



# Entrepreneurs and Business Failure: Taking a Second Chance

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**Abstract.** This paper examines the impact that business failure has on an entrepreneur's propensity and ability to (re)start their entrepreneurial journey. We present the story of entrepreneurship from the perspective of six entrepreneurs who created new businesses after initially experiencing business failure. Data was collected in extended face-to-face interviews and the findings represent a detailed biography of each entrepreneur. Our findings highlight the significance of experiential learning for entrepreneurs who wish to recover and engage in a new venture creation. Entrepreneurs who experience failure may have enhanced abilities with regard to the management of resources, service and product development and finance. The decision to (re)start will often be framed by pride, life satisfaction and a lack of confidence about gaining meaningful employment. Entrepreneurs who have experienced business failure face problems in relation to: accessing finance; managing personal and business relationships; and in overcoming the stigma of failure. Therefore, there is a need to customize entrepreneurial initiatives and interventions to ensure that second chance entrepreneurs can be adequately supported.

**Keywords:** entrepreneurial learning, experiential learning, entrepreneurial supports, failure.

## 1. Introduction

Business exit, an important component of the entrepreneurial process, has received limited attention in the academic literature. Parastuty (2018) reports that the extant literature explores exit on both an individual and firm level. At the individual level, exit due to failure has a range of impacts. Exit can cause emotional distress but can also facilitate important entrepreneurial learning. Entrepreneurial learning theory (Politis, 2005; Cope, 2011) suggests that the failure an entrepreneur experiences serves as a reservoir of knowledge which can be important to their future success. We explore how the experience of failure is used by entrepreneurs when they start a new business. We also explore the unique challenges entrepreneurs who have experienced business failure face when (re)starting. Singh *et al.* (2015) use a qualitative approach to explore how stigma develops over time, reporting that stigma often emerges before a business fails and may contribute to the failure. Their study explored the learning gained from

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failure. We adopt a similar qualitative approach. However, their sample included only two participants who started a new business after experiencing failure. In this paper our participants are all second chance entrepreneurs.

We begin by reviewing the literature (Zacharakis *et al.*, 1999; Hayward *et al.*, 2010; Lussier and Halabi, 2010; Cope, 2011; Amaral *et al.*, 2011; Ucbasaran *et al.*, 2013; Jenkins *et al.*, 2014; Simmons *et al.*, 2014; Singh *et al.*, 2015; Hsu *et al.*, 2017) on entrepreneurial failure and provide recommendations for customizing entrepreneurial supports to maximize the success of (re)starting entrepreneurs. Then our paper presents the story of entrepreneurship from the perspective of six entrepreneurs who take a second chance and start a new business. We add to the existing qualitative studies on entrepreneurial failure and address a significant gap in the literature by exploring the entrepreneur's motivation, experience and reflection on the process of (re)starting their entrepreneurial journey. The three research questions addressed in this paper are:

**RQ 1:** What are the impacts of failure on entrepreneurs?

**RQ 2:** Why do entrepreneurs start new ventures after experiencing failure?

**RQ 3:** What unique challenges do (re)starting entrepreneurs face?

We begin by examining the issues associated with entrepreneurial failure. Then we present the biographical accounts of six entrepreneurs and finally, we present our conclusions, recommendations and future research directions.

## **2. Business Failure and Entrepreneurs**

Politis (2005) explains that entrepreneurs who have been involved in starting a new venture are often more successful when starting up and managing subsequent businesses. We explore the impact that failure can have on future propensity and the prospects of success. Previous entrepreneurial experience (positive and negative) can provide the necessary skills to facilitate new venture formation (Dimov, 2010; Shepherd *et al.*, 2014). However, there is an absence of published studies on the post failure experiences of entrepreneurs, a gap which is addressed in this paper. The literature (Shepherd *et al.*, 2014; Williams and Shepherd 2016) indicates that the tacit knowledge and resilience gained from prior entrepreneurial experience of business failure is a valuable resource for entrepreneurs. Indeed, Tang *et al.* (2012) report that experience increases entrepreneurial alertness significantly. Experience may support improved decision-making, resource management, financial management and opportunity recognition. Furthermore, the literature reports that an entrepreneur with previous international experience tends to be more open to pursuing opportunities proactively, thus leading them to early internationalization (De Clercq *et al.*, 2012; Dvouletý and Lukeš, 2016; Hsieh *et al.*, 2018).

An important element of the entrepreneurial process is entrepreneurial exit and the reasons behind the decision to exit. DeTienne (2010) proposes that two types of entrepreneurial exit can occur in the infancy of the entrepreneurial process. The first, is voluntary and the second relates to failure. However, entrepreneurial journeys can be disrupted at any stage by economic shocks, technology driven disruptions and general changes in consumer preferences. The extant literature presents different definitions for failure (McGrath 1999; Zacharakis *et al.*, 1999; Simmons *et al.*, 2014). Wennberg *et al.* (2013) reminds us that not all business closures necessarily equate to failure. Indeed, Coad (2014, p. 722) explains that a crucial distinction should be made between entrepreneurial exit and business exit although in most cases business exit will correspond to entrepreneurial exit. In some cases, the business will continue to operate after the exit of the entrepreneur. In other cases, a portfolio entrepreneur may continue their business activities despite the death of one of their businesses. Some of the characteristics of business failure reported in the literature are: 1) discontinuance of ownership either through closure or sale; 2) discontinuance of ownership due to bankruptcy/insolvency; and 3) discontinuance of ownership due to a deviation from the expected or desired results. The definition of business failure used in this paper allows for, the discontinuance of businesses due to three factors: financial failure; the failure to meet expectations and targets; and failure due to personal difficulties (Cannon and Edmondson 2001; Green *et al.*, 2003; Shepherd 2003; Simmons *et al.*, 2014; Baù *et al.*, 2017). Entrepreneurial failure is a common occurrence and whilst it may be painful and costly, the failure can provide excellent learning opportunities for the entrepreneur (Cope, 2011). However, learning from failure requires the entrepreneur to acknowledge and accept the causes of their failure. We would argue that entrepreneurs are not unique in this regard and that the inability or unwillingness to learn from failure is common to many individuals rather than unique to entrepreneurs.

An important factor to consider is the cost of failure and how it creates obstacles for an entrepreneur who wishes to start again. Fear of failure can inhibit entrepreneurial intentions and influence entrepreneurial re-entry decisions. However, Wennberg *et al.* (2013) suggests the culture of a country is a contributing factor to the level of fear of failure. An entrepreneur who has experienced failure faces a loss of income and is often responsible for a personal debt which can take time to pay off. This is a practical issue and a formal barrier but can also manifest itself in a psychological barrier by fostering risk aversion. Entrepreneurs who fail typically have little savings and/or the ability to access financial support. Business failure can also harm professional relationships with investors, suppliers and customers (Ubcasaran *et al.*, 2008; Cope, 2011; Singh *et al.*, 2015). These relationships may be permanently lost. This may create barriers to new business development and necessitate restarting in another jurisdiction and/or developing an entirely new product or service.

McGrath (1999) explains that people tend to repeat things they have succeeded in and to avoid things that have earlier led to failure. Hsu (2017) suggests that experience of previous ventures helps an entrepreneur to learn new skills. In addition, we would propose that previous venture experiences can help an entrepreneur to identify their own skill deficits and those within their networks. Cope (2011) argues the importance of repairing damaged relationships in an intrinsic part of the recovery process from a business failure. Indeed, Minniti and Bygrave (2001) studied entrepreneurs who credited their future business success to learning from previous failure. They suggest that entrepreneurs gain experiential learning from two different types of knowledge, specific and general. The specific knowledge is of a technical nature and linked to the industry the entrepreneur failed in. The general knowledge is developed over time through learning by doing. This relates to the general entrepreneurial know how of running a business, vital information for entrepreneurial re-entry. There are many experiences and learnings that can be gained from failure and this can be an important component for future ventures (McGrath 1999; Politis 2005; Huovinen and Tihula, 2008; Cope 2011). It is important to understand what motivates an entrepreneur to continue and to what extent they may do so out of necessity. Jenkins *et al.* (2014) cautions that while business failure can teach entrepreneurs valuable lessons it does come with a high emotional cost. Research suggests that entrepreneurs can exhibit high levels of depression due to the high levels of risk and loss of control that they experience. In addition, extreme lifestyles e.g. lack of sleep, exercise and poor diet, are also contributing factors. These psychological factors can sometimes affect entrepreneurs so much so that they are unable to proceed with a new venture (Fowle, 2019; Freeman *et al.*, 2019). Of course, an entrepreneur may also gain a sense of purpose and achievement from self-employment that they are unable to replicate in employment. Indeed, Corner *et al.* (2017) posit that despite the trauma that comes with business failure, entrepreneurs exhibit resilience, which helps them to overcome failure and facilitates new business creation. Jenkins *et al.* (2014) suggest that entrepreneurs develop psychological capital after experiencing business failure, resilience being a major component. This resilience is an important characteristic of entrepreneurs who have failed as they have a greater ability to adapt and change in challenging situations (Hayward *et al.*, 2010). Additionally, Corner *et al.* (2017) found that resilient entrepreneurs do not experience the continuous negative emotions which can often constrain opportunities for entrepreneurial learning. The motivations for starting a new venture vary and the reasons may be remarkably different from the first new venture to subsequent venture creation (Westhead and Wright, 1998). Indeed, Littunen (2000) found that the creation of a second venture may be influenced by factors such as: a shortage of alternatives; the limitations of a previous venture; or by the recognition of a new opportunity. Furthermore, authors including Westhead and Wright (1998), Lee *et al.* (2011) and Estrin *et al.*

(2017) report that nascent entrepreneurs are motivated by the need for independence and/or the need to experience a sense of achievement.

Financial strain is a recurring theme in venture failure (Politis and Gabrielsson, 2009; Lee *et al.*, 2011; Jenkins *et al.*, 2014; Estrin *et al.*, 2017). Entrepreneurs are faced with many constraints when it comes to accessing finance. This is particularly difficult for second time entrepreneurs who may have amassed debt that drains their resources and impacts their credit ratings. Shepherd and Haynie (2011) report that some venture capitalists prefer entrepreneurs who have failed at least once, believing that they are more resilient and self-aware. However, many entrepreneurs will experience a *stigma* associated with failure. Stigma is described in the literature as an agonizing and sometimes distressing experience which subsequently prevents future venture start-ups (Wennberg *et al.*, 2013; and Simmons *et al.*, 2014). Indeed Singh *et al.* (2015) found stigma occurs in three stages; before business failure, during business failure and after business failure. Interestingly, the study found that stigma can begin before a business failure actually happens and can indeed contribute to the failure. Ucbasaran *et al.* (2013) report that an entrepreneur will experience: a loss of status; negative attitudes from creditors; disagreements with family and friends; and will believe that potential employers will view their failure negatively. An entrepreneur will face many obstacles after failure. Loss of income, financial strain and emotional strain can cause depression for entrepreneurs. Nevertheless, the resilience shown by entrepreneurs who have failed enables them to adapt and change (Hayward 2010; Parastuty 2018). In addition, the experience and learning gained from previous ventures is a crucial component for future success in new venture creation (Politis 2005; Dimov 2010; Shepherd *et al.*, 2014). Therefore, it is important to capture the experiences and perceptions of second chance entrepreneurs to address a gap in the literature and to help us understand the challenges entrepreneurs face in (re)starting.

### 3. Methodology

Studies of entrepreneurial failure have adopted conceptual (Sitkin 1992; McGrath 1999; Shepard 2003; Hayward *et al.*, 2010); quantitative (Watson and Everett, 1996; Fan and White, 2003; Wennberg *et al.*, 2010) and qualitative (Cope *et al.*, 2004; Kirkwood, 2007; Singh *et al.*, 2007) approaches. We have chosen a qualitative approach. The novelty of our study is based on the fact that we interviewed entrepreneurs who experienced failure but importantly took the decision to (re)start a new venture. By addressing research question 1 (*What are the impacts of failure on entrepreneurs?*) our study adds to the existing literature on entrepreneurial failure. The answers to the other two research questions (*Why do entrepreneurs start new ventures after experiencing failure?*) and (*What unique challenges do (re)starting entrepreneurs face?*) provide insights in to

relatively unresearched issues and complement the existing literature on entrepreneurial motivations and experiences.

Entrepreneurship research has been primarily positivist in its paradigmatic stance to date (Lewis *et al.*, 2007). However, interpretive paradigm and qualitative approaches are becoming more widely accepted (McAdam *et al.*, 2019; Engel *et al.*, 2020). Given the motives for becoming an entrepreneur are often multi-faceted, semi-structured interviews are an appropriate way of capturing the complexity of the process. The interview schedule was devised after a review of the literature and was sent to participants prior to the interviews. The unit of analysis is an individual who had experienced a business failure and subsequently started a new entrepreneurial journey. Brush *et al.* (2009) argue that exploring the entrepreneurial narrative can make a unique contribution to our understanding of the phenomenon. Indeed, Smith (2009) explains that to be made meaningful for others, experiences, values, and achievements must be communicated to others via language, narrative and storytelling. Therefore, narrative structuring (Kvale, 2006) is used to create a coherent story. The narrative is presented in the next section and recommendations are made in our conclusion. In adopting this approach, our paper aligns with Roundy (2016) and pays attention to the voice of the entrepreneur inviting them to participate in the discourse by making respondents narrate their efforts and experiences.

The semi-structured interviews were conducted either at the entrepreneur's business premises or their home. The entrepreneurs are all based in Ireland. The interviews lasted on average one hour. The interviews were recorded and transcribed with note taking in line with recommendations from (Saunders *et al.*, 2015). Transcriptions were sent to the participants to be verified (Bryman, 2012). None of the participants restricted the findings. Pseudonyms were used to ensure anonymity and to enhance the authenticity of the emergent narrative. The interviews explore the entrepreneur's: background, prior experiences, experience of business failure, motivations to (re)start, current performance and future plans. Criterion sampling was chosen based on key factors identified in the literature review. All of the entrepreneurs: 1) had experienced business failure due to bankruptcy, insolvency and/or poor performance; and 2) had (re)started successfully. Due to the sensitive nature of the topic, many potential participants declined to participate. A profile of the participants is provided in Table 1.

Table 1: Participants

Participant	Gender	Age (at the time of failure)	Age (when re-started)	Education (prior to first venture)	First Business Industry	Second Business Industry
1 Jane	Female	37	38	Second Level (obtained third level during and after business failure)	Food manufacturer	Digital Industry
2 Francis	Male	44	45	Third Level	Property Developer	Retail
3 Ben	Male	48	49	Second Level	Food Franchise	Food Franchise
4 Sarah	Female	51	51	Third Level	Retail	Clothing manufacturer
5 Kevin	Male	46	50	Second Level	Construction	Media Production
6 Martin	Male	29	31	Second Level	Property	Media Production

Four of the participants come from an entrepreneurial background with either one or both parents owning a business. However, none of the participants took over a family business. *Sarah* was the only interviewee who took up a business in the same industry as her parents. None of the entrepreneurs reported being under pressure to take over their family business. Two of the participants, *Sarah* and *Francis*, completed higher education before starting their first business. Three of the entrepreneurs had industry specific work experience. *Martin* did not have any industry experience. *Francis* and *Sarah* had no industry specific experience, having studied and worked in industries different to that of their first business. Achieving career satisfaction and the need for achievement were the most important motivating factors for all the entrepreneurs in this study.

#### 4. Findings

##### *Part A. Experiencing Business Failure*

When asked what the main factors that led to the failure of their business, all the interviewees identified the economic recession that occurred between 2009 – 2014. Having just bought business premises *Sarah* felt the pressure once the economy went in to recession, finding it difficult to pay her mortgage.

“There was a huge market change. I suppose because I had bought the building, it had put me under huge pressure with the mortgage. I genuinely couldn’t afford the upkeep. I couldn’t buy the clothes I wanted to buy. My client base was destroyed.”

*Ben* explained how he had got into trouble with his business. When the recession occurred his sales growth suddenly dropped and so too did the profits.

“We got into trouble with our properties. We had been expanding rapidly and had been acquiring shops in modern shopping centers at the top end of the market. We had always rented shops that were too expensive for us ... but the sales had always grown to catch up.”

*Ben* admits that he had semi-retired and started enjoying life.

“I semi-retired around 2005. I ran for election, wrote a couple of books and started a charity, I had a great time. Then I could see the business getting into trouble and I went back but it was no good. The recession had kicked in and I got completely wiped out.”

*Kevin* felt that the recession was the sole reason for the failure of his business.

“People say businesses fail, but I don’t believe my business was a failure. It was the recession.”

However, upon further probing he did admit that he was not managing his cash flow well.

“You look for €5,000. They (the banks) give you €20,000. That means there’s €15,000 extra to play with. And that was bad management on my part. I suppose I took my eye off the ball a bit. And then things just changed so quickly.”

*Francis* and *Martin* both felt that the banks had lent them too much money.

*Francis* explains:

“It just shows you how crazy it was that an industrial engineer could be given six million to build lots of houses. One site was bought for three and a half million and it was sold for 180 thousand so it was just wipe-out.”

All of the entrepreneurs reported that the business failure had a significant effect on their personal and/or professional relationships. *Ben* and *Francis* recalled that overnight their professional networks had dissipated and that the relationships that they had with the banks, contractors, accountants and solicitors changed dramatically.

“Two years before I went bust I was being flown around the country in helicopters to look at shopping developments and then I go bust and nobody will talk to me and nobody will rent me a shop. I am a fairly gregarious guy so I have a lot of contacts and overnight my contact book dried up. There was a lot of people who I thought I was pretty close to who just disappeared out of my life. It was frightening.”

Similarly, *Francis* remembered how some of his professional relationships were impacted. He felt that people looked at him differently once he went bankrupt.

“The general public still think bankrupts are crooks.”

*Francis* felt his personal relationships were not affected. The close friends that he had stuck by him. His family were all supportive despite unwanted negative publicity.

“My brother phoned me after reading the paper ... he was asking why he was being dragged into it. My father’s name was mentioned. So, everyone was pulled into it.”

*Sarah* felt her business closure had little effect on her personal or professional relationships. She believes her generosity in business was a factor in her sustaining her professional relationships.



“I was very lucky. I am a generous person. I paid everybody and to me, when you are generous it comes back to you twenty-fold. I maintained all my professional relationships.”

Different from the other entrepreneurs *Martin* opted for a self-imposed exile. He was ashamed and embarrassed.

“Nobody knew what this had happened to me. Why? Perhaps they didn’t realise that I had lost everything.”

In contrast *Jane* had a more positive experience. The failure allowed her to take a step back and improve relationships that she had neglected.

“It gave me the opportunity to be much more mentally present and physically present. I became a much better parent. I would see that as a major plus to it all. I have the ability now to switch off and to get a bit of work life balance which I didn’t then. I had more time for friendships and I picked up on friendships that might have been neglected. So, it actually had a positive effect for me.”

Similar to *Sarah*, *Jane* also found that her business failure did not have a negative impact on her professional relationships. Instead, her peers were some of the first people to contact her when her business failed.

“Even when the company collapsed, the first three or four people I phoned were people from my professional network ... and the first people who phoned me were from that network too. I have carried those contacts now throughout my life and it has been transformative for me.”

Ultimately, a business failure brought huge financial strain for the entrepreneurs and especially those with young families.

“It left me in a really bad place. I was left without any income.” (Kevin)

“I didn’t work to live, I lived to work so the thought of being unemployed and having no income was unimaginable.” (Jane)

“To be left with nothing after all the years of hard work was a terrible blow. I set up a place in the house for my wife to do childminding so thankfully that brought a bit of income in at the time.” (Kevin)

In particular, the entrepreneurs who had the added responsibility of providing for their family felt immense pressure.

“Once the business was gone I was left with nothing. But then there were the kids, we had to start looking for new schools for them as we couldn’t afford the fees anymore. That was tough.” (Ben)

We had built a house. I walked around the house crying my eyes out, I knew I couldn’t afford it. How was I going to break it to the kids? So, I started working with the banks selling all the sites and at the end of it they told me they were taking judgements against me. I was getting high court judgements on a Monday asking me to pay four million by the following Monday.” (Francis)

While the financial effects were significant for the entrepreneurs, family members also experienced trauma as the result of the loss of the family home. All of the entrepreneurs were the main earners in their households so there was an immediate feeling of “stress”, “fear” and “panic” when their business closed.

“I had no money, I couldn’t sign on and get government support so financially I was left with nothing coming in. It was a scary time.” (Jane)

In addition, there was the emotional strain of making staff redundant (many of whom had very high levels of debt and substantial mortgages).

“I had a lot of people working for me and I had to let them go. I knew they had bought houses at the top of the market so it was a disaster. And I couldn’t do anything about it. I was helpless.” (Ben)

*Kevin* also found this extremely difficult. Due to the small size of his company he had formed strong relationships with his employees working directly with them on a daily basis.

“It was very emotional. I mean I had spent an awful long time setting this up. Letting the lads go after not paying their wages was horrendous. I kept the whole thing running for about a year when I shouldn’t have. I just got myself into more debt at the end of it.” (Kevin)

The entrepreneurs described the final decision to close as heartbreaking. Indeed, some of the entrepreneurs were visibly upset when they spoke about their experience.

“The business was my child. I had three other children but that was the number one baby in my life so the loss of it was like a death.” (Jane)

When *Ben* first discovered that he had lost everything he felt an immense sense of grief.

“Yeah it was very tough, you work so hard and put everything into it and then somebody comes and takes it all away. It’s like them coming to take your child away.” (Ben)

In some cases, the stress was so extreme that it had negative health effects for the entrepreneurs. *Ben* suffered a heart attack only a few months after his business failed.

“Yeah it was a big knock to my ego at the time. And it was all very public so it was very stressful. I suffered a heart attack not long after that but thankfully I pulled through.” (Ben)

*Martin* recalled feeling ashamed of his failure. He was unable to bring himself to tell his family or friends so he moved to another city and kept up the pretense for some time.

“Nobody knew at home that this was happening to me and that I had lost everything. I was just so ashamed. I had always had money, I had nice classic cars, houses and could go on holiday whenever I wanted to. So, it was just the shame of it all.” (Martin)

Feelings similar to that of depression, guilt, anger and sadness was present in most cases.

“Unfortunately, I adopted the word failure, and it became ingrained in me. It was very upsetting. I didn’t go for professional help, but I did go and talk to a few people. I felt very much on my own.” (Sarah)

“I didn’t shower for about a week. It was like a death. I just didn’t know what to do with myself.” (Jane)

“I’ve had many dark days, crying my eyes out over what I have done to my wife and children. Then I got angry. Why should the banks have allowed me to borrow so much money?” (Francis)

“I was in a very bad place at the time. I had a constant pain in my chest from the stress.” (Kevin)

All the male entrepreneurs felt that there was a stigma associated with their failure. This caused them to lose their social networks.

“I know there were people who thought, oh my god he thought he was great and look at him now.” (Martin)

“You are still treated as somewhat of a pariah when you go bust. So, we like to think we are open about it but actually we don’t really like failure. People don’t like it and don’t like being associated with it.” (Ben)

*Ben* lost many of his contacts as a result of the stigma of failure. *Francis* believes that there is a lot of stigma attached to bankruptcy and that it followed not only him but his family too.

“Most people that are going bankrupt, 95% of them are not crooks, they just got caught. I’m one of them. But the general public still see bankruptcy as crooks, people see you as a criminal. After the bankruptcy, my wife was applying for a job and the application form asked if you have ever been bankrupt. That is wrong.” (Francis)

### **Part B. Taking a Second Chance**

All the entrepreneurs reported that the need for achievement was even more important for them after their business failure. They explained that it was their strong desire to achieve and gain personal satisfaction that resulted in them deciding to (re)start.

“I knew I could have a successful business again. My ego was bruised, it was a pride thing.” (Ben)

“I wanted to achieve something. I wanted something that I could grow internationally.” (Jane)

All the entrepreneurs were motivated by being in control of their own destiny and making things happen.

“I like to be in control, I like the idea of it and I am good at being in control and organizing and managing.” (Kevin)

In addition to this, the entrepreneurs felt that employment would not have satisfied their needs and that they would not have found the same fulfilment that comes from owning their own business.

“I couldn’t see myself working for anyone else, I would have felt sort of boxed in. I just never thought that I could find a role that I would have had enough autonomy.” (Jane)

“I like the autonomy. I don’t think that it would be enough for me (working for somebody else).” (Francis)

“I’m not built to work for anyone. It is just not for me and not fair on the person I would have to work for. I am a nightmare, genuinely it would not fair. I’m a control freak to a certain degree.” (Martin)

The decision to (re)start involved great risk. All the entrepreneurs reported that they were more risk adverse when starting their second venture.

“It’s easy to go on your gut the first time around, you don’t know any better.” (Francis)

“I take a more measured approach to things now. I don’t just go on my gut anymore.” (Jane)

“One of the biggest things that I’m doing differently is that I take more time about making decisions about something. Even though your gut is the one that tells you what to do, I now let my gut settle” (Sarah)

“Now I take things slowly and make sure I measure everything. I don’t just jump in.” (Martin)

“I am measured and analytical now, that is going to help me massively going forward.” (Jane)

There are many other traits encompassing an entrepreneur, particularly when (re) starting after a failure. All the entrepreneurs are extremely hard working.

“I live to work rather than working to live, the whole concept of life work balance dose not even enter my head.” (Jane)

“I was working on a photoshoot and the producer walked out. I was just starting out again and needed the money for the gig so I said that I would produce for them. I worked lots of hours and learned very quickly because I didn’t know what to do.” (Martin)

The strength of character and determination of the entrepreneurs was also evident.

“I went on Dragons Den. I went in there wanting Gavin to invest and he did.” (Sarah)

“Having a bias for action was important for me, getting out there and getting it done.” (Ben)

The benefits of taking a more measured and calculated approach after failure can lead to a more robust business for the entrepreneur, greatly reducing the risk of failure the second time around.

Resilience emerged as a key theme in the interviews. *Ben* explained that even though he knew things were not going well in the business he kept trying and fighting.

“I felt like a cornered rat, and when you’re a cornered rat you come out fighting.” (Ben)

All of the entrepreneurs identified resilience as a key quality that fueled their ability to adapt and change.

“If somebody asked me what my key quality was I would have to say resilience. That ability to just keep going and going.” (Jane)

“You need to be resilient in this game for sure.” (Sarah)

The support from family members was a vital component in helping the entrepreneurs overcome the negative effects of failure, and a crucial element in building resilience.

“I am blessed, my wife is very good and that’s why I was able to come out the other side.” (Kevin)

“I knew my missus was at home all stressed but she was so supportive of me. I had a few other friends who went bust and their wives all legged it. I was lucky, she was always there encouraging me telling me everything was going to be ok.” (Ben)

Not all the entrepreneurs found solace in their family. *Martin* was too ashamed to tell his family about his failure. Instead he referred to self-help books and online resources for comfort and support which helped build his resilience.

“I started reading a lot of self-help books, motivation books. I read the secret and followed all the famous mindfulness and meditation Facebook and Instagram pages. Because I was in a bad place and nobody knew that this was going on. Nobody knew that I had lost everything.” (Martin)

This process of self-development was crucial to his motivation to (re) start, helping him to bring clarity to his life and enabling him to take a step back and re-assess his goals. Feelings of self-pity did not last for long for the entrepreneurs. After a short time, less than a year for most, the entrepreneurs began the process of bouncing back. Because all the entrepreneurs were the main earners in their households a key reason for them (re)starting was the need to secure a source of income.

“It was a thing of getting started with something else and doing it quickly.” (Ben)

“I had no income, which left me with no choice.” (Francis)

Four of the entrepreneurs (re)started within one year of their failure with the other two (re) starting within 4 years. Financial strain, age and opportunity were all factors in motivating them to start again. All the entrepreneurs reported opportunities had arisen which led to the new venture creation. The entrepreneurs did not lower their aspirations instead they report growing their new business much quicker than their first venture. A key factor in their success was the realisation that the entrepreneurs had the ability, networks, resources and knowledge to (re) start. Knowing that it would not be possible to restart her first venture and understanding the difficulties that came with running such a business gave *Jane* the wisdom to pursue something in a different industry.

“I knew that I didn’t want to go back into the same thing again as it was capital and labour intensive. I wanted something that I could grow internationally. I knew that doing something online was lower cost and much more scalable.” (Jane)

*Ben* felt that his experience and knowledge of franchises allowed him to (re) start quickly.

“So, I started another franchise. It was what I knew. I knew all the processes.” (Ben)

*Ben* believes that his success the second time came from the experience of his previous business, and that he had a better knowledge of what not to do.

“I always think that it’s not that you know what to do but you have a really good knowledge and a better idea of what not to do.” (Ben)

Similarly, *Sarah* used the knowledge and experience from her first venture to solve a problem that she found many of her customers had.

“While I was trying to stay in my first business, I was developing a new product from what I knew people were looking for.” (Sarah)

The experience that had been gained previously enabled them to identify times when they needed to adapt and make changes to their new business venture or to move on to another idea or concept.

“I suppose I am a lot quicker to change now, I am a great believer in trying new things, I am quite innovative but if it’s not working now I just dump it and move on.” (Martin)

“I’m a lot more flexible now, I can adapt much more quickly.” (Kevin)

“Having experience means you know what you are doing. It takes out the uncertainty at the beginning.” (Francis)

The knowledge and insights gained from their previous business experience became invaluable to all the entrepreneurs.

The power of networks was evident in the interviews. *Sarah* benefited from continued contact with members of her original business network.

“I was at a business lunch one day and I met a lady who I sort of knew through another friend. I told her what I was doing with my new business and she just said that she had a friend that could help me with that. And that’s actually how it happened. She put me in contact with distributors and the advice from them helped me greatly.” (Sarah)

*Jane* only realized the value of her network when her business failed believing it was “transformative” for her. She had carried her contacts with her and they were there to offer support, advice and even funding for her second venture.

“When XXXXXX collapsed, they were the first three or four people to contact me. I was also able to raise significant funding from them for my second venture based on my previous reputation.” (Jane)

Not all the entrepreneurs experienced benefits from their networks. Indeed, some of the entrepreneurs had to develop a new network base when (re) starting. For *Ben*, his network fell apart almost instantaneously when his first business failed.

“Everyone wanted me and my company. But when I went bust nobody would talk to me. It was quite frightening.” (Ben)

Similarly, *Martin* developed an entirely new network when starting his second venture.

“No, I don’t have any of the same network base now. When my first business went bankrupt, I left all those contacts behind me. So, when I started again, I started to build a whole new network.” (Martin)

Financial barriers were a major obstacle for all the entrepreneurs. Having to “scrape together some money” to get started, “borrowing from family”, “I had absolutely no money” and “left with nothing” were comments from the entrepreneurs. Self-funding was the only option for most of the entrepreneurs.

“I didn’t get any finance. I couldn’t. At the time things were bad, banks were not giving out money. I did my first job for €400. I gave the editor and camera man €200 and kept €200 myself. So that was how it started. Then I went into another place and showed them what I had done telling them that I can do x, y and z, for them. And I built it up really slowly to having 5 figure retainer clients per month and on top of that we have just booked 38,500 videos with a client in the USA.” (Martin)

Once equipped with a business plan, *Martin* found himself at the local enterprise office enquiring about the level of funding that he could apply for to help with his new business.

“I got a grant off the government for two thousand euro and I used that to buy a computer and some business cards. After that I used freelancers. That was adequate. They came and worked with me and they had their cameras and everything that I didn’t have. I had nothing. But I didn’t really need anything else at that point.” (Martin)

However, *Martin* was the only entrepreneur to report getting financial support from a government institution.

“I couldn’t get any support to start my business. There was nothing from the government to help me. Even now I am fed up with Agency X. I have applied for different programmes and they have told me that I’m not suitable for the programme.” (Ben)

Financial institutions were also unwilling to provide credit.

“The challenges now would be, certainly access to finance. Back then (first business) it wasn’t an issue, anybody could get money, you could get money from the bank easily. Whereas now that is unheard of, nobody gets money off the bank. That being said there are now so many more options with the emergence of fintech and different lending, peer to peer lending and crowd funding and all those different things” (Jane)

The lack of finance available to the entrepreneurs resulted in constraints. For *Ben* this meant having to rent a building in an area that he considered to be “unsavory”.

“I set up in a location in XXXXXX which is not a very salubrious place, it’s not great at all but at the time it was all I could get.” (Ben)

However, once he went to the banks (after trading for over a year), they were willing to lend money.

“Us Irish tend to think that the past equals the future, you know, so if I mess up my relationship with my wife, I am going to screw up the next relationship or in this case, my first business failed so that means all my businesses will fail. I couldn’t borrow money at the beginning because the business didn’t have any track record but once it did then they were ok to deal with.” (Ben)

After going through a difficult bankruptcy procedure, there were signs of anger when *Francis* spoke of his bankruptcy and the long-term effects.

“When I came out of bankruptcy I should have had a clean slate. But I don’t, there is a black book whether they like it or not and you’re in it and that’s not fair. That needs to change. I have done my time and I’ve played by the rules. I shouldn’t be made suffer for any longer.” (Francis)

Furthermore, *Francis* was vocal in his thoughts regarding the personal guarantees that banks are now requiring from business owners.

“One thing that needs to change in this country is personal guarantees. They need to go. Banks should look at the predicted performance of the business and decide whether it will work or not. Only then should they decide how much they will lend and it must be limited to the business. If the business doesn’t work it doesn’t work. They shouldn’t be able to come after my house and everything else. If this was in place then the banks would have to look at the projects in more detail.” (Francis)

Recognizing that she needed additional financial help to develop her business, *Sarah* sought to secure resources from a venture capitalist.

“When I was trying to identify seed capital, venture capital, anything, to me, it was as much about the relationship as the investment. It’s all about will you be able to work with the person? Will the person be able to work with you?” (Sarah)

*Kevin* found that getting funding the second time was much more difficult.

“The biggest challenge for me was my equipment. The outlay was very high and getting finance for that was very difficult. To get funding to start off a business now is nearly impossible. I had a boat that is valued at about 2 and a half times the price of the loan that I was taking out. So, I could have sold my boat, it minimized my risk second time around.” (Kevin)

Access to finance is considered to be the lifeline of any successful business. However, access to finance when (re) starting was the single biggest challenge faced by all the entrepreneurs in this study. The stigma of business failure can create obstacles for entrepreneurs who wish to get finance to (re) start. Further to this, many of the entrepreneurs experienced the challenge of trying to get important stakeholders to support them.

“Because I went bust, nobody wanted to rent me a shop. Someone like me should be a much better bet to start a new business because I have experience compared to somebody who has never set up a business before. You would think



that that would make more sense for people to support you, but they don't look at it like that. They prefer the fella with no track record." (Ben)

All the entrepreneurs spoke of the mental battle that they had to overcome when starting again. How the public viewed their failure had a massive impact on the entrepreneurs.

"People don't like it (business failure), and they don't like being associated with it" (Francis)

Regaining the confidence to start again was challenging.

"You're vulnerable, particularly when you're starting for the second time. You are trying to go out there and prove to yourself that you are not a failure. But I was 51 and starting again. I had lost my confidence, I was going into meetings and I didn't know what to wear, did I dress formally, how do I do my hair? And all those in power are my age and I'm trying to get a start again." (Sarah)

The entrepreneurs were faced with challenges in staffing their second business, a critical element for any business.

"Then getting people to work for you, it's really hard because you are a failure in their eyes, they are afraid to work with you" (Ben)

"I think staffing is a challenge." (Jane)

During the interviews phrases such as, "they treat you like a criminal", "people think you are a crook" and "there is a certain amount of begrudgery", were all used to describe the stigma that was felt when (re)starting. All the entrepreneurs faced this challenge, it affected some more than others.

The accumulation of knowledge and capabilities gained through their first venture enabled the entrepreneurs to grow their new business much faster.

"I have learned a lot from my first business. But I do think that you have to adapt according to what you have learned. I adapted quickly and that's why I got off the ground again so fast." (Ben)

All of the entrepreneurs agreed that there was a large amount of learning taken from their business failure which ultimately enabled their success second time around.

"You can't just rely on the skills that you got you to the level of success the first time around. You need to look at what you have and what you are missing. You need to adapt and learn, you don't know everything, and every day is a school day for me." (Jane)

The entrepreneurs felt better prepared going into business for a second time as a result of the learning from their first experience.

"You are going in to your second business a wiser and improved version of yourself." (Jane)

"I learned the hard way that it is about money management and cash flow. It is about keeping everybody paid and I was not good at that. Now it is one of the things I am best at. Everything I have learned is from my previous failure." (Martin)

“Cash flow management was a big lesson for me. I let things slip too much first time. This time I know better.” (Kevin)

“Business as you know is a learning curve. You encounter your own obstacles and your own things that you wouldn’t even have thought of. You have to think about your overheads before you open the door. And that was a huge lesson for me.” (Sarah)

Despite the negative emotions experienced, and the external reasons behind their failure, all the entrepreneurs reported that they had learned valuable lessons which improved their ability as an entrepreneur and shaped their ability to (re)start.

## 5. Conclusion

In this paper we provide novel insights into the process of restarting an entrepreneurial journey after experiencing failure. The findings from our review of the literature and the interviews address the three research questions posed at the start of this article.

**RQ 1:** *What are the impacts of failure on entrepreneurs?* Business failure often occurs due to external factors such as economic shocks. It is evident from our data that other factors may also contribute i.e. poor financial and resource management; poor lifestyle choices and/or losing focus and reduced work ethic. Although all six of the entrepreneurs cited the global economic crisis (that started in 2008) as a key cause of their business failure, they also acknowledged that there were issues with their business model and/or their approach to work. The emotional effects of business failure will lead to significant decrease in the entrepreneur’s quality of life. Entrepreneurs have a deep emotional attachment to their business and will experience significant distress and grief as a result of business failure. Furthermore, societal views on business failure can lead to stigma which in turn magnifies the psychological effects for entrepreneurs causing depression and anxiety. Failure evokes emotions such as hurt, guilt and fear. Shepherd (2003) and Jenkins *et al.* (2014) suggest there is a strong bond between an entrepreneur and their business. This bond can induce negative feelings of grief after business failure. This can have a high emotional cost for entrepreneurs. Consistent with this, all the entrepreneurs experienced grief to some extent. For some of the entrepreneurs the grief they experienced was so strong that it was similar to that of a family death. Societal opinions play an important part as they can reduce or increase the psychological effect of business failure on entrepreneurs (Williams and Shepherd, 2016). The stigma of business failure was felt greatly by four of the entrepreneurs with damaging effects for both their physical and mental health. Resilience can help the entrepreneur to cope with the stressors of change. Over time as the emotional effects reduce the

entrepreneur will benefit from a period of reflection and will gain from the experiential learning they have gained when making decisions on the type and design of a new venture(s).

**RQ 2:** *Why do entrepreneurs start new ventures after experiencing failure?* The need for achievement is an important trait in motivating entrepreneurs and irrespective of past failure entrepreneurs will still retain a desire to (re)achieve. All the entrepreneurs were motivated by a desire to be in control of their own destiny and to make things happen for them (and their families). The decision to (re) start is often framed by pride, life satisfaction and a lack of confidence about gaining meaningful employment. Financial necessity and a lack of alternatives are also key drivers of a return to self-employment. High levels of stress and the harm failure can cause to self-esteem can have a detrimental effect on how an entrepreneur adapts, learns and changes as a result of their experiences. The odds of succeeding in business after failure is greatly increased when an entrepreneur learns from their failure (Aldrich and Zimmer, 1986; Stuart and Sorenson, 2005; Cope, 2011; Shepherd and Patzelt, 2017). The tacit knowledge attained from previous ventures is vital to an entrepreneur's ability to (re) start and grow another business quickly (Davidsson and Honig, 2003). Each entrepreneur in this study retained the tacit knowledge they gained from the failed venture and used it to develop their next business venture. This tacit knowledge may have been lost had the entrepreneurs taken up employment. This tacit knowledge can facilitate improved opportunity recognition and can help fast-track the length of time it takes to (re)start.

**RQ 3:** *What unique challenges do (re)starting entrepreneurs face?* The entrepreneurs in this study had very different experiences with business failure. The direct financial cost was significant and long lasting for all six. The financial cost impacted on the ability of the entrepreneurs to retain their family home and to pay domestic bills. Significantly, it also meant that they had none or only very limited access to finance to help start a new venture. Ultimately, the financial cost of failure is high for entrepreneurs and those with little savings or financial support are left with the issue of survival. A recurring theme throughout the interviews was the lack of emotional and mental support for those who had experienced failure and bankruptcy. Depression, anxiety, stress and burnout are common for entrepreneurs (Fowle, 2019) and were experienced by all the entrepreneurs. The entrepreneurs in this study reported the loss of many relationships that were linked to their business. Significantly, they also reported experiencing problems with family and friends due to two factors: the loss of an income and/or previous lifestyle; and the decline in their psychological well-being which made maintaining communication and relationships very difficult. Entrepreneurs who surround themselves with friends, family and mentors that are supportive can prevent or lessen the negative impacts of business failure.

We conclude by acknowledging the limitations of our study. Our sample size is small and a greater number of respondents from different jurisdictions would add additional perspective. Although the transcripts are very detailed and represent a biographical account a longitudinal study may provide greater insights. There is significant scope for further research. Research is needed on the *stigma* of business failure and the effect it has on an entrepreneur's propensity to (re)start. Additionally, further research is required to identify appropriate supports for (re) starting entrepreneurs.

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