakawa (2015), "intrinsically driven entrepreneurs are more likely to rebound from failure, start another business and achieve higher growth in comparison; *lack of motivation* can negatively impact business success". Similarly, an entrepreneur whose basic goal is to diminish their financial difficulties are not motivated enough to take their business to success (Khelil, 2016; Omri & Frikha, 2011).

TABLE 6 INTRA-PERSONAL ASPECTS AFFECTING ENTREPRENEURIAL RESILIENCE

FACTOR	SUB-FACTOR	Enablers	Inhibitors
Inter-personal	Personal trait	Self-efficacy/Confidence Perseverance Proactive personality Opportunity recognition Need for autonomy Innovativeness Stress tolerance Assertiveness Interpersonal reactivity Problem-solving orientation Gender and sexual orientation (male & heterosexuality)	Lack of confidence Overconfidence Loss of self-esteem Gender and sexual orientation (female and homosexuality)
	Motivation	Goal-commitment Intrinsic motivation & need for achievement	Lack of motivation Lack of commitment
	Human capital	Education level Competence of entrepreneur Prior start-up experience	Lack of expertise Lack of experience Prior failure experience
	Values and beliefs	Spirituality and epiphany Positive emotion & outlook of life Flexibility Internal attribution	Self-stigmatization Negative emotion and outlook of life External attribution

SOURCE: (JIN, LEE, JIYA WANG, 2017)

Human capital. Studies in the past showed that human capital also has a major contribution on entrepreneurs’ resilience in entrepreneurial failure and challenging times. Indicators of the general human capital, such as “*level of education and entrepreneurial competence*”, are noticeable factors that have an impact on subsequent success (Coleman, 2013; Omri & Frikha, 2011; Williams & Shepherd, 2016). Education that entrepreneur get also acts as the helping and guiding resources that help them in crucial circumstances. Similarly, as education is helpful, educational and professional relations such as alumni also plays an important role in shaping entrepreneurs’ journey. Certainly, no human capital will result in business chaos thus leading it to failure (Carter & Wilton, 2006).

Prior start-up experience in entrepreneurial failure and subsequent success, prior experience is the most sought characteristics for an entrepreneur (Cope, 2004; Hsu, 2007; Omri & Frikha, 2011; Politis, 2008; Williams & Shepherd, 2016; Zhang, 2011).

As to why prior experience is considered as an important factor for future venture creation, it stands to suggest that an entrepreneur's know-how of a business, knowledge of how to run a business even he/she made mistakes may help her/him comprehend the idea to get into market by trial and error. Even if entrepreneurs' venture were successful or not, they got something useful out of it, may have a positive attitude and are clear about the upcoming risks and challenges (Politis, 2008).

Nonetheless, there is no guarantee that having previous experience will result in successful venture creation as there may be the cases where entrepreneur does not learn from experience of failure. Indeed, there may be external factors that caused the failure and there is nothing to learn from it (Jenkins, 2014; Yamakawa, 2015). Thus, it can be stated that if entrepreneurs learn from their prior business failures, they can turn this setback into future success in venture creation.

Values and beliefs. Values and beliefs also have major effects on entrepreneur's perception about life career and business. If this is positive, then the outcomes are being optimistic and hopeful. These can improve entrepreneur's ability to recover from failure and thus help them be ambitious and can enhance their business determination (Przepiorka, 2016, 2017). In the same way, **flexibility** is also a big asset in coping with failure, particularly if the firm needs to change its course or pivot (Pollack, 2012). **Self-stigmatization** is creating a barrier for entrepreneurial learning from failed experience because it puts a label on failure such that an entrepreneur cannot recover or learn from this valuable experience.

3.4.2 INTRAPERSONAL FACTORS

As interpersonal factors, social support from friends, family and teamwork will be discussed. Support from one's social contacts is crucial in coping with any difficulty hence giving motivation to go on and achieve designated goals (Brüderl & Preisendörfer, 1998; Omri & Frikha, 2011; Jenssen & Koenig, 2002; Vissa & Chacar, 2009). Table 8 reviews the intrapersonal factors and sub factors.

TABLE 7 INTERPERSONAL ASPECTS AFFECTING ENTREPRENEURIAL RESILIENCE

Factor	Sub factor	Enablers	Inhibitors
Intrapersonal	Informal supportive Relationship	Supportive family Spousal commitment Alumni network	Unsupportive family Parental interference
	Formal relationship with professional groups	Supportive VCs Use of professional advisory service Entrepreneur network	Control by VCs Advice only from family and friends
	Teamwork	Quality (competence) of team cohesion and interactive culture Strategic consensus	Organizational problems

SOURCE: (JIN, LEE, JIYA WANG, 2017)

Informal relationships with family and acquaintances. Family is the first and foremost important source of support in emotional, financial and motivational context (Allen, 2000; Brüderl & Preisendörfer, 1998). In particular, support and motivation from one's spouse is a major element in contributing to resilience in the face of risks and challenges (Brüderl & Preisendörfer, 1998; Yang & Danes, 2015). Alumni network or acquaintances are also informal sources of support that can help entrepreneurs in gaining resilience in entrepreneurial failure (Wing-Fai, 2016).

These informal relationships can also bring business to failure because when an entrepreneur is not paying much attention and totally forget about their spouse and their immediate family members, this can cause disruption, resulting in failure. If an entrepreneur will rely totally on advice of family and friends, there is also a risk of failure.

Formal relationship with professional groups. Establishing a formal relation with professional colleagues and venture capital is of major significance as both are valuable in context of future venture success (Bocken, 2015; Cope, 2004; Duffner, 2009; Hsu, 2007; Zhang, 2011). According to Bocken (2015) venture capitalists are not just supporting entrepreneurs financially but also, they can give valuable advice on business matters and help motivating entrepreneurs. Unfortunately, if VC's are control freaks, they can ruin business by being over authoritative and this can affect business negatively in terms of trust and commitment (Duffner, 2009).

Teamwork. The quality of the team an entrepreneur has is a major factor that contributes to resilience after failure. If team members are careless, demotivating and not goal oriented than busies is doom to fail. In contrast, if the team is responsible, hardworking and help each other in difficulty than there is a possibility of success. On the other hand, when VC's are looking for investment team quality is what they look for in potential venture creation. (Cope, 2004; Duffner, 2009). Unfortunately, if the team members do not agree and they have a disagreement on opinions, then business is not likely to sustain the trauma of failure. Van Gelderen's (2011) study assured that majority of the businesses collapse immediately after the failure due to the clash and differences in opinion between the entrepreneur and team members.

3.4.3 CONTEXTUAL FACTORS

Some external factors such as resources, culture, rules and regulations and industrial characteristics also contribute to the demise of business as shown in Table 9.

Resources. Resources also play an important part in venture creation thus, they are also crucial in times of difficulty. Having personal financial resources is an important asset in stressful times because it can give an entrepreneur time to stand back on their feet and give them/her a chance to survive (Holtz-Eakin, 1994). In contrast, lack of financial resources (personal or otherwise) can lead business to an ultimate failure (Carter & Wilton, 2006; Coleman, 2013; Holtz-Eakin, 1994; Omri & Frikha, 2011).

Culture. Culture is a factor which influences how people perceive business failure and success. Shepherd and Patzelt (2015) reveal that “people *have a favorably prejudiced view toward “pro-social behavior”* in each culture. Similarly, according to Shepherd & Patzelt (2015) “entrepreneurs who attempt to reduce greenhouse gas emission are less likely to be stigmatized when they fail compared to entrepreneurs with a *homosexual orientation* “.

FAILURE-TOLERANT CULTURES EFFECT ENTREPRENEUR'S DECISION TO RE-ENTER INTO BUSINESS AFTER FAILURE POSITIVELY (CARDON, 2011; COPE, 2004). THOSE CULTURES WHO HAVE ANTI-FAILURE-BIAS AND THOSE WHO FROWN UPON OTHER'S SUCCESS HAVE A MAJOR EFFECT ON AN ENTREPRENEUR'S DECISION TO RESTART VENTURE CREATION AFTER FAILURE (CARTER & WILTON, 2006; COPE, 2004; SHEPHERD & PATZELT, 2015; SINGH, 2015).

TABLE 8 CONTEXTUAL ASPECTS AFFECTING ENTREPRENEURIAL RESILIENCE

Factor	Sub-factor	Enablers	Inhibitors
Contextual	Resource availability	Financial resource Institutional barrier	Financial strain
	Culture	Failure-tolerant culture Favorable prejudice to pro-social behavior	Anti-failure bias (Stigmatization) Prejudice against sexual orientation
	Rules and Regulations	Bankruptcy law Financial policy	Unfavorable political environment
	Industrial characteristics	Business demands	Business demands Domain abandonment Vivacity of competition Macro-economic condition

SOURCE: (JIN, LEE, JIYA WANG, 2017)

Rules and regulations. Rules implicated by government bodies and political institutions are also barriers to start a business after failure. In contrast, their help and support can make it very easy to establish a business. For example, as Lee & Yamakawa, (2012) states

“An entrepreneur-friendly bankruptcy law is beneficial to failed entrepreneurs because the low costs associated with business bankruptcy enable entrepreneurs to take a risk and start afresh” (p.505-520). Tax rates and other obligations such as interest rates are also included in the contextual factors contributing to resilience in the entrepreneurial journey after failure. Non -favorable political environment or culture are also contextual factors.

Industry characteristics. Features of industry are related to whether an entrepreneur’s previous experience was in a different industry or not. If entrepreneurs opt for a different industry for the subsequent venture creation, the lessons learned in the previous experience may not be applicable on the new industry. This will lower the chance of success in subsequent venture creation after failure (Eggers & Song, 2015; Yamakawa & Cardon, 2015). In addition, *competitiveness of the industry* and *macro-economic conditions* are both contextual factors affecting future business success. (Carter & Wilton, 2006; Khelil, 2016). Based on the various factors presented above and their multi-dimensional effect on entrepreneurial resilience, Lee & Wang (2017)

proposed an integrative model which demonstrates two dynamic groups of factors that influence entrepreneurial resilience: Figure 2 illustrates the integrated model of resilience.

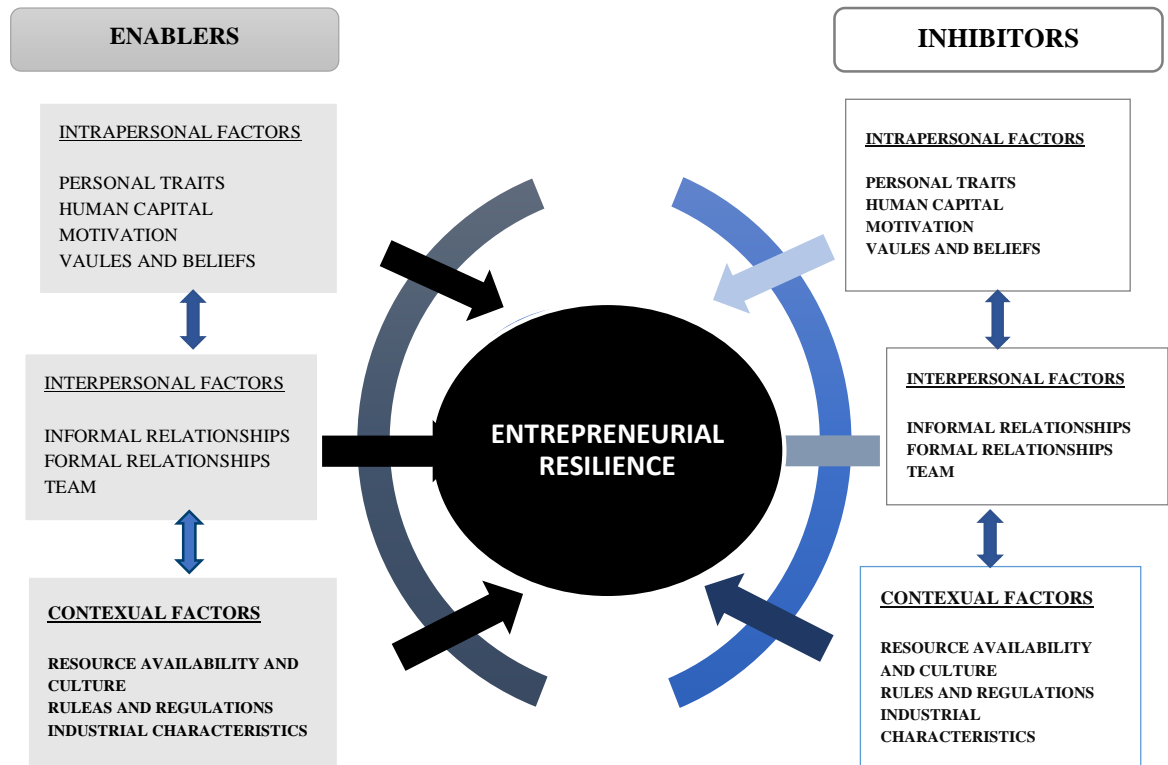


FIGURE 2 INTEGRATED MODEL OF ENTREPRENEURIAL RESILIENCE

SOURCE: (JIN, LEE, JIYA WANG, 2017)

*The blue one-way arrows leading to resilience are the effects of inhibitors and enablers. Double headed blue arrows depict interactions among sub factors within enablers and inhibitors.

3.4.4 THE BALANCING ACT

Inhibitors and enablers are two groups that affect resilience level of entrepreneurs’ resiliency simultaneously. One of these factors can increase or decrease the resilience level of entrepreneurs and affect the chance of subsequent venture success.

However, if there is a very strong enabler or inhibitor, this can result in negative outcomes as confidence and self-assurance motivates an entrepreneur to face challenges in failure but having overconfidence can turn entrepreneurs become careless and have an irrational attitude.

CHAPTER FOUR: RESEARCH METHODOLOGY

4.1 METHOD OF THE STUDY

The purpose of this research was to comprehend the outcomes of venture failures and whether and how resilience influences learning from failure and future entrepreneurial success. In order to address these questions, a qualitative research method was applied in this dissertation rather than a quantitative method which is used mainly in statistical purposes (Brikci & Green, 2007; King, Keohane, Verba, 1994). This type of research enables the researchers to examine a concept or set of relationships in a detailed, subjective manner and to discover insights into real-life events as the participants experience them.

Qualitative investigation employs a realistic method that seeks to recognize phenomena in content-specific settings, such as “real world settings [where] the researcher does not attempt to manipulate the phenomenon of interest” (Patton, 2002, p. 39). Qualitative research tends to leave the researcher with words to analyze, rather than numbers (Brikci & Green, 2007).

Yin (2011) proposes that qualitative study have five main characteristics as mentions below:

1. Investigation people’s life projections or their life stories in real life situations.
2. Presenting comments and reviews of the participants of the research.
3. Casing in detail the circumstantial conditions in which the participants reside.
4. Writing and presenting perceptions of new or existing features that may help to understand human psychology and behaviors
5. Using multiple sources for data collection rather than relying on one alone (pp. 7-8).

4.2 DATA COLLECTION PROCESS

4.2.1 CASE STUDIES

Case studies can be useful when the research topic is to some extent of a broad nature and not narrow (Yin, 2003). There are two major categories of case studies: exploratory case studies and descriptive case studies. In the exploratory case study type, theoretical framework is developed and data collection is conducted before the research questions are actually formed (Yin, 2003). In explanatory case studies, there is a cause-and-effect pattern (Yin, 2003) and the objective is to find how the outcome emerged and the reasons for the outcome (Johnson & Christensen, 2012). Descriptive case studies are characterized by focusing on the case itself rather than the hypothesis and theory, and they do not aim to make generalizations (Kaarbo & Beasley, 1999).

The aim of this dissertation is to gain insights into why entrepreneurs fail, what are the learning outcomes of entrepreneurial failures, and whether and how recovery from failure and resiliency influence the subsequent successful venture creation. Serving to these aims, case study method, which highlights different entrepreneurs' experiences, is utilized.

In social science context, case studies have widespread history. Starting from late 1800s LePlay's study on families and in 1900s study of Trobiland islands by Malinowski (1922) were the first case studies in the field of anthropology and sociology (Creswell, 2007, p. 37). Research using case study methodology "excels at bringing us to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research" (Soy, 1997).

According to Yin (1984) case study as a method of research is as "an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used" (p. 23).

As for how to conduct case study Yin (2003; 2013) suggests the following framework:

1. Identify the main theoretical problem and then derive research question from it.
2. Divide analysis into sections, if possible, sub sections can be allocated to make the concepts clear.
3. Determine the number of case studies to explore.
4. Visibly lay down the criteria for the case study selection. Carefully choose the method of data collection and data analysis.
5. Create an appropriate test and model to test the theory and to check the reliability and validity.

In light of the above arguments, this dissertation adopts an explanatory case study method in which theoretical framework about entrepreneurial failure and recovery from failure is presented and data from the case studies are then collected and the sources for data collection is shown in APPENDIX and to explain the somewhat unclear literature findings. This research is based upon two cases, which represent different venture failures and subsequent success stories.

4.2.1.1 CASE STUDY A

Evan William

Evan Williams is an American internet entrepreneur, a self-made billionaire, and an internet mogul. Evan co-founded Pyra Labs, Blogger, Odeo and the Obvious Corporation, which evolved into Twitter, an online social networking and micro-blogging site. Previously he had served as the Chairman and CEO of Twitter, and now serves on the board of directors. More recently, Williams co-created the publishing platform Medium in 2012. He is now serving as a founder and CEO of Medium.

Evan Williams was on Forbes 400 list, ranking #375 in years 2015. Later he was removed from the list in 2016. In 2018 he is ranked #1284 of Forbes Billionaires 2018 list. As of November 2018 Evan, Williams has a net worth of US \$1.8 billion.

Evan's Entrepreneurial Ventures

“Maybe it was because I grew up on that farm with so many ideas in my head and so few people to share them with that, I couldn't think of anything more exciting than a system with the potential to connect brains from all over the planet” (Williams, master of scale, 2018).

Evan Clark Williams was born in a family of farmers on March 31, 1972, in Clarks, Nebraska. He attended the University of Nebraska at Lincoln for a year and a half, leaving to pursue a career on information systems. From a young age, Evan Williams wanted to be an entrepreneur. After leaving the college, he set up a company with his father to prepare instructional material about the World Wide Web which they managed for a short while. Later on, he worked for another company operating in the technology publishing sector, O'Reilly Media, in 1996.

Williams moved to California to work for O'Reilly Media Company. Even though he was first assigned to a marketing position, he succeeded in becoming an independent contractor writing computer codes. Ultimately, he was also able to work as a freelancer for companies such as Intel and Hewlett-Packard.

By the late 1990s, he decided that it was time to establish his own company so he co-founded Pyra Labs with Meg Hourihan and its spinoff, Blogger—an early application for making and managing abbreviated writing for the web, also known as blogging. Blogger became a huge success and was ultimately acquired by Google.

With his entrepreneurial ambitions, he could not stay long with Google and he left the company to found other ventures. In 2003, Williams was in MIT Technology Review Magazine's "top 100 innovators under age 35" list. In 2004, Williams was also named as the "Person of the Year" by PC Magazine due to its success with Blogger.

In the same year, the renowned entrepreneur founded the podcast company Odeo which was the major failure in Evan's career. Odeo was sold off to Sonic Mountain after a few months. In 2006, he co-founded the Obvious Corporation with Biz Stone, Jack Dorsey and Noah Glass. Twitter Inc. was spun-off from Obvious Corp as a separate entity in 2007.

Twitter was providing a free social networking and micro-blogging service. Williams was a board member and investor in Twitter at the early phases of the company's establishment. He became the company's CEO in October 2008 and Twitter soon became a highly successful company with millions of users.

In 2012, Williams co-founded Medium, a blog-publishing initiative. Medium was established to encourage users to create longer posts than the minimum (140 characters) standard of Twitter.

Failed Venture: ODEO

Company Overview

Odeo, Inc. operated as a podcast Web site, directory and search destination for RSS-syndicated audio and video. The company utilized some tools that help users create, record, and share podcasts with a simple Adobe Flash based interface. The company was founded in 2005 by Noah Glass and Evan Williams, the founders of Audio blog and Pyra Labs. Odeo was based in New York (Bloomberg, 2018).

The startup company Odeo went as far as raising a series A² after the release of iTunes before closing its doors. Observing and accepting that they would not be able to compete with Apple, founders focused on a side project that turned out to become Twitter. Regardless the failure of Odeo, William was undeniably perceived as encouraging and supporting for the entire team who began finding new ideas as soon as Odeo started to go down. The Twitter story demonstrates that the greatest successes can often come after the greatest obstacles, as long as you are resilient and innovative.

Why Odeo Failed?

Key reason for the failure of Odeo was the wrong entry strategy as the schedules were not properly considered. Odeo was creating a podcasting service at that time that Apple launched its iTunes podcasting. Pointless to say, going up against Apple, when the iTunes podcasting platform was rising, wasn't a recipe for success. Put it differently, Apple's launch of iTunes podcasting made Odeo's podcasting platform irrelevant.

At the Future of Web Apps conference 2006 in San Francisco, when asked about Odeo, Williams gave an inspiring speech about the drawbacks of combining money and startups. Evan stated that Odeo failed due to lack of experience and it's multi-focused.

Williams was not only candid about his failed venture, he flat-out admitting he was working in Odeo at the time he wrote the book on rules for web startup, and was ignoring most of those rules "I was working on." Driven by excitement about podcasting and an early demo at the TED Conference, Williams stated that Odeo got unfocused and overstuffed because he didn't have any experience before.

² A series A round is the name given to a company's first significant phase of venture capital financing. The name describes the class of preferred stock given to investors in exchange for their investment.

According to Williams, the main reasons for failure were:

1. As Odeo set out to be a podcasting company with no focus beyond that, it can be stated that the founding team was trying to build too much.
2. Williams doesn't podcast himself, and thus the company's web-based recording tools were too simple. No test runs were conducted before launching the product and it was not built for people like Williams.
3. The company thought its comprehensive web-based strategy would excel in the competition, primarily with Apple, in the long term. Williams stated: "*It turns out long term is not soon enough for a startup if you're trying to get a foothold". so they didn't pivot themselves and adjust themselves fast enough" to flourish further"* (Gannes, 2006).
4. "*Raising too much money too early*" – Williams started with his own money, \$70,000, and after TED excitement added another \$100,000. After he tied up over a million in angel funding, a term sheet came through from Charles River Ventures at three times the angel round valuation.
5. "*Not listening to my gut*" – Williams stated: "When you've got a bunch of money and you've hired a lot of people and you're talking to your board and you're talking to reporters, your gut can get drowned out."

The interesting part was that Odeo was active till 2010, and Williams hold the CEO position till 2007. Williams freely admitted that Odeo hasn't yet decided on a business model. However, the company did downsize. Its target audience was people who listen to podcasts, particularly on the web, something Williams actually does himself.

So, it can be said that the business idea of Odeo was not that convincible for a company which is set to conquer the universe. However, Williams' honesty and humility were admirable and his resiliency got him through these hardships. Evan Williams believed that Odeo's future was not in podcasting, and later that year, he asked to the employees to start finding new ideas for a new direction of Odeo. The company started conducting official hackathons where employees worked on projects by separating into groups. An article in Business Insider (2010) clearly underlines that Twitter was not envisioned from the start as a product, but was an alternative project endorsed by the management team at the Odeo Company in which all the Twitter founders worked.

Failure Post Mortem

Starting an entrepreneurial venture or a high growth business is like a roller coaster. As such, founders feel the pressure of keeping up the facade of success, even when things are actually falling apart behind the scenes. Unfortunately, more than half of all startup founders find themselves penning a "post-mortem" at some point. While this may seem like a bad thing, failure isn't always frowned upon. When Evan Williams was asked in an interview about his darkest moments, he stated that after Odeo failed he was devastated and failure did take a toll on his emotions and wellbeing. He added: "I was in shocked and stressed and confused even. I stay awake most of the nights and I have seen some darkest days, searching for change under my office couch so that I can buy a coffee."

Evan confessed that he learned so much from his failure. He stated: "I realized I was in over my head with no prior experience, I am calmer and more confident and learned good leadership skills. The valuable lessons you learn from closing your ventures are often the stepping stones of your next success". Evan said that financial loss does not necessarily cause a firm failure and basically, it's the result of other issues. Apart from the occasions of "imprudent spending" or the CEO inability to run a company and make profit from it that will lead to venture failure.

Tech entrepreneurs like Evan are unexpectedly face communication mistakes on the road to success. In fact, publicly judging what one could have done differently has become a common way to "give back" to the greater startup community. The more stories told of famous founders, the more it are realized that the act of dissolving a company is never a total failure.

Learning Outcomes and Recovery Process

In the recent interview on a famous news channel Evan was asked: 'How Evan Williams learned to be a better leader?', Evan stated: "Your employees are your most important customers, I'm still an optimist, and we can create a better media world:

"I started my first company before I had a job in a company, so I knew nothing--and it was a somewhat painful learning process. At first, I looked at management as a necessary evil: "I can't do everything myself, so I guess I'll hire people, and grin and bear it, and do as little managing as possible. It turns out

that does not lead to great results. You have to think that your employees are your most important customers, and figure out what will make them happy” (Williams, 2013)

Moreover, on his website medium³, Evan described his learning outcomes from failure as below (Williams, 2012):

1. Recruit and select your team carefully: Don't compromise on who you choose to found your company with and hire. Do not put up with egoistical personalities or downer attitudes.

2. Have a growth driven mindset, take a risk and accept challenges: Hard things are valuable; easy things are not so valuable. Reaching the mountaintop is rewarding because it is hard. If it was easy, everybody would do it.

3. Have a sense of purpose, set a goal and focus: Say no to most things: Features. People. Partnerships. Irrelevant Projects. Only a few of them really matter even if it's hard to know which ones. Don't get distracted stay focus on your goals.

4. Take care of yourself: When you don't sleep, eat unhealthily and don't exercise, and are living on adrenaline rush for too long, your performance suffers. Your decisions suffer; hence your company suffers.

5. Relationship building and loving those close to you: Failure of your company is not a failure in life but failure in your relationships is Create, develop and maintain relationships based on trust that is essential to achieve goals and objectives.

6. Stay resilient: In order to succeed in business life, resiliency is an essential factor; it is the ability to maintain focus and energy despite the ups and downs of the entrepreneurial journey.

What happened with Odeo?

On February 19, 2007, Williams wrote in his blog that he would sell Odeo. It was acquired afterwards by New York based Sonic Mountain which later on announced that it had acquired the technology assets of Fire Ant, an RSS video-aggregation website and desktop media player, and that it planned to integrate Fire Ant's technology into Odeo.

³ Medium is an online publishing platform developed by Evan Williams in August 2012.

On March 18, 2008, Sonic Mountain also announced that it had taken over Blog digger, a search engine for blogs and RSS content, planning to incorporate the technology into Odeo. In June 2008, Odeo was recreated by Sonic Mountain with a completely revised site and an extended focus on search and discovery for syndicated audio and video. In March 2009, Odeo began its transition to a fee-based service for large corporations looking to manage their video libraries. Targeting companies that needed to organize and track video usage, Odeo released its “Enterprise Video Management” platform as a Software as a Service (SaaS) solution. Their first customers included such notables as American Express and eGA. In August 2010, Odeo suspended its support of the consumer site odeo.com to focus its attention on enterprise video. As of 2017, Odeo's domain has expired and sold.

Successful venture creation: Twitter

Twitter was started in 2006 by a number of people, most notably Noah Glass, Jack Dorsey, and Florian Webb after pivoting Odeo. Today it’s one of the most recognized and most used social media platforms in the world. It has more than 100 million users, who send more than 340 million tweets a day (Benedictus, 2006).

Obvious Corp. known as Odeo in past evolved into Twitter—or Twitter, as it was first called—an online social-networking and microblogging site permitting users to post short messages—promptly and in real time—of 140 characters or less, known as "tweets." The service rapidly gained worldwide acceptance, growing to 500 million registered users who tweeted approximately 340 million messages daily in 2012 (Hoffman, Master of scale, 2018).

Serving as Twitter's first chairman, Evan Williams provided much of the company's early financing. In October 2008, Williams replaced Dorsey as Twitter's CEO—a position that he would hold for the next two years.

Twitter Inc. went public in November 2013, listed as TWTR when the stock market opened in New York City. Twitter became a powerful platform for U.S. presidential candidates Barack Obama and John McCain in 2008, with both politicians using the website to update their supporters while on the campaign trail (Williams, 2009).

Evan Williams's Rule for Successful Venture Creation

Evan Williams explained his story to an Inc. reporter, Issie Lapowsky as follows:

“When I meet with the founders of a new company, my advice is just about constantly, “Do fewer things.” It’s true of partnerships, marketing opportunities, no matter what that’s taking up your time. The massive majority of things are interruptions, and very few really matter to your success. Anything I’ve done that really worked happened because, either by sheer will or a lack of options, I was incredibly focused on one problem. Blogger started as a side project of my first company, Pyra Labs. Originally, we were trying to do both, but it became impossible. We ran out of money, had to let everybody go, and I just did whatever was essential to keep Blogger running”. (Lapowsky, 2008)

Entrepreneur emphasizes that if he had been more aware back then of the importance of focus, he would have killed the original project much sooner. He also stated:

“With my next company, Odeo, we thought we were going to be the podcasting company. We would do it all: make software to create podcasts, a directory for discovering them, software to download them. But none of these answers were great. We should have started with a specific product that did one thing better than anyone else. As a substitute, when iTunes introduced its podcasting platform, it demolished the value we had created. With Twitter, which was a side project of Odeo, it wasn’t clear at first what it was. Primarily, we described Twitter as a social utility for posting status updates, but the insight we eventually came to was Twitter was really more of an information network than a social network. That predisposed all kinds of decisions, like the creation of search and the retweet function. And all of that happened because we were thinking deeply about a very specific product. When you’re obsessing about one thing, you can reach insights about how to solve hard problems. If you have too many things to think about, you’ll get to the artificial solution, not the brilliant one. The irony, of course, is that both Blogger and Twitter started as side projects. If I had been undeniably focused on the main project, they might never have happened. So, there is something to be said for knowing when you’re locked in to the right problem. To me, that comes down to the gut. The things that keep nagging at you are the ones worth exploring.” (Lapowsky, 2008)

4.2.1.2 CASE STUDY B

Reid Hoffman

Reid Hoffman is an American entrepreneur and venture capitalist, the billionaire cofounder of LinkedIn and a dominant tech investor. On the Forbes 2017 list of the

world's billionaires, Hoffman was ranked #630 with a net worth of US\$3.3 billion in 2018. Hoffman was the co-founder and executive chairman of LinkedIn, a business-oriented social network site used frequently for professional networking. He is at the present-day a partner at the venture capital firm Greylock Partners.

Hoffman was born in Palo Alto, California, in 1957, and grew up in Berkeley. He had what he now considers an early desire to be independent, and persuaded his parents to send him to the open-minded and liberal boarding school Putney, in Vermont. He went back to California after high school to study at Stanford. At Stanford, his major was on symbolic systems, a combination of two fields: artificial intelligence and cognitive science.

Entrepreneurial Ventures

After graduation from Stanford, He was certain that he was going to pursue a career path of "public intellectual," and went to Oxford as a Marshall Scholar to get his master's in philosophy. He accomplished his studies in 1993. Instead of going for academia he decided to go into tech, because he saw how entrepreneurs were constructing businesses with the intent of refining the world, and he became a true believer. (Hoffman, 2018)

After completing additional studies at Oxford University, he visited some venture capitalists to get funds to start his entrepreneurship career. Due to the lack of experience and abilities, the VCs advised him to go and come back to them after he got a real job and learned a few things.

Hoffman took their guidance and started to work at Apple computers, world (Apple's online service), and Fujitsu. After a short period of time at both Apple and Fujitsu, Hoffman was determined to start his own company in 1997, called Social Net. It was a platform to connect with friends, making it one of the first social networks whether it is someone searching a serious relationship or a partner to play a game of tennis with.

The combination of the site being ahead of its time and Hoffman's inexperience as a manager triggered failure and forced him to abandon the project in 1999. He

contemplates it, though, a significant crash course in both social networks in general and what it takes to run a company (Hoffman, 2018). Later Reid Hoffman cofounded LinkedIn, the professional networking site, in 2003 and was a partner at venture capital firm Greylock Partners. In 2016, Hoffman sold LinkedIn to Microsoft and took part in Microsoft's board. Hoffman is part of the so-called "PayPal Mafia," and was one of the first employees at the payment company that was later sold to eBay.

Failed Venture: SOCIALNET

Company overview

Hoffman established the (failed) dating site Social Net, which some view as the first online social network. Social Net, Inc. operated a Web-based social networking service, which was an online dating platform. Social Net Headquarters were in San Francisco Bay Area, Silicon Valley, and West Coast, California, United States. Social Net was founded in 1997 by Patrick J. Ferrell, Reid Hoffman, and Ryan Koine.

Causes of failure

Failed by not thinking ahead

At first, he supposed that all he had to do was to build a high-quality product. Having the best matching logarithm to permit people to find the right kind of people was a valuable stuff. However, the valuable thing was getting it in front of millions of people, like captivating attention of a massive audience. He learnt that building a product was not sufficient and an excellent business model, planning ahead of time, targeting the right customers at the right time was essential for SocialNet to succeed. (feloni, 2015)

Wrong target strategy

Hoffman's approach at SocialNet was forming partnership with magazines and newspapers, and this didn't work at all. He did not agree with the board, and he thought that if he can't resolve the differences, it's usually better to leave.

SocialNet never fully took off and subsequent disputes and disagreements with the board on its future compelled Hoffman to abandon the company, but in many ways the idea was just too far ahead of its time. (feloni, 2015)

Lack of focus

Observing back on the causes of the company's termination, Hoffman stated that he should have focused on one single category, for example dating, and done it really well instead of being so determined and trying to cover so many topics and categories. (feloni, 2015)

Poor financial strategy

An additional key lesson he acquired was to not think too much like a product manager. Hoffman noted:

“Most people are inclined to think in terms of product. They have a product which they think will change the world, they create in their mind. Financing strategy is more important than product strategy. Product strategy is significant but ultimately if you can't get enough capital to get your business off the ground, and mostly it's a consecutive set of outflows of capital, your business flops, and it goes away” (Felony, 2015)

Lack of distribution channels

In his first startup, Hoffman also learnt the hard way that venture investment is like a marriage and he has to be very careful with whom he is essentially getting married. In cyberspace, the lessons from retail apply as well, but instead of location, location, location it needs to be distribution, distribution, distribution. Hoffman stated:

“A consumer of an internet venture is basically only successful if you have some form of natural distribution (virility). There's a bunch of different viral mechanisms that can work and there's both art and science to that, but if you don't have a natural distribution your consumer targeting won't work. It's over.” (Hoffman, 2011)

Marketing strategy (Market entry strategy)

Hoffman stated that he had the classic model that entrepreneurs have: A good vision for the product to be, building that product and the product works out. He added:

"I had similar ideas that brought LinkedIn to bear, but I was lacking one critical one. Not only do you need a great idea for a product, you need to have a great idea for how you go to market. We put in all this energy to build this relationship with this one newspaper, and they launched (SocialNet) with a huge amount of promotion" (Hoffman, 2011)

Differentiated distribution (Better marketing)

Hoffman recalled that in the first month of SocialNet, the website had exactly five people who signed up. *"If we had just pulled out the phone book and called people at random in the Phoenix area, we would have been 100 to 1,000 times more successful,"* he noted.

Launch strategy (Marketing slowly with a perfect product)

Hoffman stated that he didn't want to fail their first release, so the approach they took was to complete the entire product before they let the people sign up. This approach delayed SocialNet's launch by a year. He noted: *"If you need to choose between getting to market quickly with an imperfect product or getting to market slowly with a "perfect" product, choose the imperfect product nearly every time,"* (Hoffman, 2011)

Recovery and Successful Venture: LinkedIn

In November 1999, Hoffman told Peter Thiel, the co-founder and CEO of PayPal, that he was quitting SocialNet with the intention to establish another start-up. Thiel told Hoffman he should join him at his ground-breaking online payments company, PayPal. So, he quitted SocialNet and started at PayPal the next day. Hoffman began as a founding board member and then became a full-time member in 2000, officially joining the so-called "PayPal Mafia" of future tech icons.

When eBay took over PayPal in 2002 for \$1.5 billion, Hoffman suddenly found himself considering what to do with his career. In the end, he decided to go on with LinkedIn, so instead of taking time off, he assembled a small group of people in late 2002, started coding and founded LinkedIn in 2002 as a hub for ambitious professionals: In May 2003 he launched LinkedIn Hoffman acted as LinkedIn's CEO for four years but resigned in 2007 once it had sufficient momentum, remaining as chairman. He gave the

CEO role to Dan Nye, but replaced him with former Yahoo exec Jeff Weiner a year later. LinkedIn went public in 2011. The company has 38 million members in about 200 countries, but in Hoffman's mind, that's merely a good start: He expects a quarter of the planet's population to sign up eventually. The company has been profitable since 2006 and has attracted more than \$100 million in VC funding. Last year, Hoffman brought on Google star Dipchand Nishar as vice president of products; this freed up Hoffman to focus on the big picture.

LinkedIn maintained healthy growth in terms of users and innovative services, but was still behind investors' expectations in early 2016. Hoffman and Weiner decided that what would be best for LinkedIn was to become a part of a larger company, and announced a \$26.2 billion acquisition by Microsoft that June. Parallel to his role building LinkedIn into the world's largest professional network, Hoffman became one of the Valley's most sought-after investors. He became a partner with the venture capital firm Greylock in 2009, where he's made big deals such as his highly profitable one in Airbnb (Bort, 2013).

Learning outcomes

Failed projects or investments, Hoffman stated, can be positive for businesses and governments in the long term as these are the path to learning.

"People sometimes say that Silicon Valley celebrates failure. We don't actually celebrate failure, we celebrate learning," Hoffman said. "We understand that failure is a path to learning. This is one of the things I love about entrepreneurship. You're encountering new challenges, and you have to learn at a very fast rate." (Jr., 2017)

The combination of being an inexperienced manager and having a product that Thiel once told Bloomberg was "years ahead of its time," forced Hoffman to abandon Social Net in 1999. The failure, however, was a valuable learning experience for him (Bort, 2013).

"At my very first startup SocialNet, I didn't pay enough attention to building a unified culture. This was because SocialNet was the first organization I built from scratch — and I basically

made every error you can make in building an organization from scratch. And I'm not the first entrepreneur to learn hiring lessons the hard way" (Hoffman, 2017)

The benefits of failing faster

More and more leading companies and entrepreneurs are acknowledging that failing faster and rapid prototyping are most effective after the target customers' unmet expectations have been validated. According to Hoffman, to run an "experiment" which is designed to validate your target customers' needs and validate the efficacy of your solution is to conflate two experiments.

First, it is important to discover and validate target customers' unmet needs. Then, Hoffman recommends conducting rapid prototyping and failing fast with an imperfect product, as it improves learning, quickens time to market, and dramatically improves success rates. As such, a little "jobs thinking" upfront can dramatically improve design thinking and lean startup (Bort, 2013)

The key to success is to understand when, where and why each approach works best. Every approach has its strengths and weaknesses.

Hire for flexibility

Hoffman believed that each role on his team needed a precise level of rigidity or flexibility (Hoffman, 2018).

"The key isn't to put together a group of people who look alike, or even act alike. The key is to put people together who believe in a shared purpose. And it's worth saying it outright: Smart founders make sure their team is diverse from the beginning." (Bushri, 2018)

As for SocialNet, he hired for flexibility with precision and found a specific person for a specific job. This turned out to be a terrible decision. He said that he learned to hire "generalists" at PayPal because companies evolve, and a perfectly structured team for its initial establishment will immediately fail as soon as something fundamentally changes or the company decides to reinvent itself entirely (Hoffman, 2018).

Hoffman also stated that he fell into the trap with his first company. He thought, "*Oh, I'll build a really good product, and we'll figure out the customer acquisition later.*" It doesn't work that way and it's not as simple as just spending some money at advertising. He realized that creating specific customer acquisition strategies was as crucial as developing a product (Hoffman, 2018).

Move fast, and don't try to be perfect

Hoffman told Business Insider that when he founded SocialNet, he didn't take into consideration some principles about how to operate a consumer internet company. He discovered that it's highly important to get the product above the noise so that people can encounter it.

A piece of advice Hoffman tells entrepreneurs is:

"Do something that has massive upside. It's going to be the same amount of blood and sweat and tears and everything else for a small upside and massive upside so focus on something that can go really, really big, because you're basically going to dump blood into it by the buckets anyway, so the answer is, 'Yes, it's cheaper now (to launch) and there are new rules because of it, but it hasn't eliminated the old ones.'" (Hoffman, 2018).

Entrepreneurship is a lifelong learning process

Successful entrepreneurs feel the urgent need to constantly learn, invent and tackle problems. For Hoffman, Infinite Learning is practically a job requirement for scale entrepreneurs because almost every scalable idea forces the entrepreneur to grapple with an emerging phenomenon. (Hoffman, 2018).

Being resilient is what gets you towards your goal

In entrepreneurship, resilience is an 'outlier' skill or attribute that is essential for success. Resilience is roughly a measure of an individual's perseverance and passion to stick with and pursue a goal over a long period of time. It's often cited as a key differentiating factor between successful and unsuccessful entrepreneurs. In short, lack of resilience can kill your startup. It's difficult to overstate the importance of resilience.

Many believe resilience can be learned and is often linked to embracing failure, recognizing it's ok to fail as long as you don't give up or quit. Staying persistent to a vision across different market cycles plays a crucial role in startup success. For Hoffman, learning to develop resilience is *“one of the most important lessons for entrepreneurs”* (Hoffman, 2011)

“So, you have to gird yourself for a string of rejections. Some entrepreneurs simply develop a thick skin. Others treat it like a normal part of their workday. You know, wake up, brush your teeth, listen to people crush your dreams. It's a living.” (Ferriss, 2017)

Be positive

Reid Hoffman says it's important to have the right attitude to failure. It should not be seen as "negative" or "tarring", but as "a good learning experience". For Hoffman, successful entrepreneurs are usually "inherently optimistic" (Lapowsky, 2008)

TABLE 9 OVERVIEW OF THE ENTREPRENEUR'S PROFILES AND THEIR BUSINESS

Case study	Name	Age	Company profile (failed/abandoned)	Causes of failure	Outcomes of failure	Learning outcomes	Successful venture
A	Evan Williams	46	Odeo, Inc. operated as a podcast Web site, directory and search destination for RSS-syndicated audio and video. It employed tools that enabled users to create, record, and share podcasts with a simple Adobe Flash based interface and discover various aggregated podcasts; share favorites with friends; and publish to blogs and social networks.	<ul style="list-style-type: none"> • No business models • Inexperience • Not singularly focused • Wrong entry into market • No prior Market research before launching 	<ul style="list-style-type: none"> • As a result, abandoned the company • Financially broke down • Financial, social Emotion trauma 	<ul style="list-style-type: none"> • Stay focused on one goal • Recruit your team carefully • Take a risk • Accept challenges • Stay resilient 	Twitter was started in 2006 after pivoting Odeo. Today it's one of the most recognized and most used social media platforms in the world. It has more than 100 million users, who send more than 340 million tweets a day.
B	Reid Hoffman	61	SocialNet Hoffman established the (failed) dating site SocialNet, which some view as the first online social network. SocialNet, Inc. operated a Web-based social networking service; it was an Online Dating by Matching People with alike and similar Interests.	<ul style="list-style-type: none"> • Not thinking ahead • Lack of focus • Poor marketing strategy • Poor financial strategy • Wrong target strategy • Lack of distribution channels 	<ul style="list-style-type: none"> • Abandoned the project • Financial trauma • Emotional and social trauma 	<ul style="list-style-type: none"> • The benefit of failing faster • Hire for flexibility • Choose team wisely • Continuous innovation • Be positive • Be resilient in the face of a challenge, don't panic don't run 	LinkedIn was found in 2003, it has 38 million members in about 200 countries. The company has been profitable since 2006 and has attracted more than \$100 million in VC funding.

After the examination of case studies, a summary of critical events was drawn up for each of them, identifying each event and connecting it to the impact produced on the individual. The events in question are quite varied in nature and have multidimensional effects. The text for each transcription for a case study represents between 5 to 6 pages.

4.3 CODING AND ANALYSIS OF DATA

Case studies supplied in depth information which provide the “foundations” of the coding and analysis of the data. Thus, the discourse of both cases was mapped out, which brings out the different ideas and terms that are used in analysis. These frameworks allowed to visualize various kind of information relating to the learning outcomes and resilience process after failure. Therefore, the analysis procedure was the subject to double coding. Two types of coding were used: open⁴ and axial⁵ coding, which were revised and simplified. At the first stage, simple coding was carried out, during which each case study was analyzed and carried out as a first order of events, scanning the literature and the collected information. Then double coding was carried out, during which first individual analyses was scrutinized in order to establish themes and main idea of different events to maintain and then structuring was done in detail for each case study.

Order of events regarding main failure for each case study was also developed, categorizing the situation and the influences of each failure was done the conditions under which each venture failure occurred was analyzed, as well as the impact of each failure on the person in terms of their evolution on a dynamic route was analyzed. This thorough effort resembles to the suggestions of Van de Ven (2007) for research. This author suggests that in this kind of research the number of case studies chosen is not important but the identification and analysis of multiple events are of more significance. (Van de Ven, 2007, p. 212-213).

Table 10 shows the brief description of each case study, their entrepreneurial journey including main highlighted events like basic failure, outcomes and resilience factor, as well as all the training and experiences preceding entrepreneurship, business field, and age of the case studies and their timeline of events.

In the next section, details and key points will be discussed through a comprehensive analysis of each case study. In light of proposed thesis research question, it seems relevant to make an attempt to establish a model, as Table 10 may suggest a link

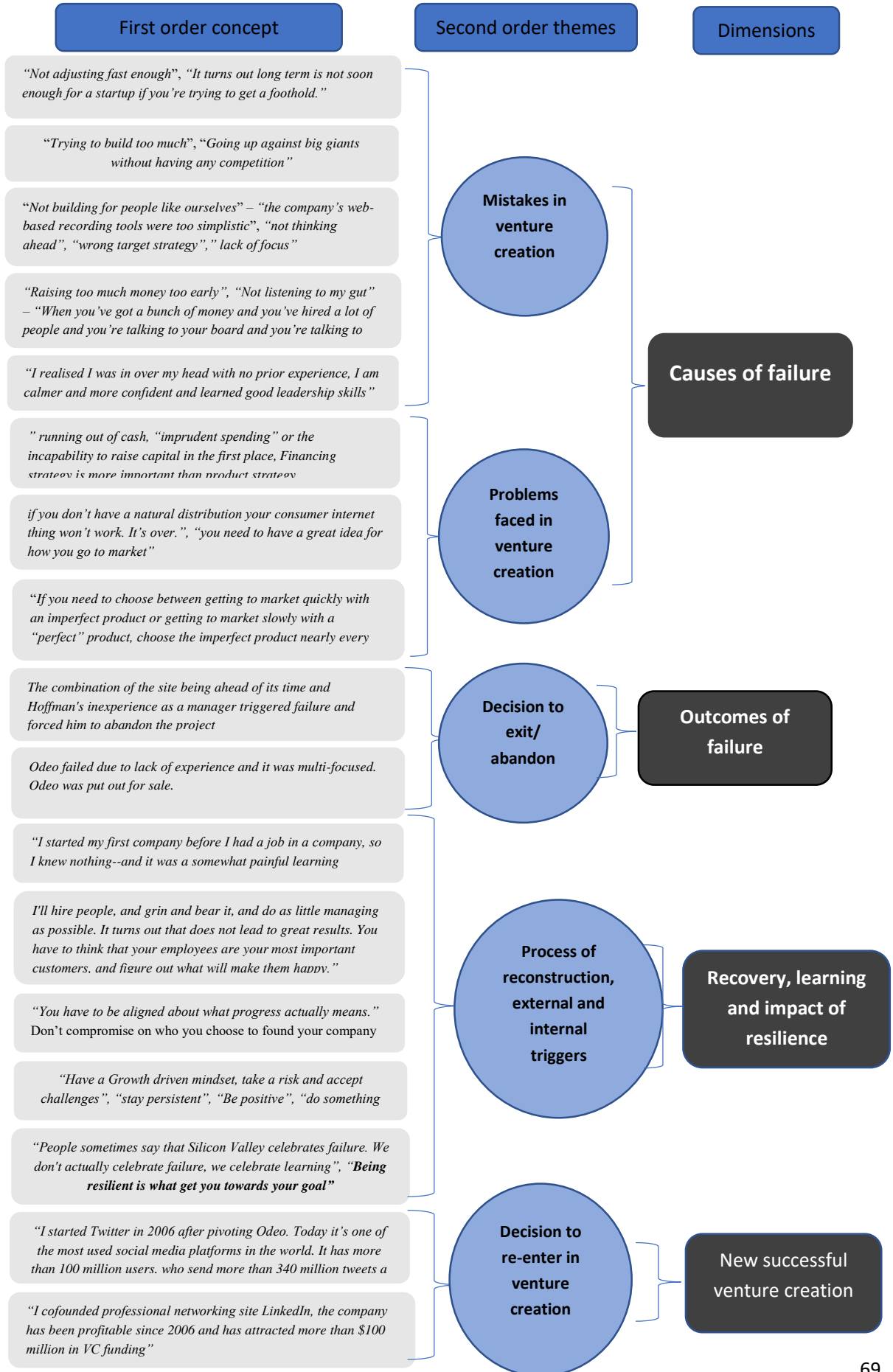
⁴ Open coding is grounded theory method for analysis of qualitative data in which different terms and codes are attached to the observed in order to simplify it.

⁵ Axial coding is the breaking down of core themes during qualitative analysis, it's also the process of attaching codes to each other by inductive and deductive thinking.

between the decision to reenter in venture creation and the complications experienced by case studies.

For analyzing the data, the first order data (taken directly from secondary sources) as well as second order data (from more abstract concepts that was developed through gathering evidence like watching online interviews and online narratives) were included. Therefore, following the method adopted by Corley and Gioia (2004), Figure 3 shows the data formation after coding, with columns showing first order codes, second order themes and dimension.

FIGURE 3 STRUCTURE OF DATA AFTER CODING

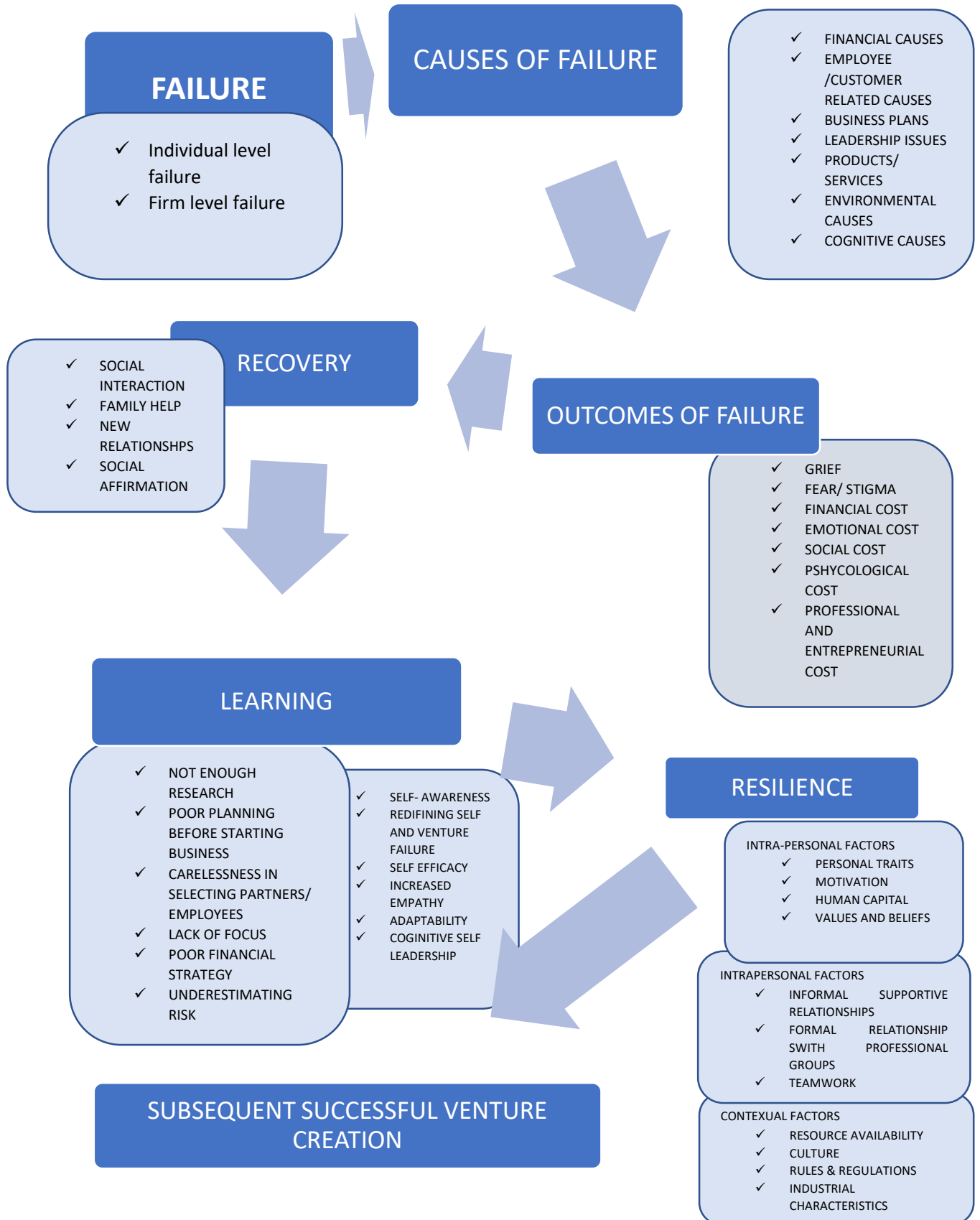


CHAPTER FIVE: RESULTS & FINDINGS

Data analysis method of double coding and sequence of major events in each entrepreneur was explained in the previous section. Next a model of the causes of failure, learning outcomes and impact of resiliency contributing to future success and the decision to reenter in entrepreneurial activity was constructed. The model which is presented in Figure 4 is developed as the outcome model of this study. In order to make it clear, order and themes are shown separately. Moreover, the linear aspect of the model is easy to comprehend.

The details of the different elements in the model will be discussed in the following section, with a distinction made between three phases of the process, namely, failure cause and effects, the development of the resilience, learning process, and the re-emergence of the entrepreneurial venture creation. These three stages allow a better understanding of the after-failure entrepreneurial process.

FIGURE 4 PROCESS OF RE-ENTRY TO SUCCESSFUL ENTREPRENEURIAL VENTURE CREATION (ENTREPRENEURIAL EXPERIENCE OF VENTURE CREATION)



First overarching research question for this thesis is: *“How entrepreneurs perceive and attribute the cause of their failed ventures?”* The first supporting sub question asks: *“What are the causes and effects of failed venture on an entrepreneur?”*

In the first important section, findings are presented on the first theme of this theoretical construct “causes and effects”.

THEME 1: CAUSE AND EFFECTS OF FAILURE

The first theme, causes and effects of failure, refers to the case study’s accounts of the consequences that were a direct outcome of venture failure. Consequences such as financial, emotional, social, psychological and entrepreneurial cost including unemployment and bankruptcy and loss of income threatened the ability to afford basic necessities of life such as basic groceries like coffee (case study A) or meeting medical bills (case study A). These areas will now be explained.

FINANCIAL COST:

Unemployment

For the entrepreneurs, their venture was their chief source of employment. Both were rendered without a job when the venture failed as they had no other businesses or jobs at that time. As case study A stated: *“I couldn’t get a job and I have applied for many and there is no reason why I shouldn’t get a job”*

Likewise, case study B disclosed: *“From being an entrepreneur, being unemployed and living on the savings for 2 years was not an easy transition”*

Loss of income

For the entrepreneurs, the venture was the main source of income and, hence, loss of the business meant loss of income for the case study. For example, case studies elaborated on their strained circumstances as shown below:

“The most important thing that I have not ever experienced is having no money so it’s not just failure as having no money is shocking” (Case A)

“There was no money coming in, in the last week of the business and so financially it was very tough” (Case B)

This theme gives an understanding into a deeper, personal account of loss that appeared from the case studies. The entrepreneur in case study A was sad while narrating his experience on the TV interview. Terms with negative implications such as *struggle*, *hard*, *bad*, *difficult*, *devastating*, *terrible*, *mess*, *tough time*, *suffering*, *pain*, and *bitter* were used to define the event of venture failure.

EMOTIONAL COST

As stated before, case studies defined venture failure as a difficult and unpleasant experience and as one that lead to in life-changing consequences. They reflected deep emotional attachment to the business when the entrepreneurs defined their feelings towards the venture and of losing the business. For example, the entrepreneur in case study A said:

“Your first startup venture is your baby. It is your idea and you are pitching a lot of money, time and everything else in it and you just don’t want that [failure] to happen”

(Case A)

Similarly, case study B clarified how he felt about his business:

“It’s like being trapped in a carnival attraction that combines a bounce house and a hall of mirrors. Just when you think you’ve found your footing, you see a hideously distorted image that you barely recognize as yourself— and it throws you off balance again. This uncertainty poses challenges that can leave the most experienced of managers scratching their head.”

“It is so fulfilling to see your idea of something coming to life but after failure. It is [the venture] such a big chunk of you that is gone” (Case B)

Loss of the business generated feelings of loss of control over one’s life. For the entrepreneurs, the sense of directing one’s life meant accomplishing a successful business, a venture which provided freedom and ownership of what they wanted to do and how they wanted to live, and how much they need to give back to society. Similarly, in case A, in describing how he felt after the venture failure, and how he feels now after creating another, successful business, the entrepreneur revealed the close connection between his identity and the business:

“I had miserable days when I felt „oh man I am such a mess, such a disaster “For me it was an identity issue. There is a lot of self-respect and ego tied up in this because what we do really says what we are” (Case A)

The conclusions for feelings of loss approve and lighten the fact that venture failure can be a main life event that can trigger powerful emotional reactions of loss. The findings also show that the entrepreneurs had developed a deep emotional attachment with the business, which describes their cause of sorrow.

SOCIAL COST

Multifaceted social cost is also connected with negative emotional impact of failure. The entrepreneur in Case B explained *“it was difficult was due to a strong commitment to the investors and the fact that people weren't going to get return on their money”*

So, in this condition, feelings of guilt or incapability can intensify a sense of isolation, discriminating nervousness and growing withdrawal due to helplessness to share concerns with others.

ENTREPRENEURIAL AND PROFESSIONAL COST

In both of the case studies, entrepreneurs experienced a negative impact in terms of entrepreneurial self-efficacy and risk-taking tendency. These entrepreneurs who were in partnerships-based ventures, also had to cope with social, entrepreneurial and professional cost including their own complications and emotional drain of venture failure.

The findings show that after venture failure the entrepreneurs were in a condition where they had to deal with multiple problems at the same time. The strain of survival and feelings of pressure from everywhere highlight that the entrepreneurs experience ongoing stress to survive financially and deal with the aftermath of venture failure.

Thus, venture failure did not mean a clean, programmed end to all the problems for the case study as they wrestled two emotionally challenging encounters one after the other. The first battle elaborated the period of trying to save the venture and the second fight was the struggle through the financial, legal, and social outcome of the venture failure.

These battles were long, nonstop periods of stress for case studies, with not enough time to adjust to the loss of the business.

The conclusions in this section were based on the experiences of entrepreneurs who went through venture failure. Additionally, it also provides the process of how entrepreneur go through failure to recovery. Thus, based on these findings it can be said that a venture failure is a life-turning event and that it can start emotional misery among entrepreneurs. Strain was visible in the entrepreneurs' accounts of the consequences they had to face because of venture failure and how they feel about it on more personal level.

THEME 2 RECOVERY LEARNING AND RESILIENCE PROCESS

Having dealt in previous section with the question: *“How entrepreneurs perceive and attribute the cause of their failed ventures?”* next section will now present this study's conclusions on the second research question: *What factors motivates and drives an entrepreneur to be resilient when experiencing venture failure?”*

INTER-PERSONAL FACTORS

Social support aid entrepreneurs in becoming resilient specifically after failure by providing them with emotional reassurance and support, valuable information, financial resources and connections to other people.

Informal social relationships: Family

Family played a significance factor in contributing resilience in entrepreneurs' life as they support them financially and emotionally, they help them rebuild their strength to face the impending challenges thus leading and motivating them to success. As represented in case A:

“You go right back to your roots as I am from farming family. Our roots grow deep. My family has always been very hardworking. We went through hardships and this has been the case for several generations in my family. My father and grandfather

experienced failure because of economic depression.so living on that farm teaches me how to be persistent in many ways”

This extract shows that the family can be a role model and a big support to help entrepreneur tackle a difficult situation, and its support help the entrepreneurs cope and make sense of this trauma.

Formal professional relationships: Friends and colleagues

Apart from family, entrepreneurs in the cases also mentioned that the guidance of friends and professional colleagues were supportive and that they helped them in the recovery process.

The entrepreneur in Case B also referred to the *motivational* advice of a friend and a colleague regarding how to cope with the failure:

“Every morning you need to wake up and say, today I expect a miracle and you will get it. That does not mean you will win Lottery. It means that if you expect a miracle every day, you will notice something good that will happen.”– B

The excerpt shows that an entrepreneur’s network of friends and social contacts can be very useful.

Teamwork

The quality of the entrepreneur’s team is a major factor that contributes to resilience after failure. If team members are careless, demotivating and not goal oriented, then business may fail. In contrast, if the team is responsible, hardworking and helps each other in difficult times, there is a possibility of success. New idea generation and brainstorming can help entrepreneurs to effectively deal with the problems and come up with new ideas and side projects as represented in case study A. The team members brainstormed and developed the new venture, Twitter and it was a huge success later. So, it can be said that teamwork pays off if it helps entrepreneurs understand that they are not struggling on their own. The entrepreneur in case B stated:

“Focus on your team, your customers, on hospitality, on your culture. In doing so, you’re creating a long-term virtuous cycle, a compounding loop that will ultimately like helping each other out”

Such dialogs were revealing for entrepreneur in how they are going to face the challenges and comprehend the aspect of failure in their life, although some entrepreneurs get a clearance by discussing the failure with their partners, friends and family to lessen the burden and stress. That helps them getting back up after trauma of failure.

Overall, the findings regarding this theme reveal that entrepreneur’s social life contacts such as family, friends and colleagues are a positive factor contributing resilience. Such ideas and examples demonstrate the importance of making connection with other people facilitating a sense of will, self-assurance, and hopefulness to move further. Hence, being open and eager to try out new solutions to deal with hindrances related with venture failure can help the entrepreneurs to resolve their venture related complications more proficiently and efficiently.

Values and beliefs

Values, beliefs and attitude toward life have also major effect on entrepreneur’s perception about life career and business. If all these are positive, then the outcomes would be optimistic which can improve entrepreneur’s ability to recover from failure and thus help them in being ambitious and determined in their business (Przepiorka, 2016, 2017). The entrepreneur in case a states:

“I am an entrepreneur who looked for value in things that seemed worthless. Faith--in one's ability, in one's chosen path, and, above all else, in the fact that there are always opportunities ahead--was a company's greatest need. Stick to your product, forget about scrambling for deals, and good things will happen.”

The failure in entrepreneurial journey seems small if looked from another big perspective such as an outlook of the whole life as in the case of case B.

“One of the life projects he had to fulfill was not the business but doing something big and contributing back to society and teaches some lessons through the business. Therefore, the business was a tool to complete this life project.”

Overall, the conclusion is that the understanding of how values and beliefs are manifested in entrepreneurship is important. Specifically, positivity provides a framework to make a sense of venture failure. Entrepreneurs' values made them realize where they were standing and how they got into this situation. In this sense, values and beliefs can be a positive reagent for stamina, and can be used as a guide for future endeavors.

The findings in this theme suggest that if entrepreneurs are optimistic and have a positive attitude, they can deal with any challenge coming their way. Similarly, it can have an effect on how they deal with failure related issues.

INTER PERSONAL FACTORS

Self-efficacy and other personal traits

When listing all the features of entrepreneurs in resilience context, self-awareness and confidence are of the first two to notice. *Self-efficacy* refers to believing and having faith on one's ability, in one's strong pursuits and ability not to fear risk and upcoming challenges (Holienka, 2016; Markman, 2005; Yang & Danes, 2015). In case A, it was seen that the entrepreneur believed in his own strengths; as a result, he was highly confident and did not fear the risk of failure, expect positive outcomes and achieve business growth According to Jenkins (2014) self-efficacy is directly proportional to entrepreneur performance in venture creation. If entrepreneurs don't have confidence and self-assurance, there is a possibility of business failure because of the mishandling of the situation. In Case A, the entrepreneur stated that he kept going despite setbacks, because he had a vision which combined with perseverance and proactive personality and enhanced his commitment.

Among the other personal traits, problem solving skills and assertiveness tend to have a positive influence on business success despite the challenge's entrepreneurs faced in past. The entrepreneur stated in Case B: *"I think it really led me to the view that you could, in fact, construct your own path because there were lots of paths available, and then the second was almost like a very pragmatic kind of work on solving the problem versus being an expert within a discipline. This kind of entrepreneurial focus on a personal life — not necessarily on building companies — but on the how you take risks and how you cut your own path and how you think about just solving the problem versus identifying yourself as, 'Oh, I'm a member of this discipline — like, I'm a product*

manager, or I'm an artist, or I'm a lawyer, but rather, these are the problems I'm working on. This is how I'm making a serious difference in the world."

Motivation

Motivation also makes up the theoretical construct of "Being Resilient". In addition to the features discussed above, motivation also influences the resiliency level of entrepreneurs because it's what makes them recover from failure and move on to another venture creation. In this regard, the need for achievement and intrinsic motivation to start again are the traits of *goal-commitment* behaviors of an entrepreneur, as seen in case study B. Moreover, the entrepreneur observed in case A reported: *"Amazingly. Thankfully. In fact, I'm actually in surprisingly good shape. I'm optimistic. (I'm always optimistic.) And I have many, many ideas. (I always have many ideas.)"*

Entrepreneurs who are naturally driven are more prone to bounce back from failure into subsequent success of venture creation as reported in Case B:

"Surround yourself with people who are better than you. It's a key trait that I see in all the best leaders. You have to let go of any fear that a smart team will outshine you. In fact, brilliant coworkers raise the game for everyone."

Human capital

Human capital plays a distinctive role in business establishment and success. Indicators of the general human capital, such as *level of education* and *entrepreneurial competence*, are noticeable factors that have an impact on subsequent success. The more education entrepreneurs receive, the better they are in applying their knowledge and skills to managing their enterprises after failure as seen in case study B. In addition to the knowledge and skills attained through experience, a highly educated entrepreneur has strong social relationships such as alumni or professional networks like in case study A.

CONTEXTUAL FACTORS

Resources

Resources provide great support in building a business therefore, in time of difficulties having personal financial resources can benefit the entrepreneurs as described in Case B:

“You need enough capital to cover unexpected expenses, as we’ve already covered, sure. But you also need to be prepared for unexpected opportunities and you might need some type of resources to exploit those.”

Culture

Culture attracts attention to the tolerance of failure in entrepreneur’s society and it can have both positive and negative influences. As the participants in both case studies are from Silicon Valley, the USA compared with a society in which business success may create jealousy or in which business failure is seen as a big disappointment due to the anti-failure bias, they operate in a more tolerant culture toward business failure. This encouraged the entrepreneurs to take risks and start a new venture.

“People sometimes say that Silicon Valley celebrates failure. We don’t actually celebrate failure, we celebrate learning”, “and we understand that failure is a path to learning. This is one of the things I love about entrepreneurship. You’re encountering new challenges, and you have to learn at a very fast rate.” (Case B)

THEME 3 LEARNING AND REEMERGENCE

In the following section, the conclusions on the third research question (“*What are the learning outcomes for entrepreneurs from experiencing venture failure?*”) of the thesis are presented:

LEARNING

How an entrepreneur responds to failure can also have comprehensive consequences at the societal level. The number of individuals who choose to engage in entrepreneurship is relatively fixed in a society (Baumol, 1993). Thus, understanding the factors that influence entrepreneurial motivation after failure can have important implications for

fostering the level of economic activity in society. How entrepreneurs respond to failure can also provide important signals to their wider professional and social network regarding the attractiveness of self-employment as represented in Case A, in which William attributes his current success to learning from past failure.

If failure is viewed as part of an on-going entrepreneurial process, it can be seen as a temporary state that provides valuable learning opportunities for entrepreneurs (Politis & Gabrielsson, 2009). The entrepreneurship and entrepreneurial learning literatures have therefore begun to focus on the role of prior failure experiences for learning as seen in Case B. Reid Hoffman suggested: *“All potential learning from past failures can be applied to our new knowledge for future venture creation, as he did with LinkedIn creation”*

Findings to date therefore suggest that for these entrepreneurs, failure is part of the on-going entrepreneurial process. The idea is that entrepreneurs cultivate a sense of being able to have a better future, a willingness and ideas on how to move forward in life. This ability helps them stay resilient when dealing with the setback of venture failure.

This section extends the understanding of entrepreneurs' experience of venture failure by exploring the learning process that resulted from going through the failure process.

Lessons in business

Both cases demonstrated all the blunders and mistakes entrepreneurs made contributing to their venture failure. Some were very specific to their individual business situations. Nevertheless, the common factors leading to business failure that the participants acknowledged were regarded as “lessons learnt” which are presented below.

No prior research or investigation

Both case studies revealed that lack of the research before entering the business was the main drawback that leads to failure. The entrepreneur in Case A said:

“I started my first company before I had a job in a company, so I knew nothing--and it was a somewhat painful learning process. At first, I looked at management as a necessary evil”: “I can't do everything myself, so I guess I'll hire people, and grin and bear it, and do as little managing as possible. It turns out that does not lead to great

results. You have to think that your employees are your most important customers, and figure out what will make them happy”

“The business concept was wrong. I was in over my head, without proper thinking, you shouldn’t start anything in life. One must always do practical and theoretical research. We didn’t prepare well before starting up the business”

The entrepreneur in Case B commented in a parallel manner:

“The power of being informed before you make a decision is the most important lesson I have learnt. I just didn’t have enough knowledge under my belt. You should have enough knowledge before launching a product”

Thus, doing research prior to business establishment is very important. Both entrepreneurs learned in the hardest way that it is crucial to have enough research on your hand to be able to run the second phase of a startup.

No prior planning before opening a business

Both entrepreneurs in the case studies accepted that the main reason behind their first ventures’ failure was lack of business planning. They didn’t have any formal business plan, marketing strategy, contingency plan and they had no idea about rules and regulation about business. For example, according to the entrepreneur in Case B:

“I guess I will plan more carefully, I learned that hard way, if I can do this again today, I will do them differently as for SocialNet If we had just pulled out the phone book and called people at random in the Phoenix area, we would have been 100 to 1,000 times more successful”

He also acknowledged:

“What we do is we get this idea in hour head, we set up a company and think oh I am going to make a plan. This is the main reason of failure; therefore, we should have goals and objectives firs and a good business plan”

This led to the conclusion that in past entrepreneur was not fully aware of the underlying dangers of unknown territory as he was not prepared before the trial. This entrepreneur learned that just having a brilliant idea is not enough and he has to go through all planning and strategizing the business. Also, the entrepreneur in Case A stated:

“No matter how great and how green is your idea, you still need to be able to make it work, track the growth, follow the plan and stay focus”

Not carefully selecting partners in business

Case studies reveal that major drawback that leads to the failure was not selecting or hiring the partners and team members carefully. The entrepreneurs said that it all went down on this notion that if you don't hire carefully you are going to have conflicts and opinion differences on how to run daily business and this will eventually lead to failure. As the entrepreneur in Case B stated:

“In the next business, I would be looking for integrity and flexibility in partnerships and employees because I learned the hard way that ‘venture investment is like (a marriage based) on two PowerPoint presentations and a dinner’. You’ve got to be very careful who you are essentially getting married to and it’s both directions. You have to be aware if it’s an operational partnership and how well does it works? Because if it doesn’t then it’s time to cut away from each other, when hiring, it’s best to look for someone who can get a specific job done but is also versatile”

Similarly, the entrepreneur in Case A stated:

“Don’t compromise on who you choose to found your company with and hire. Do not put up with egocentric personalities or downer attitudes”.

“Hire like your life depends on it because it does. Hiring the right people can make or break a company. And this is a theme that comes up again and again with successful founders”.

Not paying enough attention to marketing, financial and customer/product strategies
Not having good marketing, financial and customer/product strategies will get you nowhere but towards the failure because these strategies are really important as stated by the entrepreneur in Case B:

“Oh, I’ll build a really good product, and we’ll figure out the customer acquisition later.”

“It doesn't work that way, he learned. And it's not as simple as just throwing money at advertising. He realized that developing specific customer acquisition strategies was as important as developing a product. You're encountering new challenges, and you have to learn at a very fast rate, strategize quickly, build strong marketing strategy, follow the plan, and keep in check your financials because they are the key elements.”

“The learning curve is like that. Drinking from the fire hose...unless the fire hose is like a tsunami, it understates the metaphor. Literally, at the end of every week I knew things at the end of the week that I wish I knew at the beginning of the week. I would have configured how I had played that week differently.”

“All the way through the question of how we did financing, how we composed the board, our product distribution strategy, our launch strategy, a view about what was important, a view of how we did competitive differentiation, everything.”

As the previous excerpts illustrate, experiencing financial, marketing and customer/product related problems led the entrepreneur to foster a different attitude. He stated:

“Financing strategy is more key than product strategy. Product strategy is important but basically if you can't get enough capital to get your business on the ground, and usually it's a successive set of incomes of capital, your business fails, and it goes away because the difference between being a dollar portable and a dollar not portable is immortality and death.”

Underestimating risks and not planning for contingency, not pivoting fast enough the entrepreneurs in both case studies agreed that there was not a real possibility of risk in business failure if they were better prepared. As pointed out the entrepreneur in Case B:

“I believe you have to be relentless about pursuing a big opportunity when you see it. But you also have to be ruthless about killing your own bad ideas along the way. And this ruthless approach is hard to develop. It's tough to twist the knife into a cherished idea, especially when you're just starting out. But experience will teach you that the true value of any individual idea lies in how close it gets you to your ultimate goal. If it

doesn't move the needle, you have to axe it quickly, and find a better idea that propels you forward”

Some entrepreneurs are certain that if they had done things differently in terms of planning and risk assessment, they could have avoided the failure. For example, the entrepreneur in Case A said:

“We spent so much time on our podcast company we didn’t plan for upcoming challenges, we need to spend more time on contingency planning beforehand to determine what can happen when things go wrong and what will we do if we have to change direction of business and how we will deal with it.”

“It’s pretty simple: Hard things are valuable; easy things are not so valuable. Reaching the mountaintop is rewarding because it is hard. If it was easy, everybody would do it. so take challenges and make a contingency plan for future by thinking ahead of time.”

These extracts show that entrepreneurs didn’t have enough knowledge and expertise to run a business due to lack of research and contingency strategy. The lack of an exit plan and low risk assessment leads to failure in both cases.

In depth learning and personal transformation

In depth learning and personal transformation is all about learning on personal level, being aware of one’s actions and their outcomes. This transformation triggers the learning process of one’s actions. It usually starts when entrepreneurs question themselves and thus become more aware of their capabilities.

Using self-efficacy as a power to transform

This power refers to being more personally aware of one’s abilities to tackle challenges and hard situations as well as personal traits which can contribute vastly in venture creation. By being more self-aware, entrepreneurs realize their potential capabilities that put failure directly under the positive light. In both case studies, entrepreneurs were able to explain the original reasons behind the misfortunate events and about how their decisions had impact on failure.

The entrepreneur in Case B stated:

“I think it really led me to the view that you could, in fact, construct your own path because there were lots of paths available, and then the second was almost like a very pragmatic kind of “work on solving the problem” versus “being an expert within a discipline.” This kind of entrepreneurial focus on a personal life — not necessarily on building companies — but on the how you take risks and how you cut your own path and how you think about just solving the problem versus identifying yourself as, “Oh, I’m a member of this discipline” — like, “I’m a product manager,” but rather, “These are the problems I’m working on. This is how I’m making a serious difference in the world.”

With this recently developed self-awareness, the entrepreneur in Case B learned to be more versatile, disciplined and goal-oriented.

Redefining Self and Venture Failure

According to both cases, failure experience has been the foundation for entrepreneurs’ successful future ventures as it made them realize that this failure was a learning crash course. They actually did not fail as a person and it was just a business failure. This shifted the attention from viewing failure as a traumatic event to see it in the light of optimism and hope for future. Case studies described failures as temporary episodes which will eventually pass. The entrepreneurs did learn that with being positive and looking at the bright side would provide them a potential coping strategy as explained by the entrepreneur in Case B:

“You learn things about yourself such as your ability to cope and how you cope. You learn a lot of interpersonal skills, you learn how to think creatively about how you are going to solve problems and you learn how to build relationships with people you are working with.”

Similarly, the entrepreneur in Case A explained:

“Yes, there are challenging situations but for the most part, I rise to those challenges and handle them effectively. I have had the occasional stumble though but have learnt from each stumble”

In addition, the entrepreneurs in both case studies admitted that they are braver and more determined to face challenges and take risks than ever before. After this

experience, they are more aware of their abilities and in culpabilities. Further, they described the wealth of knowledge they have now about how to start business, liquidation strategy, and even financial strategies.

These entrepreneurs were more optimistic and positive after the failure and they were also more contented. They referred to failure as a learning experience and this experience provided them with all learning opportunities and lessons about themselves. For example, the entrepreneur in Case A explained:

“I am calmer and more confident and learned good leadership skills. The valuable lessons you learn from closing your ventures are often the stepping stones of your next success”.

Similarly, the entrepreneur in Case B stated:

“I also try to think and act as strategic as I could, I try to learn constantly, I work hundred-hour weeks, and I am constantly innovating myself, it’s both massively luck and massively hard work. Sometimes it’s more luck than hard work, and sometimes it’s more hard work than luck. But every success requires both.”

Based on the above, resilience can be described as how entrepreneurs saw the light at the end of the dark tunnel, how they came out of this trauma, and how they used the lessons learned in a particular failure. Thus, this framework highlights that entrepreneurs do not only learn in the business context but also, they went through a deep self-transformation. They learned what to do and what not to do in future venture creation.

CHAPTER SIX: DISCUSSION AND RECOMMENDATIONS

6.1 DISCUSSION

This thesis maps out the failure aspect of entrepreneurship in depth which is an important context having high popularity in accounting, economy and contemporary management studies. As failure is a universal threat for many entrepreneurs, specifically for those in the startup stage, it is an important concept for both businesses and entrepreneurs. Yet literature does not have many studies concentrating on this specific topic (Riviezzo, 2015). According to Pfeffer (1993) to prevent this particular area of research to turn into “weed patch rather than a well-tended garden” further studies need to be conducted to promote a general consensus on the fundamental causes of the failure and to resolve the theoretical disputes.

This research attempts to make a small contribution in the mechanism of entrepreneurial journey. What emerges from the findings is the multifaceted interrelationship between the financial, emotional and social costs of failure, providing a more socialized view of loss and these features are defining aspects of experiences capable of nurturing higher-level of entrepreneurial learning (Cope, 2005) as it was realized in both case studies.

The widespread social impact of failure includes both personal and business relationships, and those internal and external to the venture. As Cardon and McGrath (1999) explain, the very public nature of failure is that it is observed by respected family, friends and network contacts, and can lead to negative feelings of humiliation or remorse. The comment by Evan, which is one of the cases in Odeo’s study, clearly highlights this proposition, in that he stated that he was “failing” a whole range of contributors to the venture and became increasingly withdrawn as a result this failure’s significant negative impact. Whilst it is well established that entrepreneurs are helpfully embedded in complex networks of relations that provide advice, support and assistance (Jack and Anderson, 2002), the findings suggest that the criticality of failure lies in its ability to detach entrepreneurs from their naturalistic community of collaborators but also in the social isolation that entrepreneurs can experience as they feel unable to confide in others (Whyley, 1998).

Furthermore, the findings indicate that recovery from failure represents a gradual healing process, in which some measure of temporal and psychological distance is

required to overcome the very raw and painful emotions of failure. The following comment by Reid Hoffman reinforces that, above all, time is a healer: “At the time...you are just devastated...Then a month goes by and you say ‘what was I so upset about?’ you have to have a right attitude towards failure So at the time [it] looks like a mountain and as time goes by it becomes a molehill”. Whilst the participants naturally experienced heterogeneous “grief recovery times” (Shepherd, 2009), what emerges from the data is a purposeful and necessary “stepping back” from the loss of the venture before meaningful reflection and new activity could begin. In the aftermath of failure both participants appear to have experienced the need for what Mezirow (1991) describes as a hiatus, a purposeful break from thinking about their failure. Mezirow explains that hiatus is related with challenging forms of reflection that leads people to re-examine presuppositions and transform one's understanding of events which cannot occur immediately. Rather, learners need time to come to terms with problems faced before attempting to learn from them, as it was realized in both case studies within the context of this research: “restoration-oriented dynamics” (Shepherd, 2009) played a more prominent role immediately after the failure event.

Resilient entrepreneurs are usually able to recover immediately and appropriately from the trauma of failure and they tend to take lessons from it, and then use these learnings as a guideline for future endeavors. Shepherd (2004) argues that “recovery from entrepreneurial failure” includes “learning from the failure” and “commitment to the subsequent venture creation” and this journey to learn from failure and use it as a future venture creation is eminent in both cases.

In entrepreneurial learning context, learning in entrepreneurial failure is described as an interactive process (Hamilton, 2004). The fundamental form of reflection challenges personal assumptions and behaviors and is concerned with the “why” rather than the “how-to” of action, examining the reasons for and consequences of what we do (Mezirow, 1991) as seen in both cases. Marsick and Watkins (1990) emphasize that such critical reflection involves paying attention to surprising results and inquiring into their meaning. It is clear that both Evan Williams and Reid Hoffman asked themselves deeply “probing questions” (Marsick & Watkins, 1990) in order to understand why the failure occurred and their own role in the venture's demise. It is therefore apparent that entrepreneurs can engage in “mindfulness” when processing failure (Rerup, 2005), which involves trying to garner new information and focusing on process rather than

outcome, ultimately leading to a better self-concept and more considered future activity (Mezirow, 1991).

Findings of this study contributes to the idea that failures do help in future successful endeavors (Cope, 2003) as this can be seen in both case studies of finally successful ventures. They show that certain characteristics of entrepreneurs', such as entrepreneurial self-efficacy (Jenkins, 2014), resilience (reflection of motivation) (Shepherd, 2004), emotion regulation, values and beliefs (personality trait) (Przepiorka, 2016; Rauch & Frese, 2007). and self-awareness and leadership (ability/behavior) contribute to the success of those who begin a new business after the failure of another prior business. They also suggest that interpersonal, intrapersonal and contextual factors (Jin, Lee, Jiya Wang, 2017) such as family and social contact, support from formal institutions and financial resource institutions and would contribute to the subsequent startup success of failed entrepreneurs as seen in both cases. In sum, the purpose of this study was to determine some of the factors that are influential in the success of a new venture after an entrepreneur experience the failure of a company.

Furthermore, the framework built in this study can offer validation on explicit features of failure recognized in the background literature discussed earlier studies. It offers multiple ways through which learning aspect can be useful in future endeavors (Zacharakis,1999; Politis & Gabrielsson ,2009; Gupta, 2005; Sarasvathy & Menon ,2002) Another finding of this study is the reaffirmation that failed business did not appear to affect negatively the entrepreneur's resilience regarding the next start up.

Additional interpretation of this lack of confirmation is that resilience is related to how entrepreneur felt about the previous failure (McGrath, 1999). Feelings of despair, panic, and blame did not interfere with future endeavors; on the contrary, they were a stepping stone in both case studies. Resilience was the key element in both considering entrepreneurs are exposed to high risk of failure and uncertainty. Resilience is a key driver for their constant trials and subsequent success (Bullough & Renko, 2013; Bullough, 2014). This finding is interesting in and of itself, because what it reveals is that although the entrepreneurs may have felt badly or may not have felt badly about their failure; those feelings were not connected to their belief regarding their ability to start a new business, or to their future success. This may be a reason why serial entrepreneurs (Politis & Gabrielsson, 2009) are so successful, because they are able to

disconnect their feelings from the past and maintain their focus on the present and future.

Social support from friends, family members, and coworkers are important variables for building resilience, and directly influencing venture success. As according to Ellis and Davidi (2005) there is a fair chance that we can use success as a learning lesson too in order to comprehend the why and how it happened and what works as in the context of venture success: Likewise, lessons from the failure in both cases were the most valuable assets having an influence on the success of the venture.

6.2 LIMITATIONS OF THE STUDY

All research has limitations. Best & Kahn (1993) defined limitations as "those conditions beyond the control of the researcher that may place restrictions on the conclusion of the study and their application to other situations" (p. 40). For this research, the greatest concern is its external validity and generalizability of the findings. The findings in this study are not generalizable to all entrepreneurs. Besides, there may be the case of personal bias in the concept analysis. Only two cases have been selected to understand a particular phenomenon in depth. It would be viable to analyze wider number of case studies to reach more rigid conclusions.

6.3 MAJOR CONTRIBUTIONS

Major contributions of this research are as follows:

First and foremost, this study helps overcoming the "*anti-failure bias*" in the literature, which states that failure is something that should be avoided at all cost. Moreover, it helps one to interpret the concept of failure in a positive way considering that the majority of entrepreneurial experience results in failure.

This research can help understanding the process of recovering from failure, particularly how entrepreneurs can use this experience to their benefit in the context of lessons learned from the framework constructed in this research.

Additionally, this study expands the understanding of causes and outcomes of failure, valuable lessons learned from failure, and how entrepreneurs can use these lessons as milestones in their future success.

6.4 FUTURE RESEARCH

The main purpose of this study was to investigate the phenomena of entrepreneurial failure from the perspective of entrepreneurs who failed/abandon their ventures and to observe the factors which contribute the ventures' future success. Findings show that not only entrepreneurs but also their families suffered from failure. Thus, future studies may investigate the impact of failure on entrepreneurs' family and friends by answering the following questions: How entrepreneurs and their life partners can bounce back from impending failure effects and influences? How can they progress and get out of it throughout the years? What learning outcomes did they generate out of the failure?

The framework of this study can be used as a guide and reference for the current and potential entrepreneurs who are facing entrepreneurial failure. Furthermore, its research findings can help policy makers to develop an improved comprehension of the entrepreneurial process.

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APPENDIX

DATA COLLECTION SOURCES

EVAN WILLIAMS

FORBES	https://www.forbes.com/profile/evan-williams/#475bd3612134
BRITANNICA	https://www.britannica.com/biography/Evan-Williams
FORBES	https://www.forbes.com/sites/christianwolan/2011/04/14/the-real-story-of-twitter/#4866ffb266af
FORBES	https://www.forbes.com/sites/kathleenchaykowski/2018/12/09/billionaire-twitter-cofounder-evan-williams-unloaded-nearly-half-of-his-twitter-stake-since-april/#6ccc28ea715a
MEDIUM	https://medium.com/@ev
BIOGRAPHY	https://www.biography.com/people/evan-williams-21402351
CRUNCHBASE	https://www.crunchbase.com/person/evan-williams
GIGAOM	https://gigaom.com/2006/09/14/evan-williams-how-odeo-screwed-up/
THE GUARDIAN	https://www.theguardian.com/technology/2006/nov/04/news.weekendmagazine
BUSINESS INSIDER	https://www.businessinsider.com/how-twitter-was-founded-2011-4
CASE SOLUTIONS	https://www.thecasesolutions.com/?s=EVAN+W%C4%B0LL%C4%B0AMS
TED	https://www.ted.com/talks/evan_williams_on_listening_to_twitter_users/transcript
ECORNER.STANFORD.EDU	https://ecorner.stanford.edu/video/learning-from-failure-3/
TED	https://www.ted.com/talks/evan_williams_on_listening_to_twitter_users/transcript?source=twitter&utm_content=addthis_custom&utm_source=rebelmouse.com&utm_campaign=&awesm=on.ted.com_fmYD&utm_medium=on.ted.com-twitter&language=tr
YOUTUBE	https://www.youtube.com/watch?v=m4GEwhz4lfc
TED	https://www.ted.com/speakers/evan_williams
WIKIPEDIA	https://en.wikipedia.org/wiki/Odeo
ENTREPRENEUR	http://www.entrepreneur.com/management/leadership/article83764.html
BUSINESS INSIDER	https://www.businessinsider.com/how-twitter-was-founded-2011-4
GIGAOM	https://gigaom.com/2006/09/14/evan-williams-how-odeo-screwed-up/

MACWORLD	https://www.macworld.com/article/1045419/evanwilliams.html
INC	https://www.inc.com/magazine/20080301/anything-could-happen.html
JOURNAL OF SMALL BUSINESS STRATEGY	Liao, J. J. (2008). Start-up resources and entrepreneurial discontinuance: The case of nascent entrepreneurs. <i>Journal of small business strategy</i> , 1-15.
TED TALKS	https://www.ted.com/talks/evan_williams_on_listening_to_twitter_users
TED	https://www.ted.com/speakers/evan_williams
BLOG.TWITTER	https://blog.twitter.com/official/en_us/a/2010/newtwitterceo.html
TED	https://www.ted.com/speakers/evan_williams
BLOG TWITTER	https://blog.twitter.com/official/en_us/a/2010/newtwitterceo.html
FORBES	https://www.forbes.com/sites/christianwolan/2011/04/14/the-real-story-of-twitter/#7fcbb8e966af
MASTER OF SCALE	https://mastersofscale.com/ev-williams-never-underestimate-your-first-idea/
EVAN WILLIAMS	Williams, E. (2013). Evan Williams-Advice to Aspiring Entrepreneurs.
MEDIUM	https://medium.com/
YOUTUBE	https://www.youtube.com/watch?v=zR1xDBFdRZO
MACWORLD	https://www.macworld.com/article/1045419/evanwilliams.html
HBS	https://www.hbs.edu/faculty/Pages/item.aspx?num=36685

REID HOFFMAN

BBC	https://www.bbc.com/news/business-12151752
MASTER OF SCALE	https://mastersofscale.com/wp-content/uploads/2018/11/mos-episode-transcript-aneel-bhusri-2.pdf
MASTER OF SCALE	https://mastersofscale.com/
BBC	https://www.bbc.com/news/business-12151752
MASTER OF SCALE	https://mastersofscale.com/ev-williams-never-underestimate-your-first-idea/
BUSINESS INSIDER	https://www.businessinsider.com/linkedin-reid-hoffman-lessons-from-failure-2015-7
ENTREPRENEUR	http://www.entrepreneur.com/management/leadership/article83764.html

BUSINESS INSIDER	https://www.businessinsider.com/reid-hoffman-founded-a-dating-site-2013-5
JOURNAL OF SMALL BUSINESS STRATEGY	Liao, J. J. (2008). Start-up resources and entrepreneurial discontinuance: The case of nascent entrepreneurs. <i>Journal of Small Business Strategy</i> , 1-15.
MEDIUM	https://medium.com/@reidhoffman
INDEPENDENT	https://www.independent.co.uk/topic/reid-hoffman
CNBC	https://www.cnbc.com/2018/12/26/reid-hoffman-apologizes-for-his-role-in-funding-misinformation.html
WIKIPEDIA	https://en.wikipedia.org/wiki/Reid_Hoffman
YOURTECHSTORY	http://www.yourtechstory.com/2018/08/27/reid-hoffman-founder-linkedin-social-network/
YOURTECHSTORY	http://www.yourtechstory.com/2018/08/27/reid-hoffman-founder-linkedin-social-network/
CRUNCHBASE	https://www.crunchbase.com/organization/socialnet-com
FOEBES	https://www.forbes.com/sites/roberthof/2012/09/10/reid-hoffman-social-networking-isnt-over-yet-and-neither-is-facebook/#6c5551ab2c73
FORBES	https://www.forbes.com/profile/reid-hoffman/#9c55b4818491
NFX	https://www.nfx.com/post/reid-hoffman-network-effects-interview-james-currier
RECODE	https://www.recode.net/2017/11/27/16699712/linkedin-reid-hoffman-masters-scale-greylock-partners-social-media-abuse-kara-swisher-decode-podcast
BLOOMBERG	https://www.bloomberg.com/news/videos/2018-10-10/what-reid-hoffman-thinks-about-the-regulation-of-social-media-video
BUSINESS INSIDER	https://www.businessinsider.com/reid-hoffman-career-life-2017-11
BUSINESS INSIDER	https://www.businessinsider.com/linkedin-cofounder-reid-hoffman-success-how-i-did-it-2017-11
CNBC	https://www.cnbc.com/linkedin-founder-reid-hoffman-on-investing-his-podcast-and-scaling-up/
ENTREPRENEUR	https://www.entrepreneur.com/article/292749
NEILPATEL	https://neilpatel.com/blog/hoffmans-advice-for-entrepreneurs/
BUSINESS INSIDER	https://www.businessinsider.com/reid-hoffman-career-life-2017-11
WSJ	https://www.wsj.com/articles/what-linkedin-founder-reid-hoffman-learned-from-an-early-failure-1525140240

ENTREPRENEUR	https://www.entrepreneur.com/article/230707
WIRED	https://www.wired.co.uk/article/fail-to-succeed
FORTUNE	http://fortune.com/2018/10/01/reid-hoffman-blitzscaling-book/
VOX	https://www.vox.com/2015/5/22/8639717/reid-hoffman-the-alliance
FORBES	https://www.forbes.com/profile/evan-williams/#3cd5701a2134
PANDO	https://pando.com/2017/09/21/its-called-fuck-you-money-reason/
YOUTUBE	https://www.youtube.com/watch?v=y mx MI5mPPE
NEWYORKER	https://www.newyorker.com/magazine/2015/10/12/the-network-man
YOUTUBE	https://www.youtube.com/watch?v=nNuYE80m-00
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