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Understanding Entrepreneurial Failure: Conceptualizing Failure, Taking Stock, and Broadening the Scope of Failure Research

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Contents

1	Introduction	2
2	Conceptualizing Entrepreneurial Failure	4
2.1	Objective Criteria, Subjective Criteria, and the Level of Analysis	5
2.2	Expanding the Notion That Entrepreneurial Failure is Multifaceted	7
2.3	Temporality and Conceptualizing Failure	7
2.4	Entrepreneurial Failure and Business Exit	10
3	The Impact of Entrepreneurial Failure	12
3.1	Firm Failure as an Experience Involving Emotions, Stress, Financial Strain, and Stigma	13
3.2	Failure as a Learning Experience	19
3.3	Recovery from Failure	27
3.4	Failure and Continued Entrepreneurship	29
4	Theoretical Approaches	32
4.1	Attribution Theory	33
4.2	Appraisal and Coping Theories	35

5	Methodological Approaches	37
5.1	Quantitative	37
5.2	Qualitative	38
6	Future Research	40
6.1	Longitudinal Approaches	40
6.2	A Study of Stakeholders Beyond the Entrepreneur	41
6.3	New Theoretical Perspectives and Approaches	42
7	Conclusions	45
	References	46

Understanding Entrepreneurial Failure: Conceptualizing Failure, Taking Stock, and Broadening the Scope of Failure Research

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ABSTRACT

Research on entrepreneurial failure has developed considerably over the past ten years. There is now a growing body of literature focusing on the impact entrepreneurial failure has on entrepreneurs. Insights from this work provide valuable knowledge on how entrepreneurs learn from failure experience, the antecedents to habitual entrepreneurship, and the well-being and financial risks of independent entrepreneurship. I take stock of the emerging body of literature on entrepreneurial failure with a focus on how failure has been conceptualized, the impact that failure has on entrepreneurs, and the different theoretical and methodical approaches taken to understand failure, to lay the foundation for identifying new avenues for future research.

1

Introduction

Failure is inherent to the entrepreneurship process, yet, for a long time, this frequent outcome from entrepreneurial efforts was overlooked. The entrepreneurship field has started to take failure seriously, with a growing body of literature focusing on the impact that failure has on entrepreneurs. Insights from entrepreneurial failure have the potential to provide valuable knowledge on how entrepreneurs learn from experience, the antecedents to habitual entrepreneurship, and the well-being and financial risks of independent entrepreneurship.

However, there are a number of challenges and opportunities for researching entrepreneurial failure. There is substantial scope in how failure has been conceptualized, creating both opportunities to investigate this multifaceted phenomenon and the challenge of taking stock and investigating across the multiple different facets of failure. While failure is multifaceted, there is consensus that failure is a stressful experience for the entrepreneur, involving emotional and financial strain, and that the process of learning from failure is highly intertwined with recovery from failure. Yet despite this consensus on the impact of entrepreneurial failure, there is emerging evidence that not all entrepreneurs experience failure as highly stressful, with resilience, reentry, and positive emotions

also being identified as responses to firm failure. Thus, it is timely to review the literature on entrepreneurial failure to incorporate these new perspectives and broaden our understanding of the field and its potential to contribute to understanding the entrepreneurial phenomenon more broadly.

In this monograph, I take stock of the emerging body of literature on entrepreneurial failure with a focus on how failure has been conceptualized, the impact that failure has on entrepreneurs, and the different theoretical and methodical approaches taken to understand failure to lay the foundation for identifying new avenues for future research. I restrict the review to research that has focused on entrepreneurial failure in the context of independent entrepreneurship, where the entrepreneur and their business are tightly intertwined. To identify relevant monographs, I relied on the Scopus database and Google Scholar. While the review is comprehensive, I did not endeavor to identify every monograph on the topic; rather, I focused on identifying the dominant themes in the literature and the significant contributions to the field.

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