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1. Introduction

The introduction presents the topic of the thesis as well as the problem, purpose and delimitations.

1.1 Background

The field of entrepreneurship has a fundamental importance for the development of the economic world due to the wealth it creates (Shane, 2006; Dickson & Weaver, 2008). Nowadays many people are engaging in different entrepreneurial activities, such as creating a new business idea or product (Shane, 2006). Shane and Venkataraman (2000) define the field of entrepreneurship as “the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited” (p.218). Consequently, substantial research has focused on the entrepreneurial success, many of which was conducted quantitatively (see Unger, Rauch, Frese, & Rosenbusch, 2011; Lafuente, Lafuente, Guzman-Parra, & Lafuente, 2013; Sarasvathy, Menon and Kuechle, 2013).

However, one research topic which has been given less attention is entrepreneurial failure, despite that it can be argued that entrepreneurial failure is important for understanding the entrepreneurial process, given that a substantial share of new firms, up to 90%, fail during the early stages of the business (Patel, 2015). Nevertheless, recently there has emerged a body of research conducted on the topic of entrepreneurial failure, the causes of failure (Artinger & Powell, 2016) and the outcome of failure (Yamakawa & Cardon, 2015; Ucbasaran, Shepherd, Lockett & Lyon, 2013). However, an interesting finding about entrepreneurial failure shows that about one third of businesses which fail actually continue to operate (Jenkins & McKelvie, 2017) which therefore could suggest that failure does not necessarily imply bankruptcy. In addition, research shows that 20% of the failed entrepreneurs open a new venture after an initial failure (Patel, 2015) and one-third of the failed businesses sampled by Jenkins & McKelvie (2016) do not even shut down. This persistence of entrepreneurs could perhaps suggest that failure could lead to learning and also to the acquisition of skills, as

scholars have previously suggested (Politis & Gabrielsson, 2009; Walsh & Cunningham, 2017; Ucbasaran et al., 2013). Consequently, this thesis will therefore investigate the relationship between business failure, learning and human capital.

1.2 Problem

Two important findings in the business failure literature can be identified: the first, that learning is an outcome of business failure (Ucbasaran et al., 2013) and the second, that learning happens through the accumulation of knowledge and skills (Walsh & Cunningham, 2017) which are subsets of human capital (Quan & Huy, 2014). Hence, learning can be defined as the ability of the entrepreneur to transfer knowledge from their previous failed enterprise to the subsequent one (Quan & Huy, 2014; Yamakawa & Cardon, 2015). And knowledge is an element of human capital since human capital are the skills and knowledge which increase earning power (Quan & Huy, 2014).

However, failure is also associated with costs for the entrepreneur such as psychological, social and financial costs (Ucbasaran et al., 2013). Given that these negative consequences of business failure for the entrepreneur are recognized, it is surprising that habitual entrepreneurs, who can be defined as entrepreneurs who have some prior experience as owners of a firm (Westhead, Ucbasaran & Wright, 2009) and therefore own more than one business during their career, manage to continue to run one or several ventures and in some cases do not even shut down their venture despite difficult barriers (Jenkins & McKelvie, 2016).

Based on these insights, this thesis will investigate what effect business failure and the acquisition of human capital have on entrepreneurial learning. The reason for this is that a two-dimensional relationship which business failure and human capital are theorized to have with entrepreneurial learning has not yet, to the best knowledge of the authors, been explored in previous literature in the field of entrepreneurship.

Another important aspect is that entrepreneurial failure, as noted previously, does not necessarily imply bankruptcy (see Jenkins & McKelvie, 2017). It is therefore surprising that research on the topic of entrepreneurial failure defines failure as bankruptcy or

shut-down due to for example poor performance (see Ucbasaran et al., 2013). However, this thesis will extend the definition of failure to involve even firms that do not necessarily go bankrupt, but experience failure within the firm without actually closing down. Therefore, this thesis will attempt to contribute to the current literature on entrepreneurship failure by broadening the current theory and applying it to a different context, as suggested by Eisenhardt (1989). To the authors best knowledge, a broad definition of entrepreneurial failure such as the one used in this thesis has not been appropriated in previous research and therefore has potential to offer new insights on entrepreneurial learning.

This research could therefore contribute to the entrepreneurship literature not only by addressing a gap in the existing literature, but also by expanding the current knowledge of entrepreneurial decision making and reasoning and extending previous theory to a different context, as previously stated.

1.3 Purpose

The purpose of this thesis is to investigate what impact business failure and human capital have on the entrepreneurial learning of habitual entrepreneurs. A literature review has been conducted in order to gather knowledge of the phenomena of business failure, entrepreneurial learning and human capital, and consequently data has been collected to investigate that phenomena among entrepreneurs, following an abductive logic (Mantere & Ketokivi, 2013). This research is therefore exploratory since it is aimed at gaining deeper insights (Saunders, Lewis & Thornhill, 2009) of entrepreneurial learning as influenced by business failure and human capital.

1.4 Delimitation

The main point of interest in this thesis is entrepreneurial learning, which is a positive implication of failure for entrepreneurs (Walsh & Cunningham, 2017; Ucbasaran et al., 2013). Having stated that, this thesis did not investigate the other implications of failure which the current literature addresses like the consequences for the industry (Knott and Posen, 2005) since they are not covered by the scope of the thesis.

The failure experiences of the entrepreneurs under study were not controlled or chosen deliberately for the purpose of including failures other than bankruptcies. The purpose with this is to extend current theory and apply it to another context, which is one of the methods of building theory through case studies, as suggested by Eisenhardt (1989). The sample consists of three entrepreneurs who had experienced product failures, three entrepreneurs who experienced failures of strategy and another two who have experienced bankruptcy. The argument for defining failure broadly was to include entrepreneurial failures which did not lead to bankruptcy in order to gain more insights, but one limitation is that there are only three types of failures. Perhaps the study would be further enriched had there been other types of failures as well. However, the stigmatization of the topic of failure made finding entrepreneurs who are willing to be interviewed difficult, and therefore the task of finding more entrepreneurs who experienced different failures proved to be even more difficult.

2. Frame of Reference

The purpose of this chapter is to provide a theoretical base and gather the previous research about entrepreneurial failure and learning. The chapter begins with a distinction and definition of business failure, followed by a synthesis of previous literature about the factors relevant to learning from failure like costs of failure, learning, attributions and human capital. The chapter ends with a summary which ties together the insights gained.

2.1 Literature Searching Method

The frame of reference for this thesis consists of peer reviewed articles on previous research in entrepreneurial failure, learning and human capital. A literature review was conducted on the topic of entrepreneurial failure from which themes were identified for the purpose of creating a conceptual framework and consequently identifying a specific research gap used to specify the research question. This strategy follows from the abductive approach used in this thesis, as specified previously.

The articles used in the literature review are all academic, peer reviewed and were collected from the databases Primo JU, Scopus and Google Scholar. Peer-reviewed articles were used to increase the reliability and trustworthiness of this thesis. The keywords used mostly in the process were: “Entrepreneur* exit”, “Business failure”, “Entrepreneur* bounce back”, “Entrepreneur* learning”, “Venture failure”, “Entrepreneur AND Exit” and “Entrepreneur* recovery”. Thereafter, the relevant articles to the research topic of this study were selected, read and synthesized into a conceptual framework

2.2 Business Failure

2.2.1 Business Failure vs. Business Exit

One important distinction in the literature is made between business failure and business exit, also referred to as voluntary and involuntary business exit (Jenkins & McKelvie, 2016). Entrepreneurial failure is usually defined as when a newly opened business fails (Knott and Posen, 2005) and goes out of business due to for instance financial reasons

(Dias & Teixeira, 2017) while entrepreneurial exit is defined as when an entrepreneur ceases to own the firm which he or she has helped to start up, for example by selling the business or making an initial public offering (DeTienne, 2010). This research will investigate entrepreneurial failure since it is aimed at studying the learning process of entrepreneurs who have experienced involuntary failure as opposed to exiting entrepreneurship because of realization of return, retirement or death (Dias & Teixeira, 2017). Therefore, the distinction between entrepreneurial failure and exit is important.

2.2.2 Definition of Entrepreneurial Failure

The definition of entrepreneurial failure is ambiguous since failure can be conceptualized in different ways (Jenkins & McKelvie, 2016). According to Shepherd and Wiklund (2006), the most important failure criteria is measured primarily financially at a firm-level. However, it remains ambiguous whether the firm level and financial criteria is sufficient to capture and explain the dynamics of entrepreneurial failure. Consequently, Jenkins and McKelvie (2016) differentiate between conceptualizing failure based on two levels of analysis, firm-level versus individual-level, and objective versus subjective. The individual-level subjective conceptualization of failure investigates the personal failure of the entrepreneur and how he/she copes with the failure, thus examining the personal effect of failure on the entrepreneur. Consequently, an individual-level and subjective criterion of failure is suitable for investigating how the entrepreneur learns from failure (Jenkins & McKelvie, 2016). Based on that, the scope of this study will be limited to individual-level and subjective criteria of the entrepreneurs under study since the purpose of this study is to investigate the learning process of entrepreneurs who have experienced some form of failure.

Additionally, scholars who have investigated entrepreneurial failure have often based their studies on entrepreneurs whose entire businesses have failed, i.e. the ownership of the business has ended due to for example insolvency or other issues (Jenkins & McKelvie, 2016; Ucbasaran et al., 2013). However, Jenkins & McKelvie (2017) found that about one third of bankrupt firms in their study continued to run even after the bankruptcy, suggesting that the start of a new venture might not end after an initial setback. In addition to this, learning is defined in the literature as the ability to transfer

knowledge from a failed enterprise to another (Yamakawa & Cardon, 2015). Based on that, this study will not only investigate entrepreneurs whose firms have failed completely, but also include entrepreneurs who have experienced other types of failure within their current business such as failure of a product, strategy, concept etc. The failure itself depends on the entrepreneur's perception of failure since this thesis aims to investigate failure from an individual-subjective point of view (Jenkins & McKelvie, 2016). As stated, a broad definition of failure which includes failures of certain elements of a business rather than the whole business has not been, to the best knowledge of the authors, appropriated in previous research. It could therefore be argued that these smaller failures, or failures which do not lead to the end of ownership also have potential to generate learning, and that there could be a possibility of gaining new insights by studying them.

2.2.3 Implication of Failure

The implications of entrepreneurial failure are, as seen from the literature, threefold. Firstly, business failures have certain effects on the industry in which they operate. Knott and Posen (2005) argue that business failure lowers industry cost and generates spill-overs of knowledge which are consequently used by the surviving firms. Secondly, business failure has negative implications for the entrepreneur since it is associated with grief and lower self-esteem (Jenkins, Wiklund & Brundin, 2014), feelings of depression and worthlessness (Baù, Sieger, Eddleston & Chirico, 2018) and other emotional, financial and social costs (Ucbasaran et al., 2013). In addition, research shows that business failure causes the entrepreneur to become socially stigmatized with the consequence of lower legitimacy of the entrepreneur in the eyes of the public (Kibler, Mandl, Kautonen & Berger, 2017). Lastly, business failure also has positive implications for the entrepreneur since it provides an opportunity to learn and develop skills which can be used in future business activities (Politis & Gabrielsson, 2009; Walsh & Cunningham, 2017; Ucbasaran et al., 2013). As mentioned previously, this thesis will investigate the relationship between failure, learning and human capital, and therefore the focus will be on these positive implications of failure.

2.2.4 Costs of Failure for Entrepreneur

Given that there seems to be a consensus regarding the idea that failure leads to entrepreneurial learning (Walsh & Cunningham, 2017; Yamakawa & Cardon, 2015; Ucbasaran et al., 2013), research also suggests that failure has certain drawbacks as well. Ucbasaran et al. (2013) found that entrepreneurial failure leads to financial, psychological and social costs. Financial cost of failure is the most obvious one, and although some entrepreneurs suffer a lower financial loss, others end up losing significant personal investments which in turn affects their personal economy negatively (Cope, 2011). Another important cost is the emotional cost (Cope, 2011) which can include feelings of grief, depression and guilt among others (Ucbasaran et al., 2013). Moreover, feelings of grief are recognized by several scholars in the entrepreneurial literature and are also a barrier when engaging in learning (Cope, 2011). Grief is regarded as the negative emotions resulting from an important loss (Shepherd & Kuratko, 2009) and feelings of grief occur because of the loss of the business (Amankwah-Amoah, Boso & Antwi-Agyei, 2016). In addition, Jenkins et al. (2014) suggest that a loss of self-esteem is correlated with grief. The feeling of personal failure results in grief (Jenkins et al., 2014) and grief is a process which takes time (Fang He, Siren, Singh, Solomon & Von Krogh, 2018). Therefore, entrepreneurs need to deal with and overcome the grief in order to be able to learn (Cope, 2011; Shepherd & Kuratko, 2009; Acheampong & Tweneboah-Koduah, 2018). Lastly, social costs include loss of personal relationships like marriages and networks (Ucbasaran et al., 2013) but also stigmatization of the entrepreneur, meaning loss of legitimacy in the eyes of other people or the public (Yamakawa & Cardon, 2015). Since this thesis will mostly focus on the learning aspects of failure, one section will particularly examine previous literature on internal and external attributions, which is relevant since internal attributions are suggested to lead to learning (Yamakawa & Cardon, 2015) while external attributions are believed to lead to lower stigmatization of the entrepreneur (Kibler et al., 2017).

2.3 Different Types of Entrepreneurs

In the entrepreneurship literature, there are different types of entrepreneurs described. Novice entrepreneurs are people who currently own a business, but do not have any experience in the majority or minority ownership of a previous venture (Westhead, Ucbasaran & Wright, 2005). Habitual entrepreneurs on the other hand are “repeat entrepreneurs” i.e. entrepreneurs who have, in one way or another, at least one previous experience in the ownership of a firm (Westhead et al., 2009). More specifically, habitual entrepreneurs can be further divided into serial entrepreneurs and portfolio entrepreneurs. Portfolio entrepreneurs have an ownership stake in two or more ventures at once, in contrast to serial entrepreneurs who have shut down or sold a previous business and have an ownership stake in another current venture (Westhead et al., 2005). It is important to make these distinctions between different types of entrepreneurs since one-time entrepreneurs, or entrepreneurs who stay in their first venture throughout their whole entrepreneurial career, view the end of the firm as the end of entrepreneurship whereas habitual entrepreneurs have the ability to constantly learn, develop and increase performance over time (Westhead et al., 2009). This is something which Sarasvathy et al. (2013) also agree with, since they argue for the importance of studying entrepreneurship as a learning process because failed firms also provide an opportunity for learning. As mentioned previously, habitual entrepreneurs are the focus of this study.

2.4 Attributions, Learning and Stigmatization

Entrepreneurs who attribute their failure internally, that is, as caused by factors under the entrepreneurs' control like inexperience or lack of skills, are found to learn more and gain deeper insights about their failure (Yamakawa & Cardon, 2015; Yamakawa, Peng & Deeds, 2017). One reason for this learning is that an internal attribution allows the entrepreneur to engage in deep thinking and reflection, which are important for learning (Yamakawa & Cardon, 2015). In addition, Yamakawa et al. (2017) argue that an internal attribution of failure causes the entrepreneur to retrospectively view the failure and thereby evaluate, in terms of themselves as individuals what they could have done differently. Consequently, what leads to the learning from failure are those

insights the entrepreneur gains about him or herself which can then be applied to other business activities (Yamakawa et al., 2017).

However, Yamakawa et al. (2017) argue that these insights lead to greater performance mostly when the number of failures is low.

Consequently, Yamakawa and Cardon (2015) suggest that an external attribution of failure, meaning attributing failures to the market or inadequate research, prevents learning. On the contrary, Walsh and Cunningham (2017) suggest that an external attribution allows for a more general type of learning about networks and relationships since the failure is not personalized. However, one positive aspect of external attribution is that when a failure is perceived to be outside the entrepreneur's control, it reduces stigmatization and in turn legitimizes the entrepreneur in the eyes of the public (Kibler et al., 2017). Stigmatization can be defined as a mark of bad reputation and loss of legitimacy in the eyes of the public. It can be depicted as being associated with venture failure and prompt criticism of unsuccessful entrepreneurs (Cardon, Stevens, Potter, 2011). This could discourage the entrepreneur to start a new business venture (Kirkwood, 2007; Politis and Gabrielsson, 2009; Simmons, Wiklund and Levie, 2014). Singh, Corner and Pavlovich (2015) discovered that stigmatization is a process that occurs over time. It begins before the entrepreneurial failure and contributes to it and causes the entrepreneur to ponder and re-evaluate his/her experience, which shifts his/her view from negative to positive. This process helps the founders to learn from their past mistakes (Singh et al., 2015). In addition, Cardon et al., (2011) suggest that failure has an extensive impact on the stigmatization of the founder and the entrepreneurial activity in the local area. Also, failure affects the view of the individual entrepreneur regarding themselves and their abilities (Cardon et al., 2011).

Lastly, by attributing the failure externally, the entrepreneurs' distance themselves from the failure, reduce stigmatization and increase the chance of future success (Kibler et al., 2017), but at the same time risk missing out on important learning since external attribution is associated with less learning (Yamakawa & Cardon, 2015). Consequently, as was mentioned before, an internal attribution allows for greater learning (Yamakawa & Cardon, 2015; Yamakawa et al., 2017). This is something which is supported by Dias and Teixeira (2017) since they suggest that entrepreneurs should separate themselves

from the failure in order to gain closure and be able to move on to other business activities.

Another interesting finding by Eggers and Song (2014) suggests that in terms of serial entrepreneurs who experience failure, they usually attribute failure externally, leading to less learning (Yamakawa & Cardon, 2015). In addition, the serial entrepreneurs in the study of Eggers and Song (2014) did not change their management style, strategy or other major aspects which also points to a lack of learning as suggested by Yamakawa & Cardon (2015). However, the unwillingness of serial entrepreneurs to change strategy after a failure could perhaps be explained by the fact that serial entrepreneurs possess more skill and experience than their novice counterparts (Lin, Yamakawa & Li, 2018) which could perhaps point to a general higher confidence of serial entrepreneurs. In fact, this conclusion is supported by Ilieva, Brudermann and Drakulevski (2018). Important to note however is that these findings may not be applicable to all habitual entrepreneurs, but since serial entrepreneurs are a form of habitual entrepreneurs (Westhead et al., 2005), these findings seem to be relevant for the understanding of habitual entrepreneurs.

2.5 Learning

Entrepreneurial learning is defined as the ability of the entrepreneur to transfer knowledge from their previous failed enterprise to the subsequent one (Quan & Huy, 2014; Yamakawa & Cardon, 2015). This knowledge can be both related to experience in terms of skills and knowledge of the practicalities of running a business (Walsh & Cunningham, 2017) as well as cognitive skills (Vaillant & Lafuente, 2018) like optimism and patience (Walsh & Cunningham, 2017). However, these benefits from business failure can only be experienced if the entrepreneur engages in learning and is alert (Boso, Adeleye, Donbesuur & Gyensare, 2018). Besides the idea that a business failure can lead to a higher success in subsequent business activities (Rocha, Carneiro & Varum, 2015), Oser and Obex (2015) argue that failed entrepreneurs can develop a cognitive ability to sense when a firm is failing and identify the causes of failure and are therefore able to identify ways of improving. This suggests that entrepreneurial failure increases success of subsequent ventures through both improvement of the

entrepreneur's cognitive abilities (Walsh & Cunningham, 2017; Oser & Obex, 2015) and improvement of practical skills (Walsh & Cunningham, 2017). In addition, failure can equip the entrepreneur with certain skills and capabilities useful for decision-making in future ventures (Politis & Gabrielsson, 2009).

2.5.1 Learning and Opportunity Identification

Alertness and learning from failure can also benefit the entrepreneur by enabling him/her to recognize opportunities in the market (Hajizadeh & Zali, 2016; Boso et al., 2018; Minello, Scherer & Da Costa Alves, 2014) and exploit those opportunities (Atsan, 2016). Mueller and Shepherd (2016) argue that the identification of opportunities is performed using structural alignment, which means that the entrepreneurs cognitively compare how a product works, and then recognize the use and the benefit of that product in the market (Grégoire, Barr & Shepherd, 2010).

In addition to this, learning also increases the entrepreneurs' chances of starting a new business (Dias and Teixeira, 2017) which is close to the findings of Acheampong and Tweneboah-Koduah (2018), who argue that failure positively impacts entrepreneurs' intentions to re-venture. However, learning does not manifest itself overnight, but is rather a process which results from the accumulation of knowledge over time and therefore requires the entrepreneur to engage in order to learn (Minello et al., 2014). The reason for entrepreneurs increased intention to look for opportunities after failure could be explained by the fact that failed habitual entrepreneurs, i.e. entrepreneurs who have successfully owned multiple businesses, actively engage in seeking more opportunities and taking risks in comparison to entrepreneurs who have not failed (Ucbasaran, Westhead & Wright, 2006). Another reason could be that those entrepreneurs who look for new opportunities and re-venture are suggested to have more support from family and friends (Lin & Wang, 2019; Dias & Teixeira, 2017). And lastly, the increased propensity of some entrepreneurs to look for new opportunities can also be because some failed entrepreneurs are found to change their behaviour after a business failure in terms of the team they choose, how they design the business and what strategy they employ (Dias & Teixeira, 2017). This is something which Eggers

and Song (2014) agree with as well, suggesting that a change in behaviour leads to learning. This finding is interesting since many serial entrepreneurs are found to not change their behaviour after a failure, but instead change the industry and consequently do not learn (Eggers & Song, 2014). However, from the literature it remains ambiguous whether this is true for all habitual entrepreneurs or only for serial entrepreneurs.

2.5.2 Learning and Attitude

The learning process is complex since different stakeholders of a venture like entrepreneurs, managers and employees have different ways of analysing and coping with failure (Mantere, Aula, Schildt & Vaara, 2013). This is also true for different entrepreneurs since they also have different ways of evaluating the failure process (Mandl, Berger & Kuckertz, 2016). Therefore, the attitude of the entrepreneur also influences learning since a positive attitude is associated with learning while a negative attitude is not (Politis & Gabrielsson, 2009). A similar suggestion is made by Heinze (2013) who argues that entrepreneurs seek positive aspects of failure in order to learn and better cope with the failure. However, a positive attitude also depends on the amount of success the entrepreneur experiences (Ucbasaran et al., 2006). Other research also agrees with this, suggesting that habitual, or experienced entrepreneurs view entrepreneurship as a continuous process and failure as a necessity for learning (Politis, 2008) and as a central part of entrepreneurship (Ucbasaran et al., 2006). This is also supported by Baù et al. (2018), who also argue that failure is a normal event in entrepreneurship.

2.5.3 Opposing Views on Learning

The assumption that entrepreneurs learn and transfer knowledge from their prior business to subsequent ones is challenged by Rocha et al. (2015) who also argue that entrepreneurs who start a venture multiple times are on average just more competent individuals and hence do not represent the whole entrepreneurial society. Furthermore, they argue that the entrepreneurial success in subsequent ventures is not only attributable to learning but that those serial entrepreneurs are also more skilled people in

general (Rocha et al., 2015). This is also partly supported by Jenkins and McKelvie (2017) who argue that while habitual entrepreneurs are often able to recover, this may not be true for all entrepreneurs since some may return to working as an employee.

2.6 Human Capital

2.6.1 Knowledge and Skills

One highly discussed element in the entrepreneurial learning literature is human capital, which can be defined as the skills and knowledge an entrepreneur possesses which increases the ability to be powerful and profitable (Quan & Huy, 2014). Consequently, entrepreneurial skills include emotional intelligence, (Cole, Cox & Stavros, 2018), education, experience (Quan & Huy, 2014; Mwepu Mbuya, Bounds & Goldman, 2016) and leadership (Mwepu Mbuya et al., 2016). Experience is specially articulated in the literature as important for gaining skills (Gibb & Ritchie, 1982; Westhead et al. 2009; Mwepu Mbuya et al., 2016). Similarly, Walsh and Cunningham (2017) also propose that entrepreneurs gain skills from experience. Experience is also related to higher success in subsequent ventures, as pointed out by Toft-Kehler, Wennberg and Kim (2014) who also suggest that success (or performance) initially decreases with experience and subsequently increases. This view is contrasted by Westhead et al. (2009) who instead argue that serial entrepreneurs have longer periods of time between ventures but that this time provides an opportunity for reflection and collection of information. In addition, habitual entrepreneurs have access to various opportunities which increase their human capital (Westhead et al., 2009).

Knowledge on the other hand is an essential element in identifying various opportunities in a market (Hajizadeh & Zali, 2016) and is defined as an element of human capital which increases earning power (Quan & Huy, 2014). Having the adequate knowledge will be beneficial to manage a business (Mwepu Mbuya et al., 2016). Lin et al. (2018) argue that knowledge increases with both time and the number of times the founders start a business. This suggests that the more knowledge an entrepreneur gains, the more likely that person is to start a new business (Vaillant & Lafuente, 2018).

However, Rocha et al., (2015). argue that when there is a long time between the ventures, knowledge could decrease, suggesting that knowledge vanishes over time. This is also supported by Parker (2013) who argues that while entrepreneurs generally perform better in subsequent ventures, this effect depreciates over time. So, the longer the time between the ventures, the less knowledge can be transferred from a previous venture to a subsequent one.

2.6.2 General and Specific Human Capital

Having stated this, the literature also distinguishes between general and specific human capital. General human capital is more related to knowledge which can be applied in different types of situations and is acquired through education but also through employment experience (Cooper, Gimeno-Gascon & Woo, 1994). In addition, managerial experience can also be considered a general human capital if it is acquired through employment rather than through an entrepreneurial context (Westhead et al., 2009). Specific human capital on the other hand is the knowledge which is specific to a certain domain and is usually acquired through experience within a certain industry or field. Hence, specific human capital is less applicable than general human capital (Rauch & Rijsdijk, 2011; Westhead et al., 2009). Another important specific human capital skill is industry specific knowledge, which refers to knowledge about specific processes, suppliers, customers and products of a certain industry (Cooper et al., 1994). Furthermore, it has been shown that general human capital is connected to higher firm growth, while specific human capital is not (Rauch & Rijsdijk, 2011). The finding that specific human capital is not connected to growth could be explained by the finding that its applicability is limited, as suggested by Westhead et al. (2009) and Rauch and Rijsdijk (2011). Nevertheless, it was shown that both specific and general human capital effect failure negatively, in other words, the possession of both specific and general human capital is connected to inhibiting failure (Rauch & Rijsdijk, 2011).

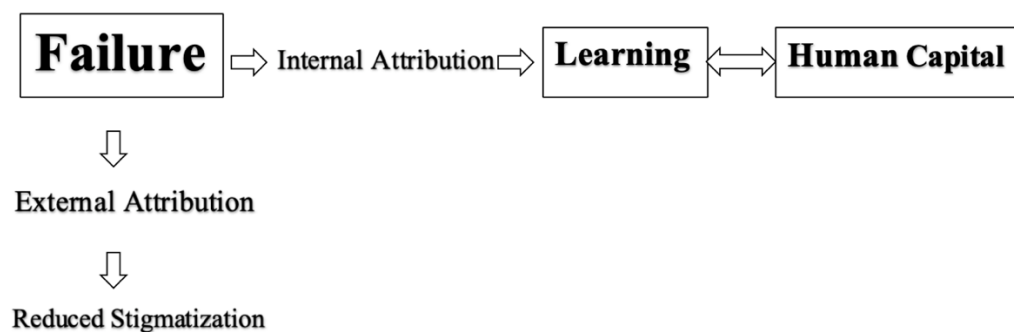
2.6.3 Learning and Human Capital

The connection between human capital, learning and entrepreneurial failure is evident since learning can be seen as the accumulation of knowledge (Rocha et al., 2015), and

learning from failure can be defined as the transfer of knowledge from one enterprise to another (Yamakawa & Cardon, 2015). Consequently, knowledge can arise from failure since the entrepreneur can acquire motivation in order to obtain more knowledge and skills (Lin et al., 2018), and knowledge and skills are subsets of human capital (Quan & Huy, 2014). Hence, failing a business could be viewed as an accumulation of knowledge (Quan & Huy, 2014) and therefore as a valuable learning experience (Politis & Gabrielsson, 2009). In addition, skills such as leadership, goal setting and networking could be learned through experience and in turn make it easier for the entrepreneur to access the market and to set a clear plan to reach the goals he/she is aiming for (Mwepu Mbuya et al., 2016). Learning is also an important source which plays a vital role in gaining knowledge and the skills that are required to run a business which performs effectively (Politis & Gabrielsson, 2009). Thus, it follows, since human capital was defined as skills and knowledge (Quan & Huy, 2014), that human capital and learning are interconnected in a two-way relationship; learning happens through the accumulation of knowledge (Rocha et al., 2015) and also learning is important for gaining knowledge (Politis & Gabrielsson, 2009), and knowledge is a subset of human capital (Quan & Huy, 2014).

Based on the insights gained from the literature review, a model has been developed by the authors of this thesis in order to visualize the relationship which were found and summarize the current state of knowledge.

Figure 1: *Conceptual Model Developed from Literature Review*



As was found in the current literature on entrepreneurial failure, business failure enables learning since it induces the accumulation of knowledge and skills (Ucbasaran et al., 2013; Walsh & Cunningham, 2017), which in turn increase the entrepreneur's opportunity identification skills (Mueller & Shepherd, 2016). Consequently, this increases the chances for the entrepreneur to continue after a failure (Dias & Teixeira, 2017). However, the literature emphasizes that an internal attribution of failure, meaning blaming the failure on factors which are controllable, is a significant enabler of learning (Yamakawa & Cardon, 2015) and therefore the literature suggests a causal relationship from internally attributing failure to learning from failure, as depicted in Figure 1.

Furthermore, research also found that an external attribution of failure, meaning blaming the failure of the venture to external factors outside of the entrepreneur's control, generally do not enable the entrepreneurs to learn as much as when attributing failure internally (Yamakawa & Cardon, 2015). However, an external attribution of failure has the advantage that it retains the entrepreneur's legitimacy in the eyes of the public and thereby reduces stigmatization (Kibler et al., 2017). Thus, the literature also suggests a causal relationship from an external attribution of failure to reduced stigmatization of the entrepreneur in public, which is also depicted in Figure 1.

Lastly, the literature on entrepreneurial failure emphasizes human capital together with learning. The literature utilized in this review distinguishes human capital in two different ways. Firstly, two major subsets of human capital are identified, knowledge and skills. Skills include emotional intelligence (Cole et al., 2018), education and experience amongst other elements (Westhead et al., 2009) while knowledge on the other hand is an element of human capital which helps boost earning power, like knowledge of the practicalities of running a business (Quan & Huy, 2014). Secondly, the literature distinguishes between general human capital (Cooper et al., 1994) and specific human capital (Rauch & Rijsdijk, 2011). Furthermore, human capital was found to be interconnected with learning since entrepreneurs learn by gaining knowledge (Rocha et al., 2015) but also it was found to be important to learn in order to gain more new knowledge as well (Politis & Gabrielsson, 2009). This relationship is

also depicted in Figure 1 by the double-sided arrow between learning and human capital.

In conclusion, as seen from the literature, the main relationships which were identified between the different elements are as follows: Failure leads to learning when attributed internally and to reduced stigmatization when attributed externally. Consequently, by learning, the entrepreneurs gain more human capital which can be beneficial for further learning as well, as shown in the interrelated relationship between learning and human capital in Figure 1. Therefore, the research question which was developed by the authors from the literature review is as follows:

Research Question: What impact do business failure and human capital have on the learning process of habitual entrepreneurs?

3. Methodology and Method

The methodological chapter provides insight on how the research was conducted and the logic behind certain choices made. Firstly, the philosophy, approach and design of the research is presented followed by data collection methods. Lastly, issues of data quality and ethics are presented.

3.1 Methodology

3.1.1 Research Philosophy

According to Saunders et al. (2009), research philosophy “relates to the development of knowledge and the nature of that knowledge” (p. 107). It is therefore necessary to adopt a research philosophy since it represents assumptions of the researchers’ world view and consequently helps determine which research strategy is used (Saunders et al., 2009). There are two, among others, major schools of thought in research, called positivism and interpretivism (Rubin & Rubin, 2005) which can be viewed as two ends of a continuum (Saunders et al., 2009). The positivist approach generally assumes that reality is objective and external (Saunders et al., 2009), often trying to reduce complex information to numbers in its quest for general rules (Rubin & Rubin, 2005). As for epistemology, which refers to what the researcher regards as credible knowledge in a certain field, positivists generally rely on quantifiable, measurable data tested statistically from large samples and consequently, from the axiological point of view assume that the researcher is objective and independent of the data (Saunders et al., 2009; Rubin & Rubin, 2005). Due to the narrowing and absolute nature of positivism, and its usage of quantitative data, it is deemed unsuitable for this thesis. Furthermore, the authors are of the belief that quantitative data is perhaps not sufficient to address the purpose of this thesis which is to explain what impact business failure and human capital have on entrepreneurial learning. Some deep insights of phenomena regarding human behaviors may be lost if real-world complexities are reduced to narrowing generalizations.

On the contrary, the interpretivist approach regards reality as socially constructed and therefore variable according to how different people perceive it. It involves sense-making, assumes reality as constantly in revision and as a function of individuals interacting with each other in a set of circumstances (Saunders et al., 2009). As a result, interpretivism rejects the idea that there is only one reality and instead embraces that reality differs according to how different people perceive it (Rubin & Rubin, 2005). Since this thesis investigates how entrepreneurs perceive learning from failure, which is subjective and therefore varies among different entrepreneurs, the philosophy which is most suitable is interpretivism. This also goes in line with the decision to investigate failure from an individual and subjective point of view, which means that different entrepreneurs can have different definitions of failure. The interpretivist approach is mostly suitable for this study since it regards knowledge, from an epistemological point of view, as subjective (Saunders et al., 2009), thus allowing sense-making and deeper insights as opposed to reducing reality to statistical generalizations as is the case with positivism (Rubin & Rubin, 2005). Furthermore, interpretivism regards the researcher, from an axiological point of view, as a part of the research and therefore value bound and subjective (Saunders et al., 2009). Consequently, interpretivism philosophy is more suitable for this thesis since it involves interpretation of data collected through interviews, which can also differ from person to person. However, as will be elaborated on in the data analysis section, there have been three authors interpreting the data, which perhaps is a strength since the data is viewed from multiple perspectives, thus enabling richer insights, as argued by Eisenhardt (1989).

Lastly, it is important to establish that neither philosophy is superior and very seldomly is a purely positivist or purely interpretivist philosophy applied in research, which is perhaps also positive since the two philosophies can be, as noted by Saunders et al. (2009), seen as two ends of a continuum, thus signaling the unattractiveness in attempting to adopt a purely positivist or interpretivist approach.

3.1.2 Research Approach

There are generally two major approaches to research which are used commonly, the deductive and the inductive approach (Mantere & Ketokivi, 2013; Saunders et al., 2009). The deductive approach develops a theory and hypotheses based on that theory which are subsequently tested, most commonly through statistical tests of quantitative data. The purpose of the deductive approach could, for example be to test the causal relationship between variables in order to develop generalizations. On the contrary, the inductive approach is aimed at developing theory. The process by which this is done generally starts by making observations which in turn are interpreted and the analysis which follows could be the formulation of a theory (Saunders et al., 2009). One shortcoming of the inductive approach is that the theory may not be applicable in future observations (Mantere & Ketokivi, 2013).

However, there is another less established line of reasoning referred to as the abductive approach. It seeks the best explanation of a phenomenon through the process of cognitive reasoning (Mantere & Ketokivi, 2013). The abductive line of reasoning recognizes the researchers' subjectiveness in the research (Alvesson & Kärreman, 2011), thus making it appropriate for this thesis due to the interpretivist philosophy chosen which, as stated earlier, also recognizes the researchers' subjectivity (Saunders et al., 2009). In addition, the abductive approach also recognizes the influence of previous theory on the research (Alvesson & Kärreman, 2011) which also suits this thesis because a literature review was conducted on the topic of entrepreneurial failure which consequently led to the formulation of the research question. The purpose of an abductive approach in the light of an interpretivist philosophy is to use theory and data in order to expand current understanding of theory, while remaining open to anomalies in the data which could call into question the current pre-understandings (Mantere & Ketokivi, 2013). This makes the abductive approach highly relevant for this thesis since the authors used the literature review, i.e. the current understanding of theory, as a base for which the data was used to further expand the understanding of entrepreneurial failure, as opposed to first making observations and then connecting them to theory, which would reflect an inductive approach (Saunders et al., 2009).

3.2 Research Design

3.2.1 Research Strategy

A qualitative research usually means that the data which is collected is not quantifiable and is often collected through interviews (Saunders et al., 2009). Given that a qualitative research strategy is suitable to an interpretivist philosophy and an abductive approach (Bryman, 2016), this is the chosen strategy for this thesis. In addition, a qualitative strategy is suitable for the purpose of this research, which is to gain deeper insights about entrepreneurial learning in the light of business failure and human capital, since it allows for a greater understanding of the interviewee's motivations and feelings. Furthermore, these deeper insights gained from a qualitative strategy are significant when adopting an interpretivist philosophical stance, which is aimed at understanding people's motivations and meanings (Saunders et al., 2009).

3.2.2 Research Method

The method chosen for this thesis is case study, which is one of the five most common methods in qualitative studies (Yin, 2018). A distinction can be made between single and multiple case studies (Saunders et al., 2009) and this thesis will use the multiple case method. The unit of analysis is the entrepreneur since each entrepreneur constitutes one case. Given the interpretivist philosophical stance of this thesis, a multiple case study is useful since it investigates the subjects in their natural context in depth (Yin, 2018), thus being suitable for the interpretivist philosophy which also emphasizes context (Saunders et al., 2009). This context perspective is further strengthened because this thesis allows the entrepreneurs to define failure based on their perception failure, which follows from the definition of failure as subjective and individual (Jenkins & McKelvie, 2016) as stated in the literature review.

In addition, the logic behind multiple case studies is replication since it makes use of different sources of evidence which serve as triangulation of the data (Yin, 2018) by using multiple sources of data (Eisenhardt, 1989). In the context of this thesis it implies using primary as well as secondary data, as will be further explained in the secondary data section. This strategy allows for greater understanding of entrepreneurial learning

since it involves different aspects from different interviewees (Herriott & Firestone, 1983) and multiple sources of data (Eisenhardt, 1989).

3.2.3 Case Selection Criteria

A population is defined as a group from which samples are to be drawn. A common type of sampling in case studies is theoretical sampling, which serves the purpose that each case is chosen to replicate the previous one and can also allow for the extension of theory (Eisenhardt, 1989). This is useful if the different cases generate the same result since it provides reassurance that the result is correct (Yin, 2018). Hence, as Bryman (2016) points out, theoretical sampling is more strategic. Since this thesis is qualitative, using random sampling is not relevant (Bryman, 2016) since the purpose is rather to reassure that the results which are generated are generalizable, and therefore extend the theory and its applicability to different contexts, as pointed out by Eisenhardt (1989). For this reason, theoretical sampling has been used to the extent that it was possible to find similar cases.

Furthermore, the cases in this thesis were found through personal networks, since all three authors live in Jönköping where most of the cases were found. In addition, this thesis is interested in entrepreneurs rather than organizations, and therefore one criterion used was that the entrepreneur is a habitual entrepreneur, which implies at least one previous business experience. In addition to this, the second criterion was that the entrepreneur has experienced at least one failure, either resulting in bankruptcy or a failure within the business which has not led to bankruptcy. The most important aspect was that the entrepreneur perceives the event as a failure, since this thesis investigates failure from an individual and subjective point of view (Jenkins & McKelvie, 2016). The selection of cases was done on a continuous basis since all the authors' personal networks in the cities of Jönköping and Stockholm were contacted by phone and asked to take part in an interview. This process was then continued until the point of theoretical saturation, which implies that the marginal learning for each new case is very low (Eisenhardt, 1989). Following this logic, there were in total eight cases used in this thesis.

A summary of the different entrepreneurs and the industries which they operate in is presented below.

Table 1: *Participating Entrepreneur and their industries*

ENTREPRENEUR	POSITION	INDUSTRY	DATE	TYPE	LENGTH
1	CEO	Restaurant	5.3.2019	Face- to- Face	62 min
2	Co-Founder	Alarm System	13.3.2019	Face- to-Face	55 min
3	Founder	Retail	15.3.2019	Face- to-Face	49 min
4	Co-founder	Food Supply	19.3.2019	Face- to-Face	55 min
5	Co-founder	Restaurant	26.3.2019	Face- to-Face	60 min
6	CEO	Financial Technology	28.3.2019	Skype	49 min
7	Co-founder	Resale	2.4.2019	Face-to-Face	51 min
8	CEO	Construction	3.4.2019	Face-to-Face	56 min

3.3 Data Collection Techniques

The data for multiple case studies is usually collected from different sources such as interviews, direct observations and archives, because a good case study should rely on various sources for the purpose of strengthening the case study and increasing the trustworthiness (Yin, 2018).

3.3.1 Primary Data

The primary data used in this thesis was collected through semi-structured interviews. Collecting primary data for a study is valuable in terms of gaining knowledge and understanding different perspectives (Yin, 2018). For this thesis, interviews were conducted with multiple entrepreneurs because interviews are an important source of collecting case study evidence (Saunders et al., 2009). The cases in this thesis are entrepreneurs, and each entrepreneur was a business owner who had experienced failure. While the authors are aware that multiple interviews could have been conducted with each organization, Yin (2018) suggests that one person per case may be justified if personal perception is an important purpose of the interviews, which is the case for this thesis since the aim was to interview the entrepreneurs regarding their own perceived learning. For this reason, the interviews provided the insights which were sought for.

The interviews in this thesis were semi-structured, which are considered suitable in the context of qualitative research (Bryman, 2016). Semi-structured interviews are suitable for this study because they provide the ability to interact with the interviewees by for instance explaining something which is unclear and to ask follow-up questions (Yin, 2018). Seven of the interviews were conducted face-to-face and one was conducted via video-call since the entrepreneur was located far from the interviewers. A semi-structured interview involves the interviewer preparing a list of themes and predetermined questions, with slight variations from interview to interview. Furthermore, semi-structured interviews allow the order of the questions to be changed depending how the conversation flows (Saunders et al., 2009). In addition, several researchers such as Yin (2018) and Saunders et al. (2009) have mentioned in their research the importance of recording the interviews due to the accurate interpretation of the interview and the avoidance of biases. These tools were utilized by the authors of the thesis when conducting the interviews in order to ensure rigorousness and credibility. Moreover, all three authors were present during the interviews for the purpose of active note-taking by two of the authors, while the third author engaged in the conversation.

3.3.2 Secondary Data

In addition, doing a case study requires triangulation of data, which is the usage of various sources of data. This ensures the trustworthiness of the collected data (Saunders et al., 2009). The secondary sources used for this thesis are observations made when conducting the interviews, information from company websites, e-mails and other field notes. The data was collected together with each interview and by studying the company websites prior to the interviews. In addition, when in doubt, the authors would send out emails to the interviewees if some specific information needed clarification or further explanation. These types of secondary data allowed for a greater understanding of the context in which the entrepreneurs operate, and moreover increased understanding of the primary data, as argued by Eisenhardt (1989).

3.4 Data Analysis

The analysis of data is one of the least defined processes of case studies (Yin, 2018). The analysis process of this thesis began with transcribing all the primary data and putting together the primary and secondary data for each case separately. This procedure allowed for a greater understanding and familiarity of each individual case on its own, which according to Eisenhardt (1989) is very important since it enhances the ability to make comparisons between cases. The authors studied the data separately, after which discussions were held where approximately 80-90% of the meaning of each case was agreed upon. This was followed by an organization of the data according to the themes which were found in the literature review, which served as a synthesis of all the data. Since people are generally prone to making quick and premature conclusions (Eisenhardt, 1989), the data was also compared and contrasted in a quest for similarities or differences. In addition, some cases which appeared different were analyzed to try to spot similarities on purpose, which according to Eisenhardt (1989) is also useful when making cross-case comparisons.

Furthermore, as the research approach for this thesis is abductive (Alvesson & Kärreman, 2011), the theory which was developed prior to the collection of data was compared with the data continuously throughout the analysis process, in order to look for evidence which either accepts or rejects the theory which was developed in the literature review. It could even be argued that the analysis part begins at the moment of the interviews, since the interviews enable the authors to cognitively compare their understanding of the theory with what is stated in the interviews. For this thesis, it was manifested through active note taking and recording the feelings of the interviewees which would serve as additional enhancement of understanding what the interviewee was trying to convey.

3.5 Research Quality

It is important to consider the quality of data collected to increase the credibility of the research and ultimately minimize the possibility of answering the research question wrong (Saunders et al., 2009). This section will consider the issues of reliability, validity and generalizability, as pointed out by Saunders et al. (2009) as well as ethical considerations.

3.5.1 Reliability

Reliability refers to the consistency of the findings and the analysis. It is important to mention that the interviews and consequently the results reflected reality at the time they were conducted, which is in line with the interpretivist philosophy chosen for this thesis which recognizes that reality is perceived subjectively and therefore differs from person to person (Saunders et al., 2009). This suggests that it is not necessary for the study to be completely repeatable. However, one way to increase reliability is to minimize participant error (Saunders et al., 2009) which was done by conducting the interviews at the offices of the entrepreneurs to stay in a natural and familiar environment for them. This was done at times which the entrepreneurs chose. In some cases, the entrepreneurs would not show up or cancel due to other responsibilities, which then required the interviewers to remain patient and re-book the interviews, again at a time most convenient for the entrepreneurs. Another action taken to reduce participant error was that the interviewer summarized the answer to the interviewee when it was long.

Another way of increasing reliability is by reducing interviewer and interviewee bias. This was done by gaining knowledge in advance about the businesses of the entrepreneurs in order to increase understanding, going through websites and, as mentioned previously, scheduling the interviews with high consideration of the interviewee. As mentioned previously, all interviews were recorded with two cell-phones and later transcribed. As an extra precaution to avoid affecting the answers received, the interviewer and the two note takers stayed calm during the whole interview and avoided dressing in bright colors. In addition, the interviewer was aware of not asking leading questions, and while one person led the conversation, the other

two engaged in active note-taking in order to maximize the records of potential emotions, articulations or meanings which could be lost by only transcribing.

3.5.2 Validity

Validity is concerned with whether the interviewer has understood the interviewee and the message conveyed to the extent that meaning can be inferred. One way to increase validity is to use multiple data sources, i.e. triangulation (Saunders et al., 2009). This was done by using secondary data like company websites, observations, field notes and e-mails to increase understanding and enable better sense making. Furthermore, the pre-existing knowledge about entrepreneurial failure, learning and human capital which was developed in the literature review helped increase validity by providing context for the interviews and later, added perspective to the analysis. Additionally, the interviewers would, as mentioned previously, summarize long answers for the interviewees to make sure the meaning has been understood, ask follow-up questions and even e-mail the interviewees after the interviews if certain answers needed further clarification.

3.5.3 Generalizability

Generalizability concerns if the results are applicable to other settings as well and is of particular concern if, for instance case study is conducted on one business (Saunders et al., 2009). This paper has included eight entrepreneurs despite facing difficulty of finding willing entrepreneurs to interview because of perceived sensitivity of the topic of failure, in addition to including entrepreneurs from various industries, which provides an opportunity for generalization.

3.5.4 Ethical Considerations

Ethical aspects of research are important to follow in order to stay truthful and honest. Since a large aspect of this thesis is business failure, it can be perceived as a sensitive subject and must therefore be handled with consideration to the interviewees. Saunders et al. (2009) mention that one aspect of research ethics is that the research should in no way harm or embarrass the interviewees. Therefore, the authors of this thesis made sure

to verbally receive full consent from the interviewees, as mentioned by Saunders et al. (2009) and offer to sign a confidentiality contract. The interviewees were exposed to a short explanation of the purpose of this thesis without revealing extensive information which could consequently affect the interviewees' answers. Additionally, one very important aspect was to guarantee full privacy of the interviewees by not disclosing their name or the names of the organizations which they own or have owned. Therefore, the interviewees are referred to as Entrepreneurs 1, 2, 3, 4, 5, 6, 7 and 8. Again, this was because of the perceived sensitivity of the research topic. Lastly, the data received has been presented to the fullest ability of the authors and great consideration has been given to issues like transparency, which implies not falsifying or misinterpreting data (Saunders et al., 2009).

4. Empirical Findings

This chapter presents the findings from the semi-conducted interviews. The findings section is presented in a similar order as the literature review for an easier comparison.

4.1 Business Failure vs. Business Exit

All the entrepreneurs interviewed for this thesis had experienced business failure as opposed to business exit.

“After starting the business together with my cousin, we had success in the beginning but eventually found no new customers” (Entrepreneur 7)

“The market was just not ready for the product. I am convinced of that. It had worked well in England but here in Sweden, for some reason, it did not.” (Entrepreneur 2)

4.2 Definition of Entrepreneur Failure

A majority of the entrepreneurs (1, 2, 4, 6, 7 and 8) which were interviewed did not experience actual bankruptcy but rather experienced failure within their current or previous business. Entrepreneurs 1, 2 and 7 stated that they experienced failure of introducing a new product because a lack of demand in the market.

“Sometimes we miscalculated completely, and the products did not sell at all. This was a huge problem since we had spent a lot of money on purchasing and marketing the products, but without realizing any profit.” (Entrepreneur 2)

Entrepreneur 4 faced heavy liquidity issues because of a poor system of handling accounts receivable, and Entrepreneur 8 faced quality issues because of hiring foreign workers. Both entrepreneurs followed a cost saving strategy but were, as a result of that, faced with larger issues threatening to bankrupt them.

“The system was outdated and clearly needed to be changed. It is amazing how such a

seemingly small issue can affect your whole business. I mean, at times we did not even take out any salaries.” (Entrepreneur 4)

“I hired people from Poland in order to save costs, but I experienced difficulties in communication which led to a lot of misunderstandings and ultimately damaged the reputation of my business.” (Entrepreneur 8)

However, Entrepreneurs 3 and 5 actually faced bankruptcy in their previous businesses, but consequently managed to re-venture with other businesses.

“When the mother company went bankrupt, it forced me to close down my store because my business at that time was worthless.” (Entrepreneur 3)

“I realize now that in the first business we had, I really had no idea of what I was doing. We were charging 49 SEK for a shrimp sandwich with hand-peeled shrimps, which means that we did not even break even.” (Entrepreneur 5)

4.3 Different Types of Entrepreneurs

In total, the sample consisted of six serial entrepreneurs and two portfolio entrepreneurs.

“I have owned a business since 2002, ... Then in 2013, 2015 and 2018 I started 3 other businesses which means today I own three companies.” (Entrepreneur 3)

“I currently own two businesses but in total I have had six businesses.” (Entrepreneur 5)

“I ran a company which supplied food and ingredients to restaurants. But after selling it off, I started a construction firm” (Entrepreneur 8)

4.4 Costs of Failure for Entrepreneur

The interviewees mostly stated that the financial loss was the worst cost of failure. In particular, entrepreneurs 1, 5 and 8 highlighted the fact that being in great debt is especially painful for entrepreneurs who have a family to support, since they too suffer if the business is going bad.

“The financial loss is absolutely the worst aspect when your own company fails.”

(Entrepreneur 5)

“All of a sudden, you are left there with large debt and you have to find a way to pay for it. Nobody cares about your business other than you. I actually had that issue with my first firm, which took a long time to pay off and get off my shoulders.” (Entrepreneur 5)

“Obviously the financial costs are the most damaging that I can think of since I end up blaming myself all the time for the failure of business.” (Entrepreneur 8)

“There is pressure to perform all the time. In moments when the restaurant is not doing well, my biggest worry is my family. I have kids who go to school and other activities and they are the last ones who should be affected by that.” (Entrepreneur 1)

However, one entrepreneur also indicated emotional costs as difficult to cope with.

“There were definitely mixed feelings regarding the bankruptcy. On one hand I was angry since I lost my successful business overnight basically. But then I was also sad since my workers became unemployed.” (Entrepreneur 3)

4.5 Attributions and Transfer of Knowledge

In terms of attributions of failure, five entrepreneurs (3, 4, 5, 6 and 8), which is a majority of the interviewees, attributed failure internally and thereby blamed themselves for the failure of their businesses. Entrepreneur 6 faced problems when trying to implement a strategy to grow and develop the firm, after which he stated that there was a need to admit his mistake in order to be able to realize the development.

“After clearly recognizing that my strategy of growth did not work, I had to swallow my pride and hire a consultancy firm to help my business transition from the start-up stage into the serious business which we are today. I think this forced me to realize that I am not almighty, and that I should focus on what I know best, which is engineering.”

(Entrepreneur 6)

Entrepreneurs 3 and 4 went even one step further, indicating that the key to success is to be able to critically evaluate yourself.

“I am a tough judge on myself. After my first business failed, I kept asking myself if there was something, I could have done better in order to avoid that situation. And I think that I have brought these feelings into my other businesses as well since I constantly overanalyze risks and don't do anything if I have not researched it beforehand.” (Entrepreneur 3)

“Just because I am successful now does not mean I stop worrying. Sometimes I think I look for flaws in my business or strategy on purpose.” (Entrepreneur 4)

The other three entrepreneurs (1, 2 and 7) attributed failure externally and hence blamed the failure of their businesses on factors which were outside of their control.

“I had a problem keeping the lunch buffet because of not enough customers. I mean the city is changing, there are not as many people in the city center as there were before.”

(Entrepreneur 1)

“The business went well the first season but then I simply could not find new customers. I knew the demand was seasonal, but I did not expect the customers to be that few.”

(Entrepreneur 7)

One surprising finding however was that all eight entrepreneurs stated that they learned from their mistakes and could apply this knowledge in subsequent enterprises, regardless of whether they attributed their failure internally or externally. Entrepreneur

1, who attributed his failure externally, stated that learning from failure has helped him to know which products work and which do not.

“I should have done more research, and next time when trying to introduce a new concept, I definitely will.” (Entrepreneur 1)

Entrepreneur 5, who has had six businesses in total, two of which have failed, thinks that his failures have taught him a lot.

“Going into a business without experience is like a bet... I took time for reflection after my failures, and that enabled me to figure out what exactly I did bad. That is how I learn what to improve for the next venture.” (Entrepreneur 5)

Entrepreneurs 4 and 8 stated that they used their bad experiences and turned them into opportunities to improve their business.

“When I finally acquired the new system for accounts receivable, it made my work so much easier. I could start focusing on more important things than keeping track of the money manually. If I knew what improvement I could make, I would have changed my strategy much earlier.” (Entrepreneur 4)

“When I finally realized that my attempt to save costs almost led to bankruptcy, I started prioritizing quality instead. Then, when I hired new workers with whom I could communicate much better, the business seemed to be blooming. While my costs did rise, so did my revenue and also the customer satisfaction clearly improved.” (Entrepreneur 8)

In addition, one surprising finding is that only one entrepreneur did not seem to learn extensively from failure. However, he did indicate learning about the practical skills of running a business.

“You learn a lot from being a business owner. I mostly learned managing skills, bookkeeping and marketing. ... Even if I already had the skills and knowledge, I would not do things differently today, I mean, how could I know if the product will sell or not,

it is like gambling you can say. Then you are stuck there with products you cannot sell, and you suffer a big cost” (Entrepreneur 2)

Entrepreneur 7 also mentioned learning about practical aspects of running a business, and certain skills which are required for that.

“When I opened my first company, the sushi restaurant, I actually had no idea how to make sushi or even bookkeep. This was something which I learned from my partner in about only a week.” (Entrepreneur 7)

Additional evidence of entrepreneurial learning from failure are different ways the entrepreneurs react to problems after having gained experience.

“Sometimes you feel things and it comes automatically because you have been in the industry for such a long time. One example is when we hire a new employee. I can feel straight away if that person will contribute to the company or just be a cost for us.” (Entrepreneur 4)

“You notice straight away if something is wrong just by looking at the numbers each month. If revenues are decreasing or the cost is higher than usually, you need to react right away.” (Entrepreneur 7)

4.6 Stigmatization

One interesting finding is that only one entrepreneur stated that she has experienced stigmatization from people after failing, while the others did not. This was true regardless of whether they attributed the failures internally or externally.

“Sometimes you do get stigmatized, but you can choose to ignore that. People will always have an opinion of how you could have done one thing or another.” (Entrepreneur 3)

“I have never experienced someone looking down on me just because I have failed. Not from friends and especially not from my own family.” (Entrepreneur 5)

4.7 Learning and Opportunity Identification

Most entrepreneurs indicated that their experience has made them more prone to look for and find good business opportunities.

“Having worked in different industries, I believe it has opened my eyes. I think that I am always on the lookout for new ideas and I constantly think about new business ideas and projects.” (Entrepreneur 8)

Entrepreneurs 3 and 5 perceive that even though experience helps in recognizing opportunities, the industries in which they operate are exposed to trends, which means that the entrepreneurs still have to be alert and constantly learn new things.

“My experience has definitely helped me to recognize if something will work or not. However, it is also true that what has worked before might not necessarily work today. Today you have to be more alert and follow current trends while before you could just open a store and not have to do anything extra.” (Entrepreneur 3)

“I think that the fact that I do have a lot of experience in the restaurant business broadened my view in the sense that it makes me able to spot a good business opportunity. But I would also perform a much more extensive analysis before opening a new restaurant than I did when I first started. In this line of business trends and social media are very important for knowing what is currently popular.” (Entrepreneur 5)

4.8 Learning and Attitude

In terms of attitude, the results revealed no strong correlation between a positive attitude and learning since all the entrepreneurs interviewed stated that they have in fact learned from their failures, regardless of their attitude. For example, Entrepreneur 5 did not have a strong optimistic or positive attitude but was clearly one of the interviewees who

showed and explained that he has learned the most. This was also evident since he has started and run six businesses, four of which were successful.

“Even though you can say I’m successful, I never relax or think that I am overconfident. While I do have a lot of experience, it does not automatically mean that whatever I start will be successful.” (Entrepreneur 5)

“I succeeded in expanding my business to Stockholm, which is not easy by the way. But what I am trying to say is that even though I did succeed, I could have just as easily failed and lost a lot of money in the process. Business is like gambling; you never know the results.” (Entrepreneur 4)

4.9 Human Capital

4.9.1 Skills

A majority of the entrepreneurs expressed that skills are factor of success for habitual entrepreneurs. Entrepreneurs 5 and 8 and 1 highlighted that skills are mostly acquired through experience.

“Throughout the years I have learned all aspects of running a restaurant, from cooking, serving and cleaning to bookkeeping and managing people.” (Entrepreneur 5)

“My experience did not only teach me industry or technical knowledge, but more importantly skills of dealing with people. No matter what industry you are in, these types of personal skills help you a lot.” (Entrepreneur 8)

“I value my skills very high. If you have money and knowledge, you can just hire someone with skills. But skills take time to learn through experience.” (Entrepreneur 1)

However, Entrepreneur 3 is of the belief that skills are not something which can be learned.

“I think that a highly skilled entrepreneur has a competitive advantage, and that skills such as emotional skills are more important than knowledge because knowledge can be learned while skills cannot.” (Entrepreneur 3)

4.9.2 Knowledge

Most entrepreneurs indicated that knowledge is acquired through experience. Entrepreneurs 2 and 7, who changed industry when selling one venture and starting another stated that knowledge is a factor which increases an entrepreneur's chance of being successful.

“Knowledge is power. The more you know about the market, about the customers or really any kind of knowledge, the better equipped you are at making decisions and finding good business opportunities” (Entrepreneur 2)

“I believe that knowledge is essential fact when starting a business, you always need some kind of prior knowledge such as knowledge about the industry or even knowledge about how to be an entrepreneur” (Entrepreneur 7)

4.9.3 General and Specific

Five of the entrepreneurs in this study have started their businesses in the same industries as their previous business or businesses. Those entrepreneurs (1, 3, 4, 5 and 6) emphasized specific human capital as more important for learning and gaining knowledge.

“I already had previous knowledge of the retail industry since I was a store manager at a clothing store for a few years. This of course helped a lot when starting my own venture, since I already had all the knowledge of materials, prices and costs in the back of my head.” (Entrepreneur 3)

“Specific knowledge of the industry is needed if you are going to start your own firm, because otherwise you do not know what you are doing. Because of my previous

experience in the banking sector, I was able to start a firm in the financial services industry.” (Entrepreneur 6)

The other entrepreneurs (2, 7 and 8) have either sold off or failed their first venture but then established a new venture, but in a different industry. They on the other hand emphasize general human capital as a factor of learning and success.

“The specific industry or product knowledge is easy to learn. What really helped me to develop and learn was the kind of knowledge that every firm needs like bookkeeping, managing and organizing.” (Entrepreneur 2)

“For me the most important knowledge is the one that I made use of in both my firms. For example, I learned a lot about the food industry in my previous firm, but that knowledge is useless now when I run a construction firm. The knowledge that I did take with me is about how to manage, how to cope with stress, how to manage the tax account and so forth.” (Entrepreneur 8)

4.10 Learning and Human Capital

All interviewees stated in one way or another that their failure experience enabled learning which was useful when starting their next venture. Entrepreneur 5 expresses his learning process as circular and points towards that an entrepreneur never ceases to learn.

“Both of the times I have failed, I have taken something with me to the next venture. It can be something as easy as not doing the same mistake twice, but still it adds value to your base of knowledge accumulated throughout the years. This of course is a continuous process of doing something wrong, learning from it and then doing something else wrong and so forth.” (Entrepreneur 5)

Several entrepreneurs also mentioned that the more knowledgeable they are, the easier it is to learn new things and their willingness to learn increases.

“Sometimes you learn because you are forced to and sometimes because you want to. If I am interested in something which could improve my business, I try to learn it, but I would not say it is because of necessity, but because I find interest in it” (Entrepreneur 3)

“Learning is, I think, an outcome of experience. Also, I believe you must be curious in order to learn new things, that is how you build your knowledge.” (Entrepreneur 6)

“When I first started my construction business, I had just a little knowledge about constructions since school. But then everything else I learned by doing and I think that the more I know, the easier it is for me to build further on that rather than start from scratch.” (Entrepreneur 8)

Table 2: Summary of Empirical Findings

X=Affirmative x= Partly

TYPE OF FAILURE	1	2	3	4	5	6	7	8	TOTAL
BANKRUPTCY			X		X				2
STRATEGY				X		X		X	3
PRODUCT	X	X					X		3
TYPE OF ENTREPRENEUR									
HABITUAL	X	X	X	X	X	X	X	X	8
SERIAL	X	X		X		X	X	X	6
PORTFOLIO			X		X				2
COST OF FAILURE									
FININCIAL	X	X	X	X	X	X		X	7
EMOTIONAL	X		X	X	X	X	X	X	7
SOCIAL	X			X	X	X			4
PSYCHOLOGICAL		X							1
ATTRIBUTION									
INTERNAL			X	X	X	X		X	5
EXTERNAL	X	X					X		3
LEARNING									
TRANSFER OF KNOWLEDGE	X	x	X	X	X	X	X	X	7,5
OPPRUTINITY IDENTIFICATION	X		X	X	X	X	X	X	7
POSITIVE ATTITUDE						X	X		2
STIGMAZATION		X							1
HUMAN CAPITAL									
GENERAL		X					X	X	3
SPECIFIC	X		X	X	X	X			5

5. Analysis

The analysis chapter presents a discussion and connects the empirical findings to the literature review. The analysis was performed systematically, and each major insight gained is followed by a figure which will end up as the suggested revised model of the literature review.

5.1 Defining Business Failure

All entrepreneurs in this study have, as mentioned before, failed in one way or another. Since this thesis views failure from an individual and subjective point of view (Jenkins & McKelvie, 2016), the entrepreneurs are the ones who decide what they subjectively perceive as their failure. Out of the eight interviewees, three experienced failure when introducing a new product, three experienced failure of strategy and two experienced complete bankruptcy. Therefore, there is no specific definition of failure in this thesis since the main point of interest is the learning aspect of failure rather than the failure itself. The learning aspect of failure is defined as the ability to transfer knowledge from a previous enterprise to a subsequent one (Yamakawa & Cardon, 2015). Including failures not related to bankruptcies was done intentionally since no prior research, to the authors' best knowledge, has done it before despite that there is evidence that entrepreneurial failure does not always lead to bankruptcy (Jenkins & McKelvie, 2017). However, as the subsequent parts of this analysis will demonstrate that all entrepreneurs investigated in this thesis stated that they have in fact, per definition (Yamakawa & Cardon, 2015), learned from failure, regardless of the type of failure.

5.2 Costs of Failure

The four major costs of failure identified in the literature review are financial, psychological, social (Ucbasaran et al., 2013) and emotional costs (Cope, 2011). The interviewees indicated that the financial costs were the worst since they had effects on the entrepreneurs' personal life, and Entrepreneurs 1, 5 and 8 specifically argued that the financial loss had an impact on their families as well. For instance, Entrepreneur 1 felt guilty at times when his business did not perform well due to the negative financial

consequences for his family. This is an aspect of failure costs which is not covered in previous research, to the best knowledge of the authors, but had a significant importance for the entrepreneurs in this thesis. The most obvious reason for this could be that almost all interviewees in this study have families which they feel obliged to take care of. In addition, feelings of grief have been recognized by previous research as inhibitors of learning (Cope, 2011) which also seems to be the case for the entrepreneurs in this study. The entrepreneurs who discussed financial loss as the worst aspect of failure often also mentioned the reason for that to be the negative impact which the financial loss has on their family or kids. Previous scholars, for instance Ucbasaran et al. (2013) discuss financial, social and emotional cost separately and other scholars mention grief (Cope, 2011) due to feelings of personal loss (Jenkins et al., 2014). However, the results of this thesis indicate that the entrepreneurs perceive financial loss and feelings of grief as difficult because of the negative implication they have on the entrepreneurs' families and kids. In particular, Entrepreneur 1 stated that he has *"...kids who go to school.... they are the last ones who should be affected..."*. The reason that the financial cost discouraged learning for the entrepreneurs in this study is, as indicated by Entrepreneur 5, because after a failure, most effort was spent on stabilizing the family economy, by for instance clearing any leftover debt.

"All of a sudden, you are left there with large debt and you have to find a way to pay for it. ... (my first business) took a long time to pay off and get off my shoulders."

(Entrepreneur 5)

Consequently, the time and effort the entrepreneurs took to stabilize their economy left less energy and willingness to engage in deep and meaningful learning. This is also supported by previous literature which argues that learning takes time (Minello et al., 2014), engagement (Boso et al., 2018; Minello et al., 2014), and a positive attitude from the entrepreneur (Politis & Gabrielsson, 2009). However, a positive attitude depends on the success of the entrepreneur (Ucbasaran et al., 2006) which could also perhaps help explain why some entrepreneurs in this study who failed, i.e. were not so successful, did not focus extensively on learning directly after a failure, but rather spent their energy in stabilizing their economy. In addition, knowledge can decrease when there is a long time between ventures (Rocha et al., 2015). Hence, the entrepreneurs in our study might

have lost important opportunities to learn because of prioritizing their financial situation. As mentioned previously, the entrepreneurs indicated that the financial situation was their top priority due to feelings of guilt and grief towards their families, which resulted in partial neglectance of reflection. Since reflection is important for learning (Yamakawa & Cardon, 2015) this indicates potential reduction of learning from failure. Based on these insights, this thesis has found financial cost to be an inhibitor of learning from failure due to the time and effort which is taken from reflection in order to deal with the consequences of financial loss. This is shown in the figure below, figure 2.

Figure 2: Step 1 of Suggested Model



5.3 Learning

5.3.1 Attributions and Transfer of Knowledge

Previous studies have indicated that an internal attribution of failure leads to learning and valuable insights (Yamakawa & Cardon, 2015; Yamakawa et al., 2017) since it enables the entrepreneur to evaluate what could have been done differently and thereby make improvements for the next venture (Yamakawa et al., 2017). However, the results of this thesis indicate that the entrepreneurs under study all learned from their failures regardless of whether they attributed their failure internally or externally. In this thesis, five entrepreneurs (3, 4, 5, 6 and 8) attributed failure internally while the remaining three (1, 2 and 7) attributed failure externally. This result is surprising since research has indicated not only that an internal attribution leads to learning, but also that an external attribution leads to less learning (Yamakawa & Cardon, 2015). For instance, Entrepreneurs 2 and 7 both attributed their failure externally but reported learning about practical skills such as managing and accounting, which are skills that can be applied to

other types of ventures as well. This clearly indicates learning since the very definition of learning from failure used in this thesis is the ability to transfer knowledge from one venture (or situation) to another (Quan & Huy, 2014; Yamakawa & Cardon, 2015). Another example is Entrepreneur 1, who also attributed failure externally learned significantly from failure in terms of strategy and of the importance for market research before introducing a new product which is, according to him, knowledge which he “...*definitely will*” apply next time the opportunity presents itself. Hence, all three entrepreneurs who attributed failure externally reported learning from failure in terms of gaining knowledge which can be transferred from one context to another.

However, the entrepreneurs who attributed their failure internally also indicated that they have gained knowledge which can be transferred from one context to another, i.e. that they have learned from failure, as defined by Yamakawa and Cardon (2015). As previously mentioned, Entrepreneur 5 has run six businesses, which is more than any entrepreneur in this study. In addition, he has also indicated the most learning as well, which goes in line with the findings of Lin et al. (2018) who state that knowledge increases with the number of ventures started. However, this finding is not significant enough to be generalizable since all other entrepreneurs in this thesis have mainly had two businesses, which makes comparison to Entrepreneur 5 rather biased in the opinion of the authors of this thesis. Nevertheless, this finding still adds value to this thesis since Entrepreneur 5 has had six businesses in total, out of which the one with least success was his first business. Entrepreneur 5 strongly highlighted learning from failure because of reflection which allowed him to identify what could be done better in subsequent ventures. As argued previously, reflection is important for learning (Yamakawa & Cardon, 2015). Similarly, Entrepreneurs 4, 6 and 8 also indicated that the main element of learning was business strategy and organization after they recognized that their previous ways of doing things were not successful. Hence, the entrepreneurs reported realizing something is bad, and then learning how to improve that or do it differently, and consequently making use of that knowledge by not repeating the same mistakes. This also goes in line with the definition of learning as a means of transferring knowledge from one context to another (Yamakawa & Cardon, 2015).

As mentioned before, three of the entrepreneurs in this thesis experienced failure when introducing a new product, three entrepreneurs experienced a failure of strategy and another two experienced bankruptcy. The broadening of the definition of failure was done intentionally with the purpose of gaining new insights and attempting to show that failure does not have to be a bankruptcy in order to generate learning. This is because some previous research indicated that failure might not necessarily lead to bankruptcy (Jenkins & McKelvie, 2017). Consequently, as the results of this thesis have shown, all entrepreneurs in the study have in fact learned something, although the knowledge or skills learned differed slightly, which will be shown subsequently in the human capital section between the entrepreneurs. This can perhaps be explained by the fact that the group of eight entrepreneurs is highly heterogenous, containing entrepreneurs in different industries, different experiences, different ages and, most importantly, different failure experiences. However, this proves in a sense that broadening the definition of failure, which this thesis did, is a reasonable choice given the fact that this thesis did find evidence that all the entrepreneurs in the study learned, regardless of which failure experiences they had.

Consequently, a major relationship between failure and learning appears to be that business failure, both bankruptcy and other internal failures such as product or strategy failures generate learning regardless of whether the entrepreneurs attribute that failure internally, meaning blaming themselves and factors within their control or if the entrepreneurs attribute the failure externally, meaning blaming factors outside their own control (Yamakawa & Cardon, 2015). This relationship is demonstrated by figure 3 below, which is an extension of figure 2.

Figure 3: Step 2 of Suggested Model



5.3.2 Stigmatization

The results of this study reveal that a majority of the interviewees have not experienced stigmatization. Entrepreneur 3, who did experience it, stated that it had no effect on her. The literature however states that stigmatization is both an outcome of failure and that an external attribution of failure results in lower stigmatization (Kibler et al., 2017) but at the same time less learning (Yamakawa & Cardon, 2015). Since all three entrepreneurs who attributed failure externally reported learning, and since a majority of the entrepreneurs did not even experience stigmatization, our results do not support the findings of Kibler et al. (2017). This could perhaps be because the entrepreneurs in this thesis are unique in that they did not experience stigmatization, but since this is highly speculative it will not be elaborated on further. The main finding for this thesis regarding stigmatization is that the interviewees did not experience it and therefore a conclusion could not be made regarding if external attributions of failure reduce stigmatization but also reduce learning, which was proposed by prior literature (Yamakawa & Cardon, 2015; Kibler et al., 2017).

5.3.3 Opportunity Identification

Prior research suggests that learning allows for better recognition of opportunities in the market (Boso et al., 2018; Minello et al., 2014) because habitual entrepreneurs are more active and risk taking (Ucbasaran et al., 2006). This also seems to hold true for the entrepreneurs in this thesis since most of them indicated that the experience of having owned more than one firm has both taught them to recognize good opportunities and more actively seek new opportunities. Entrepreneur 8 in particular highlighted that his experience of two different industries has “...opened my eyes...I am always on the lookout for new ideas...”. In addition, some entrepreneurs stated that family support was important for gaining the courage to start a new venture. Entrepreneur 3 stated that she was reluctant to open a third business but eventually did it with the help of her supportive husband. This also goes in line with previous literature which has highlighted the importance of family support for re-venturing (Lin & Wang, 2019; Dias & Teixeira, 2017). In addition, the importance and role of family in the lives of the entrepreneurs is something which was seen in the previous section on cost of failure, where the entrepreneurs stated that the financial cost of failure was the worst aspect due

to the negative impact it had on the families of the entrepreneurs. This could perhaps suggest that families play important roles in the lives and businesses of the entrepreneurs, which was not something that could be inferred from previous literature.

Another insight found on opportunity recognition of failed entrepreneurs is that Entrepreneurs 3 and 5 stated that while opportunity identification is something which is improved with experience, it is not something which arises automatically. The entrepreneurs did confirm that learning and experience enables better opportunity recognition, which goes in line with the argumentation of previous authors as well (Boso et al., 2018; Minello et al., 2014). However, the entrepreneurs also highlighted that trends also have a major influence on which business ideas work, and which do not. The reasons given for this are that the entrepreneurs operate in a dynamic and constantly changing environment influenced by trends and social media. So, while learning does enable opportunity recognition for the entrepreneurs in this study, they have to stay highly aware and flexible towards current trends as well. Nevertheless, it has been seen that the ability to recognize opportunities in the market is also an element of learning from failures for the entrepreneurs in this study. This is indicated by figure 4, which is an extension of figure 3 in the sense that it includes opportunity recognition as an element of learning.

Figure 4: Step 3 of Suggested Model



5.4 Human Capital

5.4.1 Knowledge and Skills

The entrepreneurs in this study mostly stated that both knowledge and skills are factors of success. The literature suggests that experience in particular is important for gaining skills (Westhead et al. 2009; Walsh and Cunningham, 2017). The findings of this thesis also suggest this, since a majority of the entrepreneurs also stated that skills increase with experience. Entrepreneurs 5, 8 and 1 reported emotional and interpersonal skills as the ones which increase through experience and failure. This is also partly supported by previous literature, which argues that skills are acquired through experience (Gibb and Ritchie, 1982; Westhead et al. 2009). On the contrary, Entrepreneur 3 believes that skills are a part of a person and that this can consequently determine the success of an entrepreneur since *“knowledge can be learned while skills cannot”*.

Some of the entrepreneurs also indicated that dealing with failure became easier for them after the first time, which could suggest that coping with loss and failure also becomes more manageable with experience. In addition, research suggests that human capital is more easily collected when the entrepreneurs devote time for reflection after the failure (Westhead et al., 2009), which Entrepreneur 5 mentioned as well.

“I took time for reflection after my failures, and that enabled me to figure out what exactly I did bad.” (Entrepreneur 5)

Knowledge on the other hand was also mentioned by most entrepreneurs in this study as beneficial, and even as a form of advantage according to Entrepreneur 2, who argues that knowledge makes an entrepreneur *“better equipped”* in recognizing opportunities in the market. This also goes in line with the findings of Hajizadeh & Zali (2016) who argue that knowledge enables opportunity recognition. Interestingly, opportunity recognition is, as stated previously, found to be an element of learning (Minello et al., 2014) which points to the interconnection between learning and human capital developed in the literature review.

5.4.2 General and Specific Human Capital

The literature defines general human capital as knowledge which is applicable in different types of situations (Cooper et al., 1994) such as managerial expertise, if acquired through employment (Westhead et al., 2009). On the other hand, specific human capital is more related to knowledge of a specific industry or context and is therefore less applicable than general human capital (Rauch & Rijsdijk, 2011; Westhead et al., 2009). From the habitual entrepreneurs in this study, it was found that those who have started multiple firms within the same industry (Entrepreneurs 1, 3, 4, 5 and 6) valued specific human capital more and mostly stated that it is important for learning. The reasons brought forward were that background knowledge of the industry such as prices, customer needs and supplier relations save time when starting a venture since the entrepreneur does not have to spend time getting familiar with this but can instead focus on strategy and growth. This partly confirms previous research that specific human capital is positive but of limited applicability (Westhead et al., 2009). One possible interpretation is that specific human capital is beneficial for the entrepreneurs who have started multiple ventures in the same industries since they did not apply that knowledge in different fields or industries. Another interesting aspect of this finding is that all of these entrepreneurs which have started multiple businesses in the same industries are successful today and have managed to grow their firm (and multiple firms in the case of Entrepreneurs 3 and 5) extensively throughout the years from the firms' start-up phases until today. This speaks against previous research which states that specific human capital is not connected to higher growth (Rauch & Rijsdijk, 2011) because of its limited applicability (Westhead et al., 2009).

General human capital on the other hand was stated as important for learning and success by the entrepreneurs who have started firms in different industries (Entrepreneurs 2, 7 and 8). For instance, Entrepreneur 8 stated that his knowledge of the food industry was "*useless now when I run a construction firm.*" This also strengthens the argument that specific industry knowledge is perhaps of limited applicability, as suggested by Westhead et al. (2009). Consequently, it is therefore not surprising that the entrepreneurs who started second ventures in different industries found their previous knowledge to some degree obsolete. Entrepreneur 8 continued by stating that "*The*

knowledge that I did take with me is about how to manage, how to cope with stress, how to manage the tax account and so forth.” which indicates general human capital since the entrepreneur perceives it to be applicable in different contexts, which is the very definition of general human capital (Cooper et al., 1994). Similarly, Entrepreneur 2 also mentioned that knowledge of practical and general elements such as *“managing... bookkeeping and marketing”* were the most useful knowledge taken from his first venture to the second.

Based on these insights, the most appropriate interpretation is that both general and specific human capital are outcomes of learning, but that general human capital is more useful for entrepreneurs who switch industries when starting a new venture while specific human capital is more appropriate for entrepreneurs who start a new venture in the same industry as previously.

5.5 Human Capital as an Outcome of Learning

As explained previously, it is found that learning is an outcome of business failure, and it was true for seven out of eight entrepreneurs in this study, whereas the remaining entrepreneur, Entrepreneur 2, did not indicate learning much from the failure per se but instead stated learning about more practical aspects such as *“managing skills, bookkeeping and marketing.”* As noted previously, those skills are transferable to different businesses and are not specific to the alarm industry, which was the industry where Entrepreneur 2 owned his first venture. Therefore, since those skills are transferable to other ventures, they can be considered as general human capital (Cooper et al, 1994). Similarly, Entrepreneurs 7 and 8 who, like Entrepreneur 2, have owned different businesses in different industries, also reported increases in elements of general human capital such as stress management, bookkeeping and tax management. As for the other entrepreneurs who have owned multiple businesses within the same industry (1, 3, 4, 5 and 6), they reported gaining specific human capital such as specific industry or product knowledge. Regardless of whether the skills or knowledge were general or specific, they represent increases in human capital of the entrepreneurs and were acquired through learning. Hence, as theorized in the literature review section,

there is support that learning leads to increases in the human capital of the entrepreneurs in this study.

As seen from the results, both skills and knowledge were outcomes of learning, with minor variations in perceptions of what is more important, skills or knowledge. For instance, Entrepreneur 1 highlighted that the major outcome of learning and experience are skills, since *they take time to learn through experience*". Entrepreneur 2 on the other hand, perceives that knowledge is more important. Skills such as emotional and interpersonal skills were mentioned often, together with knowledge of the market, which was suggested to be an enabler of opportunity recognition by Entrepreneur 2. Consequently, opportunity recognition was found to be an element of entrepreneurial learning, as explained in the section about learning. This also points towards the conclusion that entrepreneurial learning leads to an increase in the human capital of entrepreneurs, which partly supports the research by Rocha et al. (2015). Additionally, when asked about what they have learned, most entrepreneurs brought up skills and knowledge which they have gained. Consequently, since skills and knowledge are elements of human capital (Quan & Huy, 2014), this also serves as evidence that entrepreneurial learning leads to an increase in human capital, as was theorized in the literature review section.

5.6 Learning as an Outcome of Human Capital

Another interesting aspect which was found about human capital and learning, and was stated explicitly by Entrepreneurs 3, 5, 6 and 8 is that human capital seems to boost more learning. Entrepreneur 8 explains that *"the more I know, the easier it is for me to build further on that rather than start from scratch."* This could perhaps suggest that gaining new skills and knowledge, which are subsets of human capital (Quan & Huy, 2014) is easier when there is already previous background knowledge.

Entrepreneurs 3 and 6 on the other hand articulate curiosity and the fact that they do have experience in their respective industries as enablers of even more learning.

Entrepreneur 3, who is relatively knowledgeable in the clothes and retail industry since she has many years of experience and has run multiple firms in the same industry, explained that curiosity leads her to learn new things.

“If I am interested in something which could improve my business, I try to learn it, but I would not say it is because of necessity, but because I find interest in it.” (Entrepreneur 3)

Despite the fact that Entrepreneur 3 arguably has both skill and knowledge in her industry, as seen from her experience, she still finds the motivation and necessity to build on this by learning new things. The same can be said about Entrepreneur 6, who also states the importance to *“be curious”* in order to improve. Curiosity is an aspect of learning and human capital which is not covered by previous literature, to the best knowledge of the authors.

The idea that human capital leads to learning is evident especially among the Entrepreneurs who have owned at least two firms in the same industry (Entrepreneurs 1, 3, 4, 5 and 6). Having stated that, the same was indicated by the entrepreneurs who have operated in multiple industries as well, as for instance Entrepreneur 8 as seen above. However, the phenomenon seemed stronger for Entrepreneurs who have owned more than one business in the same industry. Entrepreneur 5 describes his learning process as *“circular”* where each failure can bring new knowledge to the next venture, and that this knowledge accumulates over the years. In addition, Entrepreneur 5 also described his first venture like this: *“I really had no idea of what I was doing.”* With that, he indicated that the knowledge and skills build up with experience, and this is also evident since he owns and runs several successful businesses today. Despite that there are clear indications that his ventures are successful, and that his experience is extensive, he indicated the importance of not being over confident and always doing proper research before starting a new venture, which suggests a willingness to learn more. This is partly supported by Politis and Gabrielsson (2009) who argue that learning is important for gaining knowledge. However, our results also indicate that the reason for this seems to be that some entrepreneurs, for instance Entrepreneur 5 and 8, find learning easier when it accumulates and is build up through time and experience. Additionally, curiosity and

a willingness to learn seems to be a factor which could explain why for example Entrepreneurs 3 and 6 constantly learn new things, despite being knowledgeable in their respective industries.

Based on this evidence, it has been seen that human capital can be an enhancer of more learning due to accumulation of knowledge which triggers additional knowledge which builds up over experience, and due to curiosity or a willingness to learn more, as expressed for instance by Entrepreneur 3.

This proposed twofold relationship which seems to exist between entrepreneurial learning and human capital is demonstrated by figure 5 below. This model is an extension of model 4 and shows the conceptualization of the impact which business failure and human capital are suggested to have on entrepreneurial learning.

Figure 5: Suggested Model



6. Conclusion

This chapter presents the conclusions of the study, which is the answer to the research question.

The purpose of this thesis is to investigate what impact failure and human capital have on the entrepreneurial learning of habitual entrepreneurs. When weighing all the evidence gathered from interviews and secondary data together with the literature review, several relationships seem to appear between the different elements failure, learning and human capital.

Based on the evidence from the results and the rest of the data, the most likely interpretation is that financial cost after failure seems to be an inhibitor of learning after failure. The reason for this, as the entrepreneurs in this study stated, is that the time and energy spent on stabilizing the financial situation leaves less time and willingness to engage in reflection directly after failure, and since reflection is important for learning (Yamakawa & Cardon, 2015), this could ultimately lead to less learning.

However, despite possible obstacles to learning, almost all entrepreneurs in this study have indicated learning from failure. More specifically, it appears relatively more likely that business failure, both bankruptcy and other internal failures such as product or strategy failures generate knowledge which can be transferred from one context to another regardless of whether the entrepreneurs attribute failure internally or externally. In addition, the ability to recognize new opportunities in the market seems to be an implication of business failure as well.

Regarding human capital, there appeared to be various elements of human capital which the entrepreneurs in this study perceive as increasing with learning and experience. Based on the results, the most reasonable interpretation is that human capital seems to be an outcome of learning because element such as skills and knowledge, which could be general or specific to a certain industry, seem to increase with learning, for the entrepreneurs in this study.

Lastly, when weighing the evidence, it also appears that the relationship can be expressed inversely. This could imply that human capital can be an enhancer of learning due to an accumulation of knowledge which triggers additional knowledge that builds up over experience, and due to curiosity or a willingness to learn more.

7. Discussion

This chapter begins with theoretical and practical implications of this study, followed by suggestions for further research. Lastly, delimitations are presented.

7.1 Theoretical Implications

Previous research has mainly defined business failure as bankruptcy or an end of ownership due to, for example, insolvency (see Ucbasaran et al., 2013; Jenkins & McKelvie, 2016). Since failure can be conceptualized in various ways (Jenkins & McKelvie, 2016), this thesis has included product failure and strategy failure as well as bankruptcy because of the decision to view failure from a subjective and individual point of view (Jenkins & McKelvie, 2016) which implies that the entrepreneurs decide what they perceive as a failure. Consequently, this thesis has demonstrated that almost all entrepreneurs in the study seem to have learned from failure by applying knowledge from one venture or context to another (Quan & Huy, 2014; Yamakawa & Cardon, 2015). Thus, current theory has been extended by applying it to a different situation (Eisenhardt, 1989) by demonstrating that different types of failures, not only bankruptcies, have a potential to generate learning. This could imply that future research might benefit by reconceptualizing entrepreneurial failure since new insights can be drawn about both entrepreneurial failure as well as entrepreneurial learning. Perhaps important insights might even be lost if failure is defined too narrowly.

Additionally, this thesis suggests that learning and human capital are interconnected with each other, thereby broadening the current entrepreneurial learning and entrepreneurial failure topics. The most reasonable interpretation of the results indicates that learning from failure leads to the acquisition of human capital, thus partly confirming previous research (see Rocha et al., 2015; Lin et al., 2018). In addition, the results suggest that human capital can lead to increased learning due to accumulation of knowledge which boosts new learning, and due to curiosity and willingness to learn more. This could shed a new light on how learning is viewed, and perhaps suggest that human capital has an effect on how entrepreneurs learn.

7.2 Practical Implications

Previous literature has recognized financial costs as an implication of failure (Ucbasaran et al., 2013). However, this thesis indicates that financial cost is most likely also an inhibitor of learning due to the time and effort which is taken from reflection to stabilize the financial situation. Since reflection is important for learning (Yamakawa & Cardon, 2015), this indicates a potential loss of learning, which is something that was seen from the interviews as well. This implies perhaps that entrepreneurs need to consider the possible financial cost of failure more thorough before starting a new venture. This thesis has demonstrated what negative effects the financial cost might have for entrepreneurs and their families, and that those costs can take years to pay off, as with the case of Entrepreneur 5. Hence, this could suggest that entrepreneurs should perhaps weigh these costs more heavily when thinking about starting a new venture.

On the other hand, this thesis has also demonstrated that failures most likely lead to some type of learning, regardless whether the entrepreneur attributes the failure internally or externally, and regardless if the failure is a bankruptcy or a product or strategy failure. The implication of this could be that failure, while carrying certain downsides (Ucbasaran et al., 2013) like the financial costs mentioned previously, always has a potential benefit, which is learning as for example transferring the knowledge to a new venture (Quan & Huy, 2014) or an improved ability to recognize new business opportunities (Minello et al., 2014). This thesis demonstrates that this learning is beneficial since it increases human capital such as skills and knowledge (Quan & Huy, 2014), and the increase in human capital can trigger a willingness to learn more. This implies that entrepreneurial activity, even if unsuccessful, could provide the benefit to accumulate knowledge which could be beneficial in the future. As for Entrepreneur 8, new knowledge could be more easily built on existing knowledge, rather than learning from the beginning.

7.3 Suggestions for Further Research

This thesis has investigated entrepreneurial learning and the impact that business failure and human capital have on learning in an explorative manner to. In addition, the definition of failure has been broadened to include internal failures like product and

strategy failures, in line with the decision to view failure subjectively and individually, as suggested by Jenkins and McKelvie (2016). However, due to the explorative nature of the research and restrictions of space and time, these concepts have not been investigated in detail. The literature review revealed that human capital can be seen as skills and knowledge (Quan & Huy, 2014) and that the nature of that human capital can be general or specific (Cooper et al., 1994). This thesis has shown that these different definitions exist for the entrepreneurs in this study, and a relationship to learning has been suggested. However, these concepts can be explained in detail and perhaps future research can shed a light on how these different elements of human capital affect entrepreneurial learning. In addition, the relationships established between entrepreneurial failure, learning and human capital can be tested quantitatively, and they could be tested in different geographical regions. Lastly, this thesis has not deliberately chosen specific industries to investigate since all habitual entrepreneurs were of interest. Therefore, future research could investigate the subject closer by comparing how entrepreneurs in different industries learn and how they are affected by failure. Future research could help develop the concepts of entrepreneurial failure and perhaps explain why failure leads to learning and why human capital affects entrepreneurial learning, which would dig even deeper into this interesting and important subject.

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Appendices

Appendix 1: Type of failure and attributions

ENTREPRENEUR	NUMBER OF FAILURE	TYPE	ATTRIBUTION
1	2	Product	External
2	1	Product	External
3	1	Bankruptcy	Internal
4	1	System	Internal
5	2	Bankruptcy/Poor performance	Internal
6	1	Development/Managing	Internal
7	1	Product/Strategy	External
8	1	Strategy	Internal

Appendix 2: Interview Structure and Guide

General information (Most of the time, certain general information could be found by visiting the websites of the companies which the entrepreneurs in this study own. This was sufficient to get an overview about the company and the entrepreneur, but certain general information was also asked in the interviews for the purpose of getting the conversation going).

- Demographics of the company such as size, number of employees, age, industry
- Can you tell a bit about yourself, which businesses you have had and what business or business you own at the moment? Business partners?
- Why did you decide for this specific industry?
- What would you say are your strongest sides as an entrepreneur?
- What are the more negative aspects

Failure and type of failure:

- What would you describe as you biggest failure and drawback in your career and why?
- What led to this situation?
- What could you have done differently?
- Do you perceive the failures as being within your control or outside of your control? Why?
- How were you affected socially, emotionally and financially?
- How did you view yourself after the failure? The confidence level and belief in yourself?
- What is the worst aspect of failure? Why was it like that?
- Have you ever perceived a loss of legitimacy in the eyes of others when your business has failed or was in any way unsuccessful (stigmatization)
- Did failure help you spot new business opportunities?

Human Capital: (For this part of the interview, the authors explained what was meant by general and specific human capital, skills, knowledge and other terminology which could be understood in a different way. This was done to avoid ambiguity of what is being asked).

- What skills are mostly important in your line of business? What skills did you gain from failure? (emotional, practical, managerial, coping)
- What is the role of knowledge in failures? What knowledge did you pick up from your entrepreneurship career and especially from your failures?
- Is your knowledge more general or specific? Which type of knowledge have you mostly learned by failure?
- Is general or specific knowledge more important for an entrepreneur like you? Why?

Learning and Human capital: (Usually, a lot of these questions which tie together learning and human capital were sufficiently answered previously in the learning section or the human capital section. However, if there was uncertainty about what the entrepreneurs meant or how it can be interpreted, these questions were used as a backup).

- Does learning mean that you acquire certain skills which improve you, or certain knowledge? (about for example the business or the industry)
- Does continuous learning help you being better equipped for handling your business and the everyday decisions?
- How do your skills and knowledge affect the way you learn?
- Does learning depend on what you experience, or do you also control what you learn?