A Smooth Sea Never Made a Skilled Mariner

The Learning Aspect of Entrepreneurial Failure

Master's Thesis within Business Administration

Author: Malin Hansson
        Matilda Hansson

Tutor: Ethel Brundin

Jönköping June 2007
Acknowledgements

We would like to express our gratitude to everybody that has contributed to the progress of this thesis:

Our tutor, Ethel Brundin, who has provided us with advice, support and constructive feedback.

Our fellow students for their active participation during the seminar sessions, including much appreciated comments and insights.

The participating entrepreneurs, whose contributions are invaluable for this thesis.

Jönköping, June 7th 2007

Malin Hansson

Matilda Hansson
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**Title**  
A Smooth Sea Never Made a Skilled Mariner – The Learning Aspect of Entrepreneurial Failure

**Authors**  
Malin Hansson and Matilda Hansson

**Tutor**  
Ethel Brundin

**Date**  
2007-06-07

**Subject Terms**  
Entrepreneurship, Failure, Bankruptcy, Learning

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### Abstract

Entrepreneurial failure, in this thesis defined as bankruptcy, is an area within the entrepreneurship research where little or no emphasis has been placed. By combining entrepreneurial failure and learning, it is possible to provide a more balanced view as well as point to the fact that a bankruptcy does not necessarily have to be of negative nature as valuable learning outcomes might be gained. The purpose of this thesis was thus to explore the learning outcomes and its implications from an individual entrepreneur’s failure.

A qualitative approach, in the form of a case study, was taken. Seven semi-structured face-to-face interviews were performed to gather primary data which was analyzed. Three research questions helped to fulfill the task, by covering the pragmatic and psychosocial responses, the personal and professional learning outcomes and also the ways that these learning outcomes are used and applied.

The respondents reacted to the bankruptcy by blaming external factors, such as the environment, the strategy/structure or the available resources. Through deeper analysis, we found that the entrepreneurs themselves had a clear impact on the bankruptcy. The fact that most of the entrepreneurs rather blamed factors out of their control, than realizing their own involvement, can constitute a barrier for constructive reflection on the failure, which ultimately forms the basis for learning.

Most of the learning outcomes, seen from a personal and professional perspective, were classified as corrective. That is; they involved improvement of professional skills and not the personal life. Further, the respondents also showed insight in terms of reforming and intrinsic learning. While the corrective learning outcomes were firm specific, the intrinsic ones were more focused on personal insight. Further, the reforming learning outcomes pointed to issues that had a big impact on both the personal and professional lives of the entrepreneurs. The unproportionally low number of cursory learning outcomes indicate that opportunities of learning from a bankruptcy exist and are large both in terms of personal and professional aspects.

Lastly, the majority of the entrepreneurs make use of their learning since they have passed the double loop in Argyris and Schön’s (1996) Single and Double loop learning model. This indicates that an entrepreneurial failure is an important experience and the learning outcomes that can be drawn from it is applied in the entrepreneurs’ daily life in the form of new firms and projects, consultancy firms or even in new ways of living. The conclusions drawn in this section point to the importance of realizing that a failure is not always negative. By this, we suggest that through conscious and honest reflection, a failed entrepreneur can gain insights that could not possibly be gained without going through a setback.
# Table of Contents

1 Introduction ................................................................. 0  
1.1 Background ...................................................................... 0  
1.2 Problem Discussion ...................................................... 1  
1.3 Purpose ........................................................................... 1  

2 Frame of Reference .......................................................... 2  
2.1 Entrepreneurship ......................................................... 2  
2.2 The Concept of Entrepreneurial Failure .............................. 3  
2.2.1 Pragmatic Responses .................................................... 3  
2.2.2 Psychosocial Responses ................................................ 4  
2.3 Learning ........................................................................... 6  
2.3.1 Classic Theories on Learning .......................................... 6  
2.4 Entrepreneurship and the Experiential Learning Process ...... 7  
2.4.1 The Lewinian Model ....................................................... 8  
2.4.2 Single and Double Loop Learning .................................. 9  
2.5 Summary of Frame of Reference ..................................... 10  

3 Methodology ....................................................................... 12  
3.1 Study Approach ............................................................. 12  
3.1.1 Interpretive Perspective ................................................ 12  
3.1.2 Qualitative Approach .................................................. 13  
3.1.3 Induction, Deduction and Abduction ............................... 13  
3.2 The Study .......................................................................... 14  
3.2.1 Case Study ................................................................. 14  
3.2.2 Primary and Secondary Material .................................... 14  
3.2.3 Sampling and Selection of Participants ........................... 15  
3.2.4 Interview Type ............................................................. 15  
3.2.5 Empirical Material Management .................................. 16  
3.3 Evaluation of Method ....................................................... 17  

4 Empirical Findings ............................................................ 19  
4.1 Case I “The Troublesome Franchiser” ................................. 19  
4.1.1 The Company ............................................................. 19  
4.1.2 The Failure ................................................................. 20  
4.1.3 The Aftermath ............................................................. 20  
4.1.4 Learning ................................................................. 21  
4.2 Case II “Gyro Gearloose” ................................................... 21  
4.2.1 The Company ............................................................. 21  
4.2.2 The Failure ................................................................. 21  
4.2.3 The Aftermath ............................................................. 22  
4.2.4 Learning ................................................................. 22  
4.3 Case III “The Academic Risk-taker” .................................... 23  
4.3.1 The Company ............................................................. 23  
4.3.2 The Failure ................................................................. 24  
4.3.3 The Aftermath ............................................................. 24  
4.3.4 Learning ................................................................. 24  
4.4 Case IV “The Social Survivor” ............................................ 25  
4.4.1 The Company ............................................................. 25
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.4.2</td>
<td>The Failure</td>
<td>26</td>
</tr>
<tr>
<td>4.4.3</td>
<td>The Aftermath</td>
<td>26</td>
</tr>
<tr>
<td>4.4.4</td>
<td>Learning</td>
<td>26</td>
</tr>
<tr>
<td>4.5</td>
<td>Case V “The Awakened Workaholic”</td>
<td>27</td>
</tr>
<tr>
<td>4.5.1</td>
<td>The Company</td>
<td>27</td>
</tr>
<tr>
<td>4.5.2</td>
<td>The Failure</td>
<td>28</td>
</tr>
<tr>
<td>4.5.3</td>
<td>The Aftermath</td>
<td>28</td>
</tr>
<tr>
<td>4.5.4</td>
<td>Learning</td>
<td>29</td>
</tr>
<tr>
<td>4.6</td>
<td>Case VI “The Happy Multientrepreneur”</td>
<td>29</td>
</tr>
<tr>
<td>4.6.1</td>
<td>The Company</td>
<td>30</td>
</tr>
<tr>
<td>4.6.2</td>
<td>The Failure</td>
<td>30</td>
</tr>
<tr>
<td>4.6.3</td>
<td>The Aftermath</td>
<td>30</td>
</tr>
<tr>
<td>4.6.4</td>
<td>Learning</td>
<td>31</td>
</tr>
<tr>
<td>4.7</td>
<td>Case VII “The Stubborn Fighter”</td>
<td>31</td>
</tr>
<tr>
<td>4.7.1</td>
<td>The Company</td>
<td>31</td>
</tr>
<tr>
<td>4.7.2</td>
<td>The Failure</td>
<td>31</td>
</tr>
<tr>
<td>4.7.3</td>
<td>The Aftermath</td>
<td>32</td>
</tr>
<tr>
<td>4.7.4</td>
<td>Learning</td>
<td>32</td>
</tr>
<tr>
<td>4.8</td>
<td>Summary of Empirical Findings</td>
<td>33</td>
</tr>
<tr>
<td>5</td>
<td>Analysis</td>
<td>34</td>
</tr>
<tr>
<td>5.1</td>
<td>Foundation for the Learning Process</td>
<td>34</td>
</tr>
<tr>
<td>5.1.1</td>
<td>Pragmatic responses</td>
<td>34</td>
</tr>
<tr>
<td>5.1.2</td>
<td>Psychosocial responses</td>
<td>35</td>
</tr>
<tr>
<td>5.2</td>
<td>Actual Learning Outcomes</td>
<td>36</td>
</tr>
<tr>
<td>5.3</td>
<td>The Experiential Learning Process</td>
<td>40</td>
</tr>
<tr>
<td>5.4</td>
<td>Summary of Analysis</td>
<td>42</td>
</tr>
<tr>
<td>6</td>
<td>Conclusion</td>
<td>44</td>
</tr>
<tr>
<td>7</td>
<td>Discussion and Suggestions for Further Research</td>
<td>46</td>
</tr>
<tr>
<td>8</td>
<td>Appendix</td>
<td>53</td>
</tr>
<tr>
<td>8.1</td>
<td>Interview Guide</td>
<td>53</td>
</tr>
<tr>
<td>8.2</td>
<td>List of Interpreted Learning Outcomes</td>
<td>55</td>
</tr>
</tbody>
</table>

List of Figures and Tables

- Figure 1 - The Lewinian Experiential Learning Model (Kolb, 1984) | 8
- Figure 2 – Single and Double Loop Learning (Argyris & Schöen, 1999) | 9
- Figure 3 – Research Model (compiled by authors) | 11
- Figure 4 - Relationship between theory and reality illustrated by some central concepts (Patel & Davidson, 2003) | 13
- Figure 5 – The Learning Outcome Matrix (compiled by authors) | 37
- Figure 6 - Application of Argyris and Schöen's (1996) Single and Double Loop Learning (compiled by authors) | 40

- Table 1 - Summary of Empirical Findings (compiled by authors) | 33
- Table 2 - Learning Outcomes (compiled by authors) | 38
1 Introduction

As the title of this thesis, *A smooth sea never made a skilled mariner* implies there is a lot to learn from rough times. In this thesis we want to highlight this by studying the learning aspects of entrepreneurial failure.

Entrepreneurship has become increasingly highlighted, both in the academic world and in media, during the last years. Starting and running ones own business is a dream of many, and statistical data shows that 73 per cent of 18 to 30 year olds in Sweden would one day like to own their own firm (Nutek, 2007). On a more theoretical level, universities worldwide, and not the least Jönköping International Business School, teaches their students on how to pursue a good business idea and how to go about starting and running a business. Yet, the focus has been on the success stories, the smooth sea and little or no emphasis has been put on how to cope with a failure, what actually might be learned from experiencing it and if failure makes an entrepreneur more skilled and prepared for the market. This is the reason for us to conduct research in this area.

1.1 Background

A country’s vitality and wealth is dependent on the competitiveness of its firms. This implies that the country relies essentially on its entrepreneurs and managers (Cuervo et al, 2007). Richard Cantillon was the one that first introduced the term entrepreneurship in 1725 as risk-taking and capital supplying persons (Klees,1995), and ever since then the concept has been studied from the diverse perspectives of economic theory, sociology, psychology, anthropology, political science, business administration and history (Cassis & Minoglou, 2005). Cassis and Minoglou (2005) add that it has not been until the last three decades that universities and business schools have taken center stage for an academic study of the entrepreneurship field. Further, according to Cooper and Gascón (1992) one can say that the study of entrepreneurship is a primary product of the 1980’s.

Today, Landström (2005) states that entrepreneurship is a truly multidimensional subject. According to Cuervo, Ribeiro and Roig (2007) entrepreneurship concerns innovation, assessment and exploitation of opportunity; that is the creation of new products and services or production processes, organizational structures and new markets as well as inputs that did not earlier exist. Further, entrepreneurship facilitates economic progress (Chell, 2000). Its fundamental importance is visible in different ways; firstly, by finding, assessing and exploiting business opportunities. Secondly, Cuervo et al (2007) claim that entrepreneurship assists economic progress by creating new firms or renewing existing ones by increasing their dynamic capabilities. Lastly, it pushes the economy ahead through innovation, competence and employment creation as well as by generally enhances the wellbeing of society (Cuervo et al, 2007). Keister (2005) adds that entrepreneurship for an individual can be seen as a key vehicle for social mobility.

Although entrepreneurship is imperative, being able to bring a start-up to profitability is never guaranteed (Klees, 1995). Ahn et al. (2005) claim that company success can not be achieved simply by following preceding profitable factors in an ever-changing environment and therefore the study of failure is valuable in order to spread information on failure cases and learning from them becomes essential.
Further, Kent, Sexton and Vesper (1982) claim that one of the actual gaps within entrepreneurship research revolves around failure, and that there is a large need to fill it in order to strengthen the general understanding of entrepreneurship. Even if 25 years have passed since 1982 a large gap still appears to be present and more research is needed, therefore an opportunity to make a contribution to this field is seen in order to create a balanced and holistic view of entrepreneurship, where also the potential pitfalls and downsides are taken into consideration when studying the area.

1.2 Problem Discussion

McGrath (1998) claims that by carefully studying entrepreneurial failures instead of continuously focusing on profitable companies, systematic progress within the academic arena is made possible. The limited research that has been carried out concerning entrepreneurial failure has defined failure in many ways, and there is still no generally accepted definition (Gratzer, 2001). However, the most definite term of failure is the case of bankruptcy (Bird, 1989; Liao, 2004). Naturally, there are less definite ways of determining a failure; it can even be on a sole personal level, where the entrepreneur feels that s/he did not succeed with what s/he set out to do, even if the public regards the project as successful (Liao, 2004). Yet, Gratzer (2001) states that most business failure definitions concerns financial aspects.

According to Liao (2004) the reasons behind entrepreneurial failure are numerous and can range from management issues and lack of demand to financial difficulties. According to Pratten (2004) management incompetence should be viewed as the main reason for failure, followed by deficiencies in the accounting system and attitude toward customer. Other researchers have added factors as specific target market, ineffective advertising, poor location and sales promotion (Kwansa & Parsa, 1990).

Most of the researchers are focusing on the individual characteristics of the founder concerning the founder's education, working experience, industry-specific experience, and family according to Liao (2004). This implies that most researchers have concentrated on why and how failure has occurred and few have taken their research one step further and investigated the potential individual learning of an entrepreneur from business failure. This is surprising since Busenitz & Arthurs (2006) claim that learning is seen as a central part of the entrepreneurship process. Further, according to McGrath (1998) and Gratzer (2001), the experience of business failure is said to constitute a learning process for that person and such experience should be considered an advantage.

1.3 Purpose

The purpose of this thesis is to explore the learning outcome and its implications from an individual entrepreneur’s failure.
A theoretical foundation, covering entrepreneurship, entrepreneurial failure and learning, will be presented and serve as a basis for the rest of the work. As the area of entrepreneurial failure and learning is rather unexplored, theories from a range of research fields need to be combined in order to allow for further exploration. Lastly, a summary of the frame of reference is presented.

2.1 Entrepreneurship

Gartner (2005) explains that the focus of entrepreneurship research has traditionally been to differentiate between entrepreneurs and non-entrepreneurs. A basic assumption underlying the research is thus that all entrepreneurs are much the same, a fact that Gartner (2005) distances himself from by claiming that there is no necessity to classify and sort entrepreneurs as they seem to be more diverse than expected. The diversity among entrepreneurs seems to be greater than between entrepreneurs and non-entrepreneurs (Gartner, 2005). By constantly trying to find commonalities among entrepreneurs, several different definitions of entrepreneurship have been established over time.

Kalantaridis (2004) claims that a common view of entrepreneurship describes the individual with attempts to establish a psychological profile by measuring personal characteristics such as a need for achievement, locus of control and lack of risk aversion. Also, patterns depending on demographic data, such as birth order, age, education level, role models and work habits have commonly been used to distinguish entrepreneurs from others (Nandram & Samsom, 2006). Baumol (2005) adds that an entrepreneur needs to have characteristic of being a multitasker.

Further, the process of entrepreneurship itself has also been used to describe the area; a view where entrepreneurship is thought of as an activity or function and not as an individual or occupation (Peterson & Berger (1971) cited in Gartner, 2005). Davidsson (2006) takes a Schumpeterian outlook by defining the subject as “the creation of economic activity that is new to the market” (p. 3). This definition is broader than the psychological perspective, which puts the individual in focus, in the sense that it does not only look at individual start-ups but also new product launches as well as market expansions. Also, Sarasvathy (1999 cited in Davidsson, 2006) takes a behavioral perspective as her empirical findings suggest that entrepreneurs tend to look internally at what skills, resources and contacts they have. These early stages of the process are often subjected to changes in direction as interaction with the environment takes place rather than following an initial plan (Davidsson, 2006).

In addition, the environment is sometimes seen as a source of entrepreneurship; Chell (2000) uses the motivation for asset accumulation and wealth creation as well as ability to recognize opportunities in the surroundings to separate entrepreneurial persons from non-entrepreneurs. Further, Pichler and Thurik (2005) describe entrepreneurship as a type of behavior focused on finding opportunities rather than resources, in both small and large business as well as other arenas.
Trying to find some source of commonality among the numerous definitions is not as straightforward as it might appear, even though Gartner (2004) suggests that entrepreneurship scholars all seek to understand how entrepreneurship, be it an individual, a behavior, a part of a process or something that roots in the environment, are different from others.

This thesis will use Davidsson’s (2006) definition of entrepreneurship, since it is not discriminating among entrepreneurs. The creation of economic activity includes both innovative as well as imitative new ventures, and other forms of entrepreneurial activity that results in buyers on the market facing new choice alternatives. We believe that entrepreneurs who have gone through a bankruptcy still have provided new economic value prior to the shut-down and therefore can be included in this definition.

2.2 The Concept of Entrepreneurial Failure

Research has traditionally taken both positive and negative outlooks on entrepreneurial failure, and Sitkin’s (1992, cited in McGrath, 1998) makes a clear distinction between failures with low learning benefits and beneficial failure. Mitchell, Mitchell and Smith (2004) claim that negative aspects are often seen in terms of monetary and emotional costs whereas the positive outcomes are often less visible and described in terms of gained experience, learning and other cognitive constructs.

We have chosen to take the outlook on failure as being something more than a negative experience. In line with McGrath’s (1998) words, a failure can many times be turned into learning by cautiously revising the underlying aspects and from this create a new outlook. Even though a bankruptcy is generally considered to be a failure, we suggest that a positive outcome is a possibility. Success is also a term used without further consideration, in this thesis we will refer to success as the ability for entrepreneurs to recognize and grasp the opportunity of learning from experience.

In the following section, the hard and more pragmatic aspects of business failure will be presented. To broaden the understanding of the failure process, a softer and psychosocial approach will also be considered here.

2.2.1 Pragmatic Responses

Even though the interpretation of failure is highly personal, Bird (1989) suggests a four level scale of business failure, where the least severe is lost opportunities or receiving minimal earnings. The second level is reached if negative profits and money losses occur. Thirdly, failure corresponds to reaching technical insolvency and inabilities to meet current obligations. Most severely a business can go into bankruptcy (Bird, 1989).

Liao (2004) also suggests four levels of entrepreneurial failure that is commonly used by researchers in the field;

- Discontinuance – the entrepreneur, for any number of reasons, decides to discontinue his/her ownership.
- Earning criterion – failure is present as the firm does not reach an adequate level of financial return.
- Loss-cutting – not all firms that are seen as failed go into bankruptcy; operations can be terminated to avoid or limit losses as inferior financial performance is predicted. Closure is thus an intentional choice to limit the damage.
- Bankruptcy – failure is inevitable as the firm is deemed legally bankrupt or decides to exit operations with resulting losses to creditors.
Koponen (2003) further defines three generic terms that are normally found in the literature; *business failure* is the broadest term including businesses that stop operations as a result of assignment or bankruptcy both voluntarily and involuntarily. *Insolvency* rather points to a negative performance and is used in a more technical sense. “Technical insolvency” is commonly used when a firm is unable to meet current obligations, and can be a temporary state even though it is a frequent cause of formal bankruptcy. *Bankruptcy* is the formal declaration of asset liquidation or inclusion in a recovery program (Altman (1981) cited in Koponen, 2003).

Bankruptcy occurs as a debtor is unable to meet debts (Armour & Cumming, 2005) followed by an enforcement procedure where the debtor’s assets are liquidated and the financial gains are used to compensate creditors. Koponen (2003) claims that this form of financial crisis is a consequence of the firm’s failure, not the reason for it. According to Liao (2004) traditional research on entrepreneurial failure has established four factors that are believed to make or break the deal;

- the individual characteristics of the entrepreneur
- available resources
- structure and strategy of the venture and
- the environmental circumstances that the firm operates in

Berryman (1983, cited in Koponen, 2003) claims that inefficiencies from the founder/management is often the reason for a bankruptcy, which is further supported by Liao’s (2004, p. 135) statement “the founder is the key to venture survival and failure” and relates back to his first factor influencing the outcome of a firm.

As can be seen from the above definitions, bankruptcy is generally seen as the most definite form of failure (Bird, 1989; Liao, 2004; Koponen, 2003). It is also the most common classification of entrepreneurial failure (Gratzer, 2001). Still it represents a narrow view as it tends to rule out ventures that barely are able to break even and thus are unable to provide a reasonable income to the entrepreneur or fair returns to investors (Liao, 2004). Further, this definition of failure also excludes entrepreneurs who exit with substantial losses to owners but not to creditors. Liao (2004) continues by stating that apart from the financial issues, one reason for the severity can be the entrepreneur’s inability to hide his/her failure, as bankruptcies become official in the form of public records.

This thesis will, for practical reasons, use bankruptcy as the formal description of entrepreneurial failure. Even though a bankruptcy is technical there is always an emotional response connected with it. Therefore, a segment on the softer sides of business failure will thus be introduced in the following section.

### 2.2.2 Psychosocial Responses

The psychosocial responses can be discussed in three different contexts; societal, firm and personal. Within the societal context, connected with a bankruptcy is often the social stigmatization, since many times business failure is associated with poor management skills as mentioned above. Gratzer (2001) explains that the stigma can come both from the entrepreneur's level of self-criticism but also from societal pressures. Gratzer (2001) considers a difference among national views on failure; in the US a bankruptcy is not often seen as a failure but rather a learning experience and qualification whereas Europeans tend to look at
it as a stigma. As implied earlier, culture and environment are determinants of entrepreneurial activities but even more important in this context, they are crucial factors affecting the acceptance of failure. Gratzer (2001) claims the Swedish culture to be intolerant towards failure, which has frequently resulted in talented entrepreneurs’ breaking down and not fully recovering from a business failure. Also, the Swedish society views failed entrepreneurs with suspicion (Armour & Cumming, 2005; Gratzer, 2001) and it might be hard to raise capital for new projects once part of a bankruptcy.

Gratzer (2001) suggests that these differences in culture also has an effect on the economy; as risk-taking, achievement and foremost failure become accepted and encouraged, entrepreneurship within the country will be promoted. McGrath (1998) concludes that the lower the social costs of failure the greater the entrepreneurial activities on an aggregate level. Further, Armour and Cumming (2001) adds fear of going into bankruptcy, rooted in both financial and social aspects, as one of the most common reasons for individuals being hesitant to start up a firm.

The response toward failure is also determined by the level of emotional attachment to the firm, and Cardon et al. (2005) claim that there is a change in the personality after coping with a business failure. Common reactions towards a failure of this sort are shame, anger, guilt and frustration among others. Bird (1989) also adds that it is common that entrepreneurs deny their own responsibility and blame factors out of their control in line with the biases mentioned earlier. Cardon and McGrath (1999) argue that there are two ways of reacting towards entrepreneurial failure. Failure can be attributed to inability and create a ‘helpless’ reaction. This can damage performance and often results in individuals ending their entrepreneurial activity involvement in the future. The other way of viewing failure according to Cardon and McGrath (1999) is to attribute it simply to lack of effort or planning and that a similar situation could be mastered in the future with a renewed focus and drive. Such a reaction usually implies that the individual increases the effort level and remain positive even in the face of repeated failure experiences.

Attribution theory is commonly applied when trying to find and explain causes to events, or as Chell (1994, p. 19) explains it; “people […] seek to explain significant events in their lives by being able to say what caused those events”. This is normally done by attributing events to either internal sources, such as the person in question, or to external factors (Cardon & Potter, 2003), such as issues out of ones control, the environment, acts of God and task difficulty etc (Martinko, 1995). Many times attribution theory is used when trying to establish what caused failures, which in a wider sense have an effect on future behavior (Chell, 1994) and learning (Argyris, 1999).

Looking at the personal context, McGrath (1998) adds the importance of cognitive biases when considering failures in a business context which can have a large effect as the entrepreneur is faced with the threat of a bankruptcy. McGrath (1998) suggests that one cognitive bias that is frequent when facing failure, is the tendency to attribute success to oneself and failure to bad luck. This bias leads to a perception of failure always being negatively considered and entrepreneurs will therefore have a hard time gaining something for their failed attempts (McGrath, 1998).

Sitkin (1992, cited in McGrath 1998) distinguishes between failures with low learning benefit and intelligent failures, the latter being comprised of mistakes where expectations were not met but something useful for the future was gained. McGrath (1998) suggests that this experimental outlook allows for entrepreneurs to learn from past failures, even if the threat of a painful and un-discussable mistake can compromise the learning process. Ucbasaran et
al. (2001) add that the experience of a failure might generate negative emotions that can constitute a barrier for learning. Bird (1989) points to the importance of a clear and honest self-appraisal and accurate perception to facilitate learning, something which is highly important in the case of a failed entrepreneur as they tend to ignore the past and focus on their current state.

2.3 Learning

Even if a scholarly interest in learning has existed for a long time, we are currently living in a “learning” society according to Gardner (2006). Normally a distinction between practical and academic learning is made, even if much of the academic learning today is enriched with practical components. Naturally, this thesis will put an emphasis on experiential learning as entrepreneurial experiences and learning outcomes are the main topic.

Experience and knowledge have two important roles; they are used as structures for retrieval and organization in the memory and also as a tool to think and solve problems (Schraw, 2006). An ongoing cognitive process takes place when faced with problems or situations with no obvious solution (Mayer & Wittrock, 2006) in this case a bankruptcy. Such cognitive processes can lead to learning. Additionally, Schraw (2006) points out that experts are made and not born as deliberate practice is the key determinant of skill development. Thus, an implication of this could be that entrepreneurs who try and fall short may gain valuable insight and learning outcomes as a result of their failure.

This section will look at learning from a range of perspectives to create an understanding of the diversity in the field and to serve as a base for the coming analysis.

2.3.1 Classic Theories on Learning

The earliest schools of learning originate in ancient Greece and roots in philosophy and what is now regarded as psychology. According to Phillips and Soltis (2004) it was not until the early 1900’s that the behavioral school, where emphasis is put on the observable behavior, was formed where learning is perceived as changes in behavior. Jarvis, Holford and Griffin (1998) add that much of the existing behavioral learning theories are rooted in the works of well-known psychologists like Skinner and Pavlov, even if other behaviorists have continued to develop the field.

Based on the works of above mentioned psychologists, learning in this context is seen as a more or less permanent change in behavior as a result of experience. Jarvis et al. (1998) claim this to be a highly limited approach to learning, as it focuses on measurable behavioral outcomes and therefore tends to ignore knowledge, values, beliefs and attitudes and therefore regard it as a very instrumental approach to learning. Säljö (2000) adds that phenomena such as thinking, reflection and mental activities are regarded as either nonexistent or something that cannot be studied as a science since they are highly subjective and therefore not applicable to objective methods.

Phillips and Soltis (2004) state that the two major branches of behavioral learning, classical and operant conditioning, have continued to exist much due to their simple appeal. Further, they explain that learning in these cases occurs through a single mechanism; conditioning where different kinds of stimuli will result in a learned behavior.

Säljö (2000) explains that behaviorism with its very exact and observational approach was seen as a radical reaction to prior schools of learning where mystifications on the human psyche were prominent. On the other hand, one of these less rational schools that have had
a large impact on the learning theories of today is the more cognitive approach, where the
interest lies in describing and understanding the human cognitive apparatus and mental
processes (Säljö, 2000). Moreover, Säljö (2000) adds that the human brain is often seen as a
processor where incoming information is processed, stored and then used later for re-
trieval.

Gardner (2006) claims that Jean Piaget was groundbreaking with his cognitive approach to
learning during the first decades of the twentieth century. Piaget believed that learning
takes place from the day of birth and a child goes through a series of developmental stages
in the process of mastering and organizing the surroundings (Gardner, 2006). Further, Phi-
lipps and Soltis (2004) add that in contrast with the behavioral school, Piaget believed that
cognitive structures are constructed by actively exploring the environment, something that
can be seen in many of today’s classrooms where “exploring on your own” and “active par-
ticipation” as well as understanding is emphasized in contrast with the more traditional ap-
proach of learning by heart.

Even though many researchers have based their work on the Piagetian approach, Littleton
& Häkkinen (1999) point out that it has been criticized for not adequately addressing the
role of social interaction in stimulating and forming intellectual development. Later re-
searchers have added the insight that it is not the child or adult alone that does the cogni-
tive construction and instead learning becomes a fundamentally social activity. Säljö (2000)
holds Russian psychologist Vygotsky as the founder of the socio-cultural perspective within
the cognitive school. This view clearly puts the social interaction in the centre as develop-
ment is achieved by contact with other persons. Lastly, Säljö (2000) argues that there are a
vast number of diverse theoretical approaches included in the cognitive field which has
made it hard to do it justice as a single school. This has also resulted in very diverse appli-
cations of cognitive theories, such as problem solving, risk management, perception and
memory psychology (Säljö, 2000).

2.4 Entrepreneurship and the Experiential Learning Process

Illens (2007) claims that during more than two decades, the concept of experiential learning
has been one of the most influential sources of inspiration for many people dealing with
the understanding of education and learning. Kolb (1984) explains that experiential learn-
ing offers a different view but should not be viewed as a third alternative to behavioral and
cognitive theories; instead it should be considered as a holistic, integrated perspective on
learning that put together experience, perception, cognition and behavior. It further differs
from behavioral theories of learning since it denies any role for consciousness and subjec-
tive learning in the learning process.

Entrepreneurship can be considered to be a process of experiential learning (Politis, 2005;
Man, 2006). Rae and Carswell (2001) state that learning is the dynamic process which al-
ows entrepreneurial behavior to be enacted. Considering entrepreneurship as an experien-
tial learning process would, according to Politis (2005), imply a view of entrepreneurship as
not only involving the start-up of new venture but also the preparatory activities that en-
abled the venture to be started as well as the subsequent events that entrepreneurs experi-
ence through their working lives.

Further, Cope (2005) argues that entrepreneurs are action oriented and learn on an experi-
ential basis; that is they learn from peers, by doing, from feedback, by copying, by exper-
iment, by problem solving and opportunity taking and from making mistakes. Minniti and
Bygrave (2001) claim that entrepreneurial learning is much more than acquiring functional knowing, since it involves active doing. According to Rae and Carswell (2001) repeated findings have proven that entrepreneurs learn primarily by engaging in instant and direct experiences, which serves as a guiding base for future actions. Man (2006) and Minniti and Bygrave (2001) further highlight this finding in their work.

Moreover, Cope (2005) argues that to facilitate learning, experience does not have to be recent. Man (2006) states that entrepreneurial learning is not to repeat what have been fruitfully done by others before and avoiding failure, but further implies an active interpretation of experience by the learning. This can be illustrated by the fact that an entrepreneurial failure might at first be a very negative experience but as time pass learning outcomes might crystallize and the experience might transform to something positive (Man, 2006).

2.4.1 The Lewinian Model

Kolb has created a learning model based on Kurt Lewin’s theories of experiential learning, called the Lewinian experiential learning model (Gustavsson, 2003). It is a model which focuses on a here and now concrete experience (Kolb, 1984), see figure 1.

![Figure 1 - The Lewinian Experiential Learning Model (Kolb, 1984)](image)

The Lewin model contains four different stages and White (2004) explains that the learning cycle starts with a personal concrete experience which forms the basis of reflective observation and abstract conceptualization. According to Gustavsson (2003) the first two stages, also explained as reflection and interpretation, creates new concepts and ideas – a process referred to as abstract conceptualization. The implications are then actively tested, in the fourth circle called active experimentation and serve as guides in creating new experience (Kolb et al., 2000). Corbrett (2005) agrees and further state that individuals learn best when they can cycle through all four stages of learning shown in the model.

Cope (2005) agrees with Kolb et al. (2000) that reflection has the objective to make the person ready for a new experience. Cope (2005) further states that reflection not only allows the individual to learn from events and experiences, but also to bring forward this learning to new situations and encounters.
2.4.2 Single and Double Loop Learning

According to Greenwood (1998) the Lewinian model can be connected to Argyris and Schön’s Single and Double loop learning depicted in figure 2 below. This approach views humans as designers of action; that is humans can design actions to achieve certain ends or consequences and they observe action to determine its effectiveness. Measuring the effectiveness of the actions allows humans to monitor the adequacy of the image in which such actions take place as well (Greenwood, 1998).

According to Blackman (2004), Argyris (1999) and Argyris & Schön (1996) learning stems from exploring a perceived problem. It can occur intentional or unintentional and happens when there is a match between designed action and outcome or when there is a mismatch between intentions and outcome and it is corrected, meaning; the mismatch has been transformed to a match (Argyris, 1999). Further, learning occurs when an invented solution is actually produced. This distinction is important since it implies that discovering problems and inventing solutions are necessary, but not sufficient conditions for learning since they also have to be carried out.

Argyris (1999), Greenwood (1998) and Argyris & Schön (1996) all argue that single loop learning occurs when the underlying assumptions of an action are not changed. It happens when there is a match or a mismatch corrected by changing actions but without altering the underlying norms and values. In other words, whenever an error is detected and corrected without questioning or altering the underlying values, the learning is single-loop (Argyris, 1999). This can be exemplified by a thermostat which adjusts the temperature if it gets colder or warmer. By only adjusting, it corresponds to single loop learning. If the thermostat instead had asked why it made adjustments according to temperature changes, then it would be double loop learning.

![Diagram of Single and Double Loop Learning](image)

Double loop learning is more powerful than single loop, according to Blackman (2004), as it changes the values, strategies and assumptions of a person (Akbar, 2003; Argyris & Schön, 1996). Double loop learning corrects mismatches by first examining and altering the governing variables and then the actions. Argyris (1999) continues by stating that governing variables are the preferred state that individuals strive to satisfy when they are acting and that these variables drive and guide their actions. Changes in these underlying assumptions are based on a “learning why” perception, according to Akbar (2003).

Making use of double loop learning creates a more robust learning outcome compared to single loop as reflection and asking “why” takes place, according to Blackman (2004). Finally, Akbar (2003) states that single loop learning is recognized to result in an incremental change, while double loop learning creates a transformative change in ‘theory in use’. Double and single loop learning can also be referred to as high and low learning according to Fiol and Lyles (1985) and Akbar (2003).
2.5 Summary of Frame of Reference

By continuously narrowing down the frame of reference, from a wider entrepreneurship perspective, to failure in the form of bankruptcy and lastly bringing in learning we aim to create a foundation and tool for understanding and investigating entrepreneurial failure from a learning perspective. Provided here is a summary of the theories presented in order to create a graspable and clear overview.

In section 2.1 we discuss the different definitions of entrepreneurship. In this thesis Davidson’s (2006) definition was chosen, because it does not categorize among entrepreneurs. It includes all kinds of entrepreneurial activity that results in new alternatives for buyers on the market and economic growth.

Section 2.2 deals with the concept of entrepreneurial failure which is divided into pragmatic (2.2.1) and psychosocial (2.2.2) responses to business failure. The first part covers the many definitions of an entrepreneurial failure and takes the standpoint that bankruptcy is the formal definition which will be applied throughout the thesis. Further, four factors which might lead to a bankruptcy are brought up; individual characteristics, available resources, structure/strategy as well as environmental circumstances (Liao, 2004). The second part discusses the many responses to an entrepreneurial failure within societal, firm and personal contexts. Within the societal context, stigmatization was brought up by Gratzer (2001) as the main response. In a firm context, the emotional attachment to the company was mentioned as a likely impact on the responses (Cardon & McGrath, 1999). Lastly, it was stated within the personal context by Bird (1989), that reflection and honest appraisal facilitates learning. The entire section 2.2 serves as a foundation for learning. Depending on the responses to entrepreneurial failure, learning will be more or less present.

Section 2.3 includes several different perspectives on learning processes. However, the experiential learning process is chosen as most applicable to entrepreneurs, since they are said to learn by actively doing (Minniti & Bygrave, 2001). The experiential learning part (2.3.2) presents two models, the Lewinian model and Single and Double loop learning model. Both of the models are investigating approximately the same phenomena. The Lewinian model’s main purpose in this thesis will be to increase the knowledge base of experiential learning. We will focus on the Single and Double loop learning model since it is a development of Kolb’s (1984) and help to analyze the depth of the learning outcomes generated by the failure to a larger extent than allowed for by the Lewinian model. Furthermore, the theories in the experiential learning section will help us understand how entrepreneurs use and apply the learning’s in their life today.

Figure 3 on the next page, will provide an overview of how we plan to use the theories in the frame of reference. It is clear from the model that there is a gap in our frame of reference, in terms of what the actual learning outcomes of an entrepreneurial failure might be. This is due to the lack of research within this area and points to the theoretical contribution of this thesis.
From the frame of reference and the research model we have derived the following research questions to guide our fulfillment of the purpose and the exploration of the entrepreneurship field.

- What were the pragmatic and psychosocial responses towards the failure?
- What were the learning outcomes, both personal and professional?
- How does the entrepreneur use and apply the learning outcomes?
3 Methodology

The cure for boredom is curiosity. There is no cure for curiosity.

- Dorothy Parker

This chapter discusses the study approach of this thesis. Further, the method chosen for conducting the empirical study is described and evaluated.

Further, the chapter is divided into three segments, the first covering the method aspect employed including our interpretive approach as well as qualitative strategy. The second part rather corresponds to more practical issues discussing the case study and interviews. Third and last is the critical evaluation of the method employed presented.

3.1 Study Approach

This report is based on qualitative research from an interpretive perspective, carried out by using an abductive approach. The concepts will be explained and discussed in the following paragraphs in order to create an understanding of our angle of the thesis.

3.1.1 Interpretive Perspective

According to Yin (2003) the type of study can many times be established based on how the purpose is formulated. An exploratory study is a good option if the goal of the work is to create new hypotheses rather than testing existing ones. Churchill and Brown (2004) explain that exploratory work is most appropriate when the problem is rather unknown and not thoroughly researched. Since, this thesis work is done within a somewhat neglected research area, an exploratory type of study will be performed.

As the aim is to explore entrepreneurs’ learning from going through a bankruptcy, we have taken an interpretive perspective during the work. This view, according to Fayolle, Kyrö and Ulijn (2005), allows the researchers to focus on people and their way of understanding and making sense of the world which is in line with our approach. The contrasting view of positivism is not applicable in this case as the focus would then be on prediction, control and explanation (Fayolle et al., 2005; Holloway, 1997).

Further, Holloway (1997) emphasizes that from an interpretive perspective it is important to realize that the experience of people are fundamentally context-bound and not free from location, time or the mind of the human actor. Therefore, it was crucial for us to consider reflexivity; that is to realize the impact of our own position in the entrepreneur’s environment at the time of the research. This was done by returning a written transcript of the interviews to the entrepreneurs.

Alvesson and Sköldberg (2004) claim that there is no such thing as a pure fact, but rather it is a result of interpretation. Instead, the central thing is to create an understanding of the item at hand, in this case the learning from an entrepreneurial failure. This understanding is always shaped by the pre-understanding we have with us in the form of theories, our own frame of reference and values and it is in that light we interpret and analyze the material. This view is applicable to our case as we felt a need for background information on the bankruptcies, and how and why the failure came about, even though that is not the main subject for investigation. Still, gathering and presenting this information was necessary for us in order to create a pre-understanding of the situation within the boundaries of the in-
terpretive perspective. This pre-understanding in combination with the theoretical framework and empirical findings gave us an enhanced apprehension which made the analysis easier. Also, there are sections in the frame of reference (such as “Classic Theories on Learning”) pointing to a pre-understanding both for us as authors, but for the reader as well.

### 3.1.2 Qualitative Approach

According to Holloway (1997) most qualitative studies have its origin in the interpretive perspective. Qualitative studies, as opposed to quantitative studies, are conducted in a real world context and are case-bound (Sandelowski & Barroso, 2007). In addition, Zikmund (2000) claims that qualitative studies are focused on words and observations rather than numbers. Also, Svensson (2004) adds that qualitative material often is presented in linguistic units and used in terms of categorization and description.

For this thesis, a qualitative study was seen as most appropriate as the focus was on the human experience and it allowed us to generate insights that would not have been possible with a quantitative study.

### 3.1.3 Induction, Deduction and Abduction

Most qualitative research starts with inductive strategies (Holloway, 1997) which are known to be useful especially in areas with little knowledge and insights, as this case of entrepreneurial failure from a learning perspective. Ezzy (2002) adds that inductive theories are built up from empirical data collection, whereas deduction uses existing theories to draw conclusions in individual cases. Still, Grix (2004) claims that these two classifications of connecting reality and theory have been criticized to be dichotomous, especially as most research includes elements of both. Grix (2004, p. 114) also adds that “it is impossible to do research without some initial ideas […] almost all research has at least an element of deduction” which is also true in our case.

As described by Patel and Davidson (2003), a third approach is abduction which commonly is thought of as a combination of previously mentioned ways of relating theory to reality. The first step in the research process is usually inductive as individual cases are used to formulate preliminary theories. This step is then followed by a deductive approach as the preliminary theories are tested and then developed to more general hypotheses and theory (all illustrated in figure 4).

Figure 4 - Relationship between theory and reality illustrated by some central concepts (Patel & Davidson, 2003)
We chose to simultaneously look at existing theories and gather our empirical material framework as they are intertwined, and then analyze the material to create new theories. This proved to be an abductive strategy as our empirical findings were collected through in-depth interviews without setting up a previous hypothesis, and then the results were analyzed and learning outcomes were generated in order to contribute to a more general theory.

3.2 The Study

The following part will discuss the practical approach of the method applied in the thesis work. It will describe how the method was carried out and how the study approach was realized.

3.2.1 Case Study

By looking at a number of entrepreneurs sharing the same experience of a bankruptcy, we used a case study approach according to McBurney and White’s (2007) definition where a case study is explained as an examination of individual instances, or cases, of some phenomenon. Further, Salkind (2000) claims that case studies are highly suitable for “capturing information about human behavior” (p. 194) and are commonly thought of as a good way of retrieving detailed data and allow for close examination. Darke and Shanks (2002) point out that case study research is often connected with qualitative material, as well as commonly used within the interpretive perspectives, as is the case for us.

We found this approach suitable since it corresponds both with our interpretive perspective as well as the qualitative approach. The common denominator among our respondents is the case of a bankruptcy filed six to eighteen months ago in Southern Sweden, which also are providing the limitations and boundaries for the case.

3.2.2 Primary and Secondary Material

As existing literature is used in combination with interview results in this thesis, we find it important to make a separation of the two. The use of accessible literature implies using the work of others and can therefore be regarded as secondary information. Zikmund (2000) explains secondary material as items already collected for another project and not specifically for the assignment at hand. Primary information on the other hand, is gathered and assembled for the purpose of the particular project (Sekaran, 2000; Welman et al., 2005; Zikmund, 2000) in this case through the interviews performed.

The findings presented in this thesis are based on primary data in order to avoid the risk of using outdated sources or material which not exactly meets the purpose of this study. The report is focusing on an area which has not been thoroughly researched, which further makes it difficult to find useful secondary data. Furthermore, by using primary sources, we were able to come back to the participants and ask additional questions as well as make interpretations and see the situation context-based. Also, keeping in mind the nature of the research area, it was crucial for us to be able to interact with the source of information, such as observations of body language and expressions which were also incorporated into the analysis.
3.2.3 Sampling and Selection of Participants

Sampling the entrepreneurs that were suitable for the research subject, was not as easy as expected. After having decided on bankruptcy as the most suitable definition of entrepreneurial failure for this thesis, we contacted the local district court¹ as bankruptcies are part of public material.

Bankruptcies filed six months ago were initially chosen as we believed that half a year was enough time to reflect upon the incident but also not too distant in time to be forgotten. After receiving a list with 13 entrepreneurs we contacted the tax authorities² to get hold of their current address and then we used online search engines to locate their phone numbers.

This approach is commonly known as non-probability qualitative sampling, which according to Holloway (1997) indicates that the possibility of generalization is less important than the collection of rich and wide data. Lekwall and Wahlbin (2001) as well as Burns (2000) add that non-probability sampling is better suited for qualitative research than within a quantitative approach. This form of sampling is known to help researchers gain as much knowledge as possible about the context, the person or other units according to Holloway (1997).

A manuscript was prepared for the phone calls and was used to explain the matter of the research and asking for participation in the project. Throughout the contact with the entrepreneurs, and particularly at this stage, we tried hard to be considerate in our wording and language as a bankruptcy can be a very painful experience for many. After numerous calls and re-calls only two accepted the invitation, and we realized we needed to extend our sampling base. The district court gave us a new list of entrepreneurs extending the interval to between six and eighteen months. The outcome of the larger sampling base was in total seven interviews, including two arranged by recommendation. Holloway (1997) claims that qualitative research uses a relatively small sample size since they consist of information-rich cases, something which is highly applicable in our case.

All of the interviewees had not been involved in a fresh start-up, but had either bought shares in a start-up, acquired a firm and transformed it into a new company or inherited the business from relatives. We believe that all of the participating entrepreneurs can be comprised within the definition of entrepreneurship chosen for this thesis, as Davidsson (2006) do not exclude new product launches and market expansion in addition to normal individual start-up and by this they have contributed to economic growth.

3.2.4 Interview Type

Most of the interviews took place in the Jönköping region, ranging from Värnamo and Brexdaryd to Hjo, and lastly one was performed in Lund. We chose to use informal and relaxed locations such as cafés and restaurants where both we and the interviewee could feel at ease. It was highly important for us to establish a sense of trust by asking general questions and small talking early on in the conversation with the entrepreneurs in order for them to be able to open up and share their experiences with us.

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¹ In Swedish: Tingsrätten i Jönköping
² In Swedish: Skatteverket
All interviews lasted about an hour, which seemed in line with Holloway’s (1997) claim that a qualitative in-depth interview approximately lasts between 45 minutes to one and half hour or more. In our case the participants had as much time as they found necessary to express all what they wanted to say and for us to ask the questions we found appropriate. Time was therefore not considered to be a constraint.

Even though we had designed an interview guide much of the conversation was fairly open, forming what Saunders, Lewis and Thornhill (2007) would call a semi-structured interview. The interview guide served as a basis for discussion and as a checklist to see that all information needed for a solid analysis was retrieved rather than a fixed set of questions that needed to be asked in the same order with all respondents. We chose not to send the manuscript to the respondents prior to the interview since that would spur reflection and project a picture of the interviewees as more introspective than they actually are. Further, this type of interview is commonly seen as in-depth and can, according to Holloway (1997), be viewed as a purposeful conversation, in which the interviewer is able to obtain the feelings, perspectives and perceptions from the participants in the research.

By maintaining a semi-structured in-depth interview, we were able to create the informal setting needed to retrieve material but at the same time avoid pressuring the respondents to an unpleasant level. Welman et al. (2005) suggest that in-depth interviews are more focused than the unstructured interviews. Yet, the participants are still allowed to express themselves in their own words and their own time. Bearing this in mind we did not feel forced to ask the questions in the same way and form to each participant but instead ask questions like “why” and “can you elaborate on this”.

Throughout the interviews we used a recorder to guarantee accuracy. Shortly after the interviews, transcripts were made and sent back to the participants for approval. All participants were given the choice of anonymity as it is a rather sensitive subject we are dealing with. As some participants insisted on remaining anonymous we chose to come up with pseudonyms which are used throughout the thesis. Further, we choose to label the different interview-cases with interpretative names to make it easier for the reader to keep track of the different participants.

3.2.5 Empirical Material Management

Qualitative analysis is generally described by Williamson and Bow (2002) as the method researchers use to make sense of the material that they have collected; this to be able to communicate the findings to others through various sources such as reports, scientific articles and books.

Gathering the material was a fun process as we got the opportunity to meet a versatile group of people, all with valuable insights and life approaches. As mentioned, one hour recorded interviews were made at informal locations which were followed by transcriptions that were sent back to the respondents. After having received the approved transcripts, we made use of material reduction as defined by Darke and Shanks (2002) in the sense that we selected and simplified parts of the assembled information to enable our analysis and drawing of conclusions. Further, we also made use of coding in the analysis stage as we combined the material into related categories, tried to identify links and lastly use the processed material to build theory.

Further, after each interview the two of us discussed and tried to pin-point what was said between the lines and in the form of body-language as we believe this is an important source of information as it does not only matter what is said, but also how it is said. This
small, yet valuable, discussion proved to be significant in the analysis as the respondents were faced with a subject that might create some form of anxiety.

In the analysis we have applied the theories we found relevant to fulfill our purpose. Not all theories presented in the theoretical framework were highlighted, as some of them were used to broaden the understanding and provide more than one perspective. The analysis was done in the form of brainstorming and trying to connect our material to existing theory in order to find a match or mismatch.

3.3 Evaluation of Method

Our active exploration started with the case study, everything else is included in the study approach and lies inherent in all our work.

The choice of a qualitative approach in the form of a case study was highly appropriate for this thesis; it allowed us to examine and understand a context where little prior knowledge is available which Williamson and Bow (2002) describes as one of the benefits of pursuing a case study. Also, case studies are known for being preferred in areas where theories and research are in early formative stages, something that is also applicable to our case.

Being a new area of research which appears rather unexplored, it was hard to find the “right” theories at the first try. It should be noted that there are some theories included, which are commonly applied to organizations but have been used on individuals as well. Further, we took somewhat of a trial-and-error approach by constantly reviewing and revising our theoretical foundation until it was considered to be a solid base for the analysis. We believe that the presented theoretical framework is a concrete foundation for our work which has allowed us to increase the understanding within the area of entrepreneurial learning.

It should be noted that there was an inherent difficulty in finding representatives that were willing to participate in our study which in the end limited our sample to seven interviewees. Yet, to be able to increase the validity and trustworthiness of the findings we would have valued a larger sample. However, the small sample is, by all means, understandable as a bankruptcy can be a very traumatic experience for some and therefore it might be agonizing to discuss it with two strangers. Therefore, there might be a bias in the sample towards people who have been able to move on and learned something from the failure. Even though this bias is present, it could be regarded as helpful since interviewing devastated persons might both be difficult and less constructive due to their emotional situation. In the end, we believe that we got hold of the right people that provided us with valuable insights and experiences which enabled our analysis and drawing of conclusions.

Also, the sample is only comprised of middle-aged men. We would have liked to include a female perspective but it appeared as if women are less likely to start their own firm or are able avoid failure. Female entrepreneurs were in large minority on the lists of bankruptcies received from the local district court; in fact they were only three out of 40 persons, and none of the ones we got hold of were willing to participate. The purely male sample can therefore also be seen as a bias. Yet, the sampling is defendable as the research area is new and there is a difficulty in getting people to participate as mentioned above.

The relation between the interviewer and the respondent is highly crucial in these forms of studies as the participants are the most vital sources of information. One commonly discussed issue within methodology and qualitative studies is the interviewer bias (Holloway, 1997) where the researcher might have an influence on the study both in positive and nega-
Methodology

tive terms. According to Williamson and Bow (2002), factors that can influence the work are the effects of the researcher presence, behavior of the participants as well as the researchers' own beliefs, values and prior assumptions. This being an interpretive study, we were able to move away from the above mentioned biases as the analysis was intentionally made in the light of our own pre-understanding and values. Further, the risk of not establishing a good relationship with the respondents can be regarded as low, as we deliberately worked hard to create an environment of trust and openness in order to get the respondents to confide in us. Further, doing face-to-face interviews allowed us to read between the lines and see as well extrapolate the respondents' learning even if they claimed to have learned nothing.

There is an underlying importance in critical assessment of the material at hand (Jacobsen, 2002) which was considered both in the choice of theory and in the review of respondents' answers. In our theoretical framework we have chosen to rely on a versatile range of theories and approaches presented by recognized authors and researchers. Further, to ensure accuracy in the collection of empirical material, interviews were recorded and transcribed to get an exact reproduction of what was said and in what context things were expressed. We also tried to avoid leading questions by constantly asking follow-up questions and keeping a lively discussion. Both of us were present during all interviews.

The area of ethics should also be taken into consideration here. Since the subject can be regarded as somewhat sensitive we have tried to be careful in our presentation of the material by leaving the respondents anonymous and getting their permission before publishing the thesis. According to Shamoo and Resnik (2003) honesty, integrity and respect are keystones in conducting ethical research. We believe that we have handled our material and analysis with caution and carefulness as we have consciously taken a discrete approach in the publishing of our findings.
4 Empirical Findings

“We learn by example and by direct experience because there are real limits to the adequacy of verbal instruction”
- Malcolm Gladwell

In this section the results from our empirical material collection are presented. The results are divided into seven case descriptions, each representing one of the interviews. To conclude and provide an overview, a summary of the findings are presented in the end. Please note that all names are fictional.

4.1 Case I “The Troublesome Franchiser”

Bert Svensson was born in Falun and has no other education than elementary school yet has attended several internal leadership, management and marketing courses during his 36 years within the travel industry. He claims to be more theoretical than practical oriented and takes the example of iron bars he wanted to put in his car to make his dog stay in the back; “I went back to the store after two hours and asked them to install it for me”. Bert says he is a risk-taker, goal oriented and knows how to make people work for him. He is used to work with people and has been working with sales, marketing and customer-service throughout his life. He has been employed in the Jönköping region since 1975 and is well-known in the area.

When asked how he would define entrepreneurship he answers that: “entrepreneurship is something that just happens by chance, it is an opportunity that gets it going”. He says that he do not believe that anybody grow up to be an entrepreneur.

4.1.1 The Company

Bert has only started one company in his life and it all happened due to a coincident. He was working at a big credit company as a district manager but choose to leave the company and take one and a half year off. During this time he got an offer from a multinational car rental company (referred to as the franchisor here) to start a franchising business. It was a new concept and the idea was that Bert should not buy cars from the franchisor and rent them, but instead rent the cars and rent them second hand to the customers. This meant that he did not have to buy his own cars but became part of a larger car-pool system; “This meant that I could rent a car to somebody, one way to Malmö without having to worry, since they were all part of the system”.

The franchisor had tried to start up a car-rental business once before at the location in question, with the local petrol station, but without success. They told Bert, that the previous failure was all because the customers did not want to stand in line together with the ordinary petrol station customers and that this time they had increased the status of renting a car. Further, Bert was promised that the company had made a thorough market analysis.

Starting the franchising business meant that he became the owner of his own business and had to pay 100 000 SEK which is custom in Sweden. Bert seriously considered the pro and cons with starting the franchising business and let several professional external people read the contract before he signed it. “By that time, everything looked bright and sunny” according to Bert.
After only three months, Bert realized that the business idea was not as sound as he thought from the start and understood that the business had to be liquidized. The reason for this was that the new company was tied to the multinational car rental company’s agreements, with for instance the health service, and these agreements meant that the gross margins was just about equal to zero. “The plan was that my family and I were going to survive on the money I got during the first six months from [the big credit company] which I worked at before, and after that I had been promised that the company should be profitable. Yet, I understood after only three months that this would not work out and decided to shut down and not jeopardize my family’s future any further” Bert commented.

During this period Bert got offered a job at the local newspaper, which he accepted and the daughter took over the business, which meant that he started to pay her salary. This was a small sum but was not part of the original budget calculations. Both he and the multinational car rental company were very proud of his daughter’s work at the firm.

4.1.2 The Failure

Just before Bert decided to liquidize his company, the bankruptcy executor gave him two options: either to keep going with the immediate threat of bankruptcy hanging over him or stop. At this time his daughter told him that she had got another job and that made the decision easy. When Bert had taken the decision to shut down, the franchisor made an effort to stop him. Yet, the decision was made and after only one closing, the company ceased to exist. “During this time we made sure that we paid off all the local suppliers and made the franchisor, itself, the largest creditor in the bankruptcy and by that made the company take responsibility for their own actions”.

Bert says that he did think twice about bankruptcy when he started. Yet, he thought the agreement was all right. The two biggest problems were firstly, that the market analysis was not satisfactory. When commenting on the market analysis Bert says “when it comes to this I can agree that I was somewhat blue eyed. I was naïve since it sounded like fun”. Secondly, it was the low gross margins due to the bad agreements which the franchisor had with the most important customers.

Something, that disappointed Bert further was that despite the fact that the Volvo-dealers in Sweden owns the franchisor, the local Volvo-dealer refused to cooperate with the new franchise business. According to Bert, this made his business compete with the own organization, something which made the market about one million SEK smaller.

However, Bert thinks that the franchisor was aware of their guilt in the bankruptcy since they were very generous. They paid his leasing agreement on computers, so the only money Bert actually lost was 100 000 SEK. The formalities of handling a bankruptcy was nothing new to Bert since he had worked as middle manager at a firm which went into the red as well as seen customers go the same way. He thinks that it helped him through all the work a bankruptcy creates.

4.1.3 The Aftermath

Bert says that he regrets starting his own business when thinking about the 100 000 SEK he lost. Overall, he does not view the bankruptcy as a failure: “I did what I could. The only thing I failed at was reading between the lines in the contract, but I view that more as me being blue-eyed”.

The way one views a bankruptcy is very much dependent on the how mentally strong the individual is, according to Bert. The bankruptcy executor told him to understand that
Empirical Findings

things had gone totally wrong and that it was time to move on. Bert argues that it is important to be able to move on but also to allow for some reflections and says that: “I can’t say that I shook it off like a dog and moved on the day after, sure I thought about what I could have done differently”. He says that it is awful just after the incident but after a while time heals the wound, yet it might have made him a little bit less risk-taking.

Since Bert only had the company for a very short while and as he got offered another job he claims that he never got fully attached to the company, further he says that “I had a lot to do with the newspaper which meant that my daughter had to take a bigger responsibility”. He tries to look at the good thing the bankruptcy brought about and points out that his daughter got a job based on the experiences she had gained from his company. Today he sees the 100 000 SEK he put into the company as an investment in his daughters future.

4.1.4 Learning

Bert claims that he is an experience richer from his entrepreneurial adventure. He knows that life continues after a crisis. “If one fails, the only thing to do is to move on. Grieve for a while and then decide that the period has to stop and move on. Everything fades with time”. Further, he has learned to read between the lines in a contract. If he were to start the same business again he would do it in connection to an airport where there is people coming and going all the time. On the question if he has any use of the experience in his daily life he answers that he finds it hard to employ the learning as he currently does not have a job due to disagreements with the local newspaper.

4.2 Case II ”Gyro Gearloose”

Joakim Andersson was born in the Jönköping region and has a three and a half year education at Jönköping University with a project management alignment. He describes himself as innovative, thorough and reliable and sums it up with saying: “I am an inventor”. He has started three companies up until now and describes entrepreneurship as freedom with responsibility and thinks that a sound business idea is the most important to think of to start ones own business, because without it one cannot sell.

4.2.1 The Company

Joakim started the company in focus in 1985, after a government agency had contacted him and asked him to invent a simplification for them. He started to manufacture his product in his own garage and spent a lot of time on the project. It was a very busy market up until just about 2003, when the government decided to spend less money on the defense and dismissed 700 people. From that time on, no more purchase orders was given to Joakim. He says: “Times got rough since I only had one real customer”. Joakim was the only person involved in the business: “It was a one-man show”. Yet he had a turnover of 8-10 million SEK and manufacturing sites in Germany, England, Finland and Poland. Once a month Joakim had an order consisting of 15 000 components from 23 different subsidiaries, which all where supposed to be assembled in Värnamo and go with the same car, the same day.

4.2.2 The Failure

Joakim understood that the company was going to get bankrupt in the beginning of 2003. He was pretty calm about it and tried for about three years to find new customers before he gave up. He thought it was too much work for too small orders. He could have tried to

3 In Swedish: Oppfinnar-Jocke
Empirical Findings

find other customers than the government agency earlier and hindered the bankruptcy in this way, but there was no time for it. It was Joakim’s own choice to file for bankruptcy. He knew from before how to go about a bankruptcy since he had heard from others how to deal with it.

4.2.3 The Aftermath

When starting the business, Joakim did not spend a single thought on bankruptcy. He only realized the possibility when the sales decreased and blames bad luck for the bankruptcy’s occurrence. He felt bitter, but put it behind him: “there was nothing else to do”.

Joakim did not experience any social differences after the bankruptcy. He still has a great network and personally knows about 300 suppliers, some of which are very profitable and some are less profitable. Furthermore, his family backed him throughout the experience. The bankruptcy did not change Joakim very much according to himself. Yet, at the time, he says it was a tough decision to shut the firm down, which involved some agony. The company lasted for 20 years and the company and he got strongly integrated during this time. However, he thinks that one has to move on and forget about it in the end.

If the bankruptcy had involved a lot of personal economic loss for Joakim it would have been a bigger crisis. However, Joakim got away pretty easy since he had been made sure that no big private costs would occur. He has never pledged anything since he started his company on a very small scale with no real costs.

At the time of the bankruptcy Joakim owned two different firms and as soon as he had to close down one company he let the other company buy the bankrupt firm and six moths later the firm was up and running again. Today the orders are slowly starting to increase again. Yet, this business is no longer Joakim’s main occupation. He is currently working as CEO at a waste disposal firm and runs the other business on a freelance-basis. Working as a CEO is no difference from working as an entrepreneur, according to Joakim, “It is not like being employed, I am still the big boss so there is no difference. I have free hands”. When asked if he could see himself starting a business in some other industry, he answers no.

It might be trickier to experience difficulties when running a company elsewhere in the country, according to Joakim. He says “We [in the Gnosjö region] do not only help each other, we exist because of each other. If A asks B for help which B can not do, B tells A where to look for it”.

4.2.4 Learning

Going through a bankruptcy has made Joakim one experience richer. He says “if you do not dare, you will never win, to win you have to risk a little”. However, when explicitly asked what he has learned from this experience Joakim answers “nothing”. Yet, later he admit that he now know the industry very thoroughly. He has learned the jargon, and how to negotiate with his suppliers and the rules of the game. He also admit that all the knowledge of the industry made the bankruptcy easier to cope with since he knew that he could always start up the company again, something which he also did after about six months. Joakim says that it would have been much worse to experience a bankruptcy after two or three years since then he would not have gathered all the knowledge he has today, after twenty years.

He also says that he has experienced that the most important thing to consider when starting a company is to be prepared to work up to 60 hours a week in the beginning and consider entrepreneurship as a lifestyle.
Joakim gained a lot of expertise and experiences from starting his company as well as a huge network which he can use in his daily work today. He advices others who experience a bankruptcies to “start over from the beginning. It is nobody’s fault so do not blame yourself. In most cases something special happens, either it is the wrong business idea, the wrong price, bad customers or no customers at all. But one should not take it personally”.

4.3 Case III ”The Academic Risk-taker”

Anders Ivarsson is currently working at a successful interior design and furniture company in the highly entrepreneurial region of Gnosjö. He has a solid education with a degree from Stockholm School of Economics (SSE) but claims that he has chosen a different path than his fellow students did by working mostly with smaller companies, when working for multinationals is the norm after attending SSE. Since graduation he has been working as a manager at a larger industrial company with a focus on offshore platforms, and also two middle sized firms in Småland. After loosing the enthusiasm of working at these companies, he and a friend got the opportunity to buy his current company from a noted firm, which proved to be a successful step. Anders told us “life is not complete until you have tried working with a small firm too, even though it is extremely hard getting it profitable in the beginning”.

Anders claims to be a good negotiator with good language skills and technical skills. Further, when asked to define entrepreneurship he says “it is the ability to discover new market niches, to satisfy new needs that appear and to be able to identify them independent of if you are producer or buy the products from somewhere else”. Later on, he adds that the real entrepreneurs are those who invent something and start their own business. He continues by stating that there are also medium- and minientrepreneurs as well as those who inherit a company from family members and refer to themselves as entrepreneurs when they are really managing an inheritance.

Anders is very active in the local business network, and is currently a board member in “six or seven companies and I have been in at least 15 of them earlier” which makes him something of a board-professional. Many of these companies Anders have chose to enter, have been poor performing firms where he felt a need to turn things around and make them profitable again. He also claims to be a combination of theory and practice; he is not the best at any of them, but fairly good at both.

4.3.1 The Company

The company in question was bought with the intention of using it as a service organization to his existing company. Prior to the acquisition Anders’ existing company had handled the service by themselves, but as the company had initiated trade with two Asian countries, he felt a need for the establishment of a separate service entity. According to Anders the main business idea was to “sell, repair and support customized machines”.

Anders says that it was a good organization with good possibilities to grow, but that there were a number of factors that he was unaware of during the take-over that later came back to haunt them; “things that were not in order, and problems that were not solved correctly as well as other things that popped up every now and then”. He tried to fix the largest issues even though he felt annoyed by it, since he had already sealed the deal and wanted to make the best of it. Soon it was realized that it would be hard to turn this company profitable. Further, as the new venture only was a small part of their total business there were no monthly follow-ups but they were rather done on a quarterly basis which also added to the worries. Still, Anders
managed to keep the company floating for a year and a half before contacting a legal advisor for guidance.

4.3.2 The Failure

The lawyer gave them the advice of either pumping in money into the firm or shutting it down, and also said that “you will never be able to get out of the commitments you have taken on so…” which Anders and his partner agreed with and therefore decided to shut down the operations and file for bankruptcy. “That meeting with the lawyer was not the most pleasant one I have attended” Anders commented upon it.

When asked what happened after the bankruptcy, Anders responded “well, for the market in general it was not very dramatic, but it is always annoying not to succeed at what you set out to do”. As the firm was just one part of a larger organization, it was no disaster on a financial level either. He compares it with a person who 100% committed to a sole project that fails where a bankruptcy in many cases becomes a personal tragedy “and I am not in that situation, I have a good social situation with family and kids and you land safely even after a rough day at work”.

4.3.3 The Aftermath

When asked how he felt after the bankruptcy, Anders made the comparison of working in the shipbuilding industry where he was working 14-15 hours per day and still was not able to get any projects on track. “Even though I was not financially responsible, I had a managing position and I thought that was heavier” he commented. Still, going into bankruptcy was at the time a big worry for him but as he said “you have to make a decision, either you move on or you do not and on a national level or a larger perspective this is a small problem”. Anders also said that if he had not been involved in other businesses he would have taken the hit much harder and points to the importance of spreading risks as a small enterpriser.

Anders claims to be happy that he made sure that his family would not be dragged into the bankruptcy, as he had secured their financial situation so it would not be affected in case of a setback. “You have to make sure that you will be able to pay your way out of a mistake like this” he said. Further, he pointed to the importance of being willing to take some risks as an entrepreneur. He explains that the level of risk is related to the education and knowledge you have and also to your perception of things; “the closer you look the more risks you see”. Anders also connects this to the bankruptcy by clarifying that when the company was started the prerequisites were known and thorough research had been made: “but in certain cases when you want to make good use of something, like this company, you only look as far as it remains beneficial and then you might miss out on skeletons in the closet”.

4.3.4 Learning

When asked what he would have done differently if he could have a new try, Anders said that he would have spent more time on investigating the business from the start. He also admits that running your own business is more of a lifestyle than a profession, and he has learned that you have to be willing to lead that kind of life you want to succeed. Inherent in this lifestyle is the willingness to take risks, or as Anders put it “the export we have to China would never have appeared if I had worked as an employee, no manager would have let me go over there and work on relations and so on, but since it was my own company it was my own decision to make and now we have sold a number of millions each year which we would have otherwise”.

It is also important for him to build loyalty into the relationships that are created and maintained, he believes that it is not firms doing business with other firms but rather people do-
Empirical Findings

ing business with people. Anders also explains that it is important to carefully choose who you work with, since “it is much harder and more painful to divorce a business partner than a wife”. Being a true businessman, he answered the question if he wanted to start a business again with “well yes, I have a meeting today at four”.

4.4 Case IV ”The Social Survivor”

Bengt Niklasson has his roots in Småland, and has lived and worked there ever since. He is very committed to the small town by being apart of a number of associations such as the local culture organization, trade association as well as the real estate company that owns the local inn. He is also active in branch associations for the casting industry in Sweden. Education wise he has a high school engineering degree and claims to be the kind of person who reads the instruction manual before assembly but still knows his way around technical and practical things.

When asked to describe himself in three words, Bengt told us he was very thorough and stubborn “and both of these can sometimes constitute hindrances”. Further, he said that he believed that the most important characteristic for any person, but especially for entrepreneurs, is honesty; ‘you have to be honest toward yourself, the customer and also to all other people in your surrounding’.

Bengt describes entrepreneurship as “the will to create something above and beyond what is on the written order or the instruction […] by being innovative and driven in many ways”. By this, it is possible to satisfy the customer or employer as one does not only deliver the ordered good but rather do it in a way that adds value, Bengt further comments.

4.4.1 The Company

The company in question was a casting firm that Bengt and his siblings inherited from his father who started it during the 1960’s. They jointly owned the firm, but Bengt took over the role as CEO in 1995 when his father decided to retire. Many of the customers had been around a long time and personal relationships had been established, both for good and bad Bengt explained. He also told us that it is not always so easy to have these close relationships with clients; “the old customers had put extremely high technical standards on the products, standards that from the beginning appeared impossible to fulfill, but we somehow managed to finish them and by this raised both the bar and the entire company. Still, it is hard to tell one of these customers that you do not want to deliver anymore because you are not making any money on them”. Bengt also explains that many small firm owners might have problems figuring out the financial and strategic part of running a business, since they are more practical oriented.

When Bengt took over the turnover had rocketed during the beginning of the 90’s and the future looked bright even if there was a number of customers that were not very profitable to have, “1996 was a top year turnover wise but also a big loss year”. Even though they were incurring losses, they learned from the mistakes and started to remove unprofitable customers even if breaking the bonds were painful at many times: “today I know that you can never ever fall in love with a client. If it is not working you have to be able to break up and you cannot be afraid to charge for your services”. After the clean-out things looked better again and during the millennium change the telecom industry started to grow and Bengt decided to jump on the wagon and they grew from 30 to 70 employees very rapidly and “all of a sudden we were making money and it was fun doing business again”.

25
4.4.2 The Failure

"After the telecom bubble burst, everything stopped and disaster struck" Bengt explains to us. The company had made the mistake of allowing 75% of the business to evolve around uncertain industries like telecom and IT and therefore the effect of the burst was very large for them. So in 2001 the possibility to declare bankruptcy appeared but stubborn as he explains that he is, Bengt decided to keep fighting and did so until 2005 when the company turned profitable again. It took them four years to repair the relationships with clients that they had neglected during the IT-boom. Bengt continues “even though we had turned the company around and made money again we had a backpack that was so heavy that we did not have money for anything” and therefore he made the choice, after consulting with his siblings, to file for bankruptcy.

“It was heavy, it was horrible to make that decision” he says. They tried to reconstruct the company, something that is rather uncommon in Sweden, and Bengt spent the Christmas holiday thinking about the decision to file for bankruptcy so when the time came everything was prepared. He got in touch with a senior advisor which gave him advice throughout the entire process and was a big support. “It was one of those things, if I had had him half a year earlier, I might have made it through” Bengt said.

4.4.3 The Aftermath

Bengt has done a lot of thinking both prior to and after the bankruptcy. He was worried of what the people around him would say, but made a decision early on to be open and face them. He claims to have full insight in what was done wrong and what led to the bankruptcy; “when ones company is not performing well it is because you have made the wrong decisions which will have consequences” he said. It has been hard, but he has consciously tried to avoid blaming one thing or the other even if they had an impact on the company.

Right after the bankruptcy had been finalized Bengt did what a lot of people do when faced with a tough situation; he started working like crazy. It has not been until now that he feels vigilant again, and wants to take on new projects and show everybody what he is made of. “I started working on the psychological aspects gradually but it had not been until recently that I feel good and alert again” Bengt commented. He feels that he was very attached to the company and that he put his heart and soul in it. A lot of people thought of him and the company as one entity which also made the transition hard. He had an inactive company which he now uses for his consulting work within the casting industry. His network is still alive and well, even though he expected it to disappear after the bankruptcy. Bengt told us that “it is one of the strengths of living in a small town like this; people are very supportive, not necessarily with money but by listening and caring”.

4.4.4 Learning

Bengt told us that he learned a number of things from going through a bankruptcy, both in practical terms such as how to reconstruct a firm and how to go about filing for a bankruptcy, but also how important it is to listen to advice that your are offered. “You should of course value them based on the circumstances but most importantly listen to them, because sometimes experience goes further than education” he pointed out.

He also feels that a bankruptcy is not necessarily purely negative, but rather something you can use as a merit by being able turn the setback into fighting spirit. He gives the advice of mentally going through the situation and to let it take time but then let it go and make something useful of it.
4.5 Case V "The Awakened Workaholic"

Tor Tufvesson describes himself as a risk taker and a theoretical oriented person. Further he says that his three most favorable characteristics include “my ability to grasp contexts very fast, my determination and my commitment to things”. He started his career as a reinforcement-expert and since then he has been working in Sweden, Germany and the Middle East. Today he has two years left to retirement and work as the CEO at a welding company. He has worked very hard his whole life and tells us that his children have complained about him never being present in their childhood. When asked to describe entrepreneurship he defines it as the ability to have a great ambition and commitment in life and do anything it takes, independently of the price, to reach ones goals.

4.5.1 The Company

Tor got involved in a company that since the 90’s economic recession had been faced with its creditors going bankrupt. The firm had managed to survive through all this, but when their third creditor had to shutdown the company Tor worked for also ended up at the bankruptcy executors’ office. Tor did not start the company himself. He came into the firm as a sales-manager and later got the position as CEO and invested his own money in the firm. It produced meat mills and meat saws.

Tor considers himself lucky since the bankruptcy executor committed to the firm and tried to do something constructive of the situation. Tor describes it as “It was something new at that time, that bankruptcy executors wanted to turn the situation into something positive instead of just trying to raise as much money as possible. He really believed in us and took part in two management meetings and allowed us to decide which interest rate we wanted to pay back on our loans”. The bankruptcy executor gave the firm altogether one year to find a new owner and the firm did. They managed to convince Malmöhus Invest to buy 45 percent of the company, despite the investor’s business idea to only be minority owners in companies.

The investment company also had the policy that the CEO should be one of the owners in the companies they bought. Tor therefore got the offer to become a part owner and stay as the CEO or leave the company. He never really believed in the idea in the first place. Tor explained “the deal looked really good on paper but his gut feeling told him differently”. Yet, he chose to assign as part owner because he thought he could commit to the project anyways.

Once Tor was onboard, the company continued for a few years and had a turnover of about 20 million SEK. After some time, the management decided that they wanted to do something to spur growth and decided to take part in an education program which was partly subsidized by the government. In the end of the course, all the employees in the firm sat down together and decided upon a goal to be reached by 2000. The goal they arrived at was very high and they decided to reach it by finding new agencies. Tor says “and we did, we tripled our turnover or even more in three years and had a turnover of 80 million SEK and Dagens Industri wrote about us as a gazelle firm”.

Everything looked very bright for Tor and the firm, but then they decided to buy a Danish competitor from their principal supplier in Germany; “we thought it was a great deal and I got assigned as CEO in the new firm as well, so I delegated the operational responsibility for Sweden to the Vice CEO”. During about the same time, the main customer ICA, built their own butcher terminal, which cut, packed and delivered the meat to their own stores. It increased from Sweden’s largest financial newspaper
almost nothing to 300 employees in no time and all of a sudden the sales for Tor and his
down to almost nil. The customers no longer needed Tor and his firm’s products
anymore. “When we came and tried to sell our products, they offered us to buy theirs” Tor clarified.

4.5.2 The Failure
Tor explains the bankruptcy by the fact that the firm’s product had become outdated: “We
had known about the threat for awhile, but it was difficult to change again, so we were not modern enough
at that point”.

Tor and the other three partners decided to file for bankruptcy in an as smooth manner as
possible. They ended the operations with several millions in assets and made sure that as
few people as possible got hurt. The investment company was very serious about this and
did not want to get bad publicity.

The bankruptcy executor was very pleased with Tor’s performance in the bankruptcy since
he did his best to help him. “I sold more than the other salesmen had done, the first month. The others
had lost their speed and tempo” says Tor. The company management found out that some
members was engaged in unfair play as they had accepted an offer from a Norwegian com-
petitor. This offer made sure that the firm went bankrupt so that the Norwegian firm could
buy it at a bargain price. They had contacted Tor before but he refused “I am not that im-
moral”. Two days after the bankruptcy was official, the vice CEO got employed in the same
Norwegian company and that was one of the main reasons why Tor worked so hard to-
gether with the bankruptcy executor, to make sure the Norwegian company would gain as
little as possible. Tor says “I am totally convinced that the traitors planned the bankruptcy, before hand
with the Norwegian company, and if they had played fair the company might have survived”.

4.5.3 The Aftermath
Tor says that the bankruptcy was mostly a relief, a possibility to do something else. He had
gotten on bad terms with the owners and was departed to Denmark, where he felt rather
useless. This made him loose his aspiration or as he puts it “The placement made me loose my en-
trepreneurial spirit. I felt stuck and lost my ambition to do something creative”.

Tor was unemployed for nine months after the bankruptcy and had almost decided to re-
tire when he got a job as product manager at a company and then moved on to where he is
today.

Just after the bankruptcy occurred, Tor thought it was sad but then he put it behind him.
He was happy that he had already considered the money he put into the company to be
lost a long time ago. During the time as unemployed, he realized that it was fun. Tor says “I
have always been known for working a lot and never being home but suddenly I realized that I got used to
having time off very fast and now I have planned only to work two more years before retiring”. The bank-
ruptcy changed Tor. He says “I have become very calm and mellow compared to before. It should have
been the other way around, but it was not. During my time as unemployed, I told myself I was worth it,
since I had been working so hard before”. He admits that he can be bitter sometimes, particularly
about the unfair play of his colleges, but overall his surprised that the bankruptcy did not
affect him worse than it did.

Tor believes Swedish people in general are very fast in judging people and laugh at other
people’s misery. He was lucky enough, not to suffer from it himself since he just moved to
a new place and nobody knew him from before, yet he has heard about others who’s big-
gest problem is not to get a new job after a bankruptcy but what their friends and neigh-
bors think. The move was therefore something positive according to Tor, as he did not suffer from people’s prejudice.

Tor had thought about going into bankruptcy several times before it actually happened and was well prepared. Yet, today he only regrets that he accepted the placement in Denmark. He says that he has met former employees who told him that if he would have stayed the firm might still be running.

The elite board of directors was a big help during the bankruptcy. According to Tor “It was not their first bankruptcy. They had more firms that had gone the same way. They were used to it and even bigger things [...] their professional way of looking at the situation made sure no panic broke loose. All decisions were taken calmly”. This might have given Tor more professional outlook on the problem as well as hindered the personal crisis. Further he had big support from the other partners. Tor says that it would have been much different if the bankruptcy would have occurred if he was the sole owner or if it would have happened earlier in his life: “It would have been a disaster”.

4.5.4 Learning

Tor says that he has learned a lot during this period. Concerning bankruptcies he has learned that it is important to quit in time. Further, he realized that it was nice to be at home and think that it has helped him solve the meaning of life: “Being satisfied with oneself and life” something which he might never have realized otherwise. Moreover, he learned not to be prestigious, something he preaches today. Further, he now holds the employees as the more important success factor during a start-up.

He thinks that he is too old to start a new company but if he where to live his life again Tor could see himself starting a company in the real estate business.

To somebody who ends up in the same situation as Tor he says “it is important not to believe too much in the firm and that it can be saved. It is better to take the hard decision to close down since the market is mature and we do not have any new products in our pipeline”.

4.6 Case VI "The Happy Multientrepreneur"

Christoph Rubrik is a middle aged man, originally from Poland. He came to Sweden in 1975 and knew from the start that he wanted to work with something connected to Poland since he had left his family there. From Poland he brought five years of education at high school level but none at university level with him.

He describes himself as an optimist with social abilities: “I try to be positive most of the time and always hope that things will sort themselves out in the end” and as a theoretical person who rather works with humans than with tools. Further, Christoph thinks that being an entrepreneur is something positive. In his case it has given the opportunity to meet a lot of new people and to help them establish new contacts in the Swedish and in the Polish markets.

Today Christoph has one company in Poland which deals with recycled paper, his own ink company and work as a consultant for Swedish people who wants help with starting firms in Poland as well as for Polish people, mostly craftsmen, who want help with finding contracts.
4.6.1 The Company

When Christoph arrived in Sweden he tried to start two different companies. First he and his friend opened up a summer place, but due to the whether they had to close down. They also tried to sell Polish crystals and china but it did not succeed.

After that, Christoph decided to accept a placement as a controller at a big Swedish company. He worked at the company for about ten years. Around 1984, he decided to start a company at his spare time, he found some connections in Poland and stated to sell ink and paper to his old home country. The business grew and 1990 he stopped working as an employee and focused fully on being an entrepreneur. At that time he had extended his product line to include paper and consultancy services as well. Christoph also expanded the number of countries he was selling to, to include the Czech Republic and Slovakia and he started traveling a lot.

It was not an active decision to start a company; it was rather a natural development of what he was doing. His boss helped him and explained the start-up rules in Sweden so the transition from being employed to self-employed was very smooth.

Since Christoph started his first business, he has continued to explore several different industries to diversify. While keeping his ink business intact, he tried to open up several different businesses. One of the biggest was to export disposable-products to Poland. When he started, he was one of the biggest actors in Poland. Christoph said “A friend told me to start exporting disposable-products to Poland, and so I did”.

He called a big international disposable-product company in Sweden and asked to buy their production surplus and sold it without problems. The products got very popular and he started to buy the disposable-product surpluses from Denmark and Spain as well. “Everyone was happy. I took care of all their surpluses and the Polish people got to experience disposable products”. Sometimes the company sold amounts corresponding to a couple of big long-distance lorries a month.

4.6.2 The Failure

After about three years of profits, the competition got stronger. The international company that Christoph bought his products from opened a factory in Poland. Actors from Germany, England, France, Spain and Italy also moved in, so Christoph decided to stop. “Europe discovered that Poland was a big market for this type of products… they built factories and forces me to stop”.

Christoph says that it did not matter too much that he failed, since it is only money that he lost. He thinks that a failure is easier for him since he does not have any employees and work from his home. As well as, he still has his ink and paper business and consequently never suffers from an income problem.

4.6.3 The Aftermath

Just after the failure, it felt difficult yet Christoph think it is important to maintain a positive attitude if a failure strikes and then try something new. He does not care about the social environments reactions. He says that “I tried it, I did not put too much money in to it, and loosing a couple of thousands is not the end of the world”. He thinks it is important to try every thing once. Since this failure he has tried several other businesses from clothing to food and he still think it is exciting to start a new business.
Christoph sees himself as a multientrepreneur and all his different ideas has not worked out well yet “One shall always see opportunities and continue, sometime it must be my turn to get rich” He loves the feeling of starting something fresh and always move into the new business with a positive spirit and hopes to win a jackpot.

4.6.4 Learning

Christoph says that after the failure, he spent some time analyzing the situation and trying to pinpoint what he did wrong and then take the learning from that with him into his other business. He says that he has learns a lot all the time. He says that he has especially learned how to deduce if a person is trustworthy or not and to always stay positive and hope for the best to happen.

4.7 Case VII “The Stubborn Fighter”

Tomasz Bodgy is a middle-aged man with roots in Romania, but moved to Sweden in 1989. His university education covered fields as mathematics, economics, product development and industrial design. He claims to be both practical as well as theoretical: “I have no problems in either of the areas”. Tomasz describes himself as a person who is good at giving and receiving constructive criticism and being structured. Further, he is not scared or hesitant to take on matters that appear uncomfortable.

When asked to define entrepreneurship, Tomasz told us that “it is a certain way of innovative thinking”. He also believes that entrepreneurs are born and that entrepreneurship cannot be taught. “It is something you either have, or you do not have” he commented.

He has been involved in two start-ups, both of them together with a partner so that he did not have to face all responsibility and liabilities by himself. Before going through the bankruptcy Tomasz claims that he had no prior knowledge of how to go about it; “a part of me wish I had known more so that I could have been better prepared for the effects”.

4.7.1 The Company

The firm in question was started in 2003 within the area of technical development. It operated on a consulting basis and the business idea was to “offer the clients customized products and services of the right quality to the right price”. Tomasz explains that their uniqueness lied in their flexibility and high degree of service offer to the customer.

They grew from two to twenty employees rather fast as the business took off. Tomasz claims to have been very personally involved in the firm, and it almost became a part of him for a while.

4.7.2 The Failure

Due to financial setbacks coming from customers not paying their invoices, Tomasz and his partner was forced to sell their company, something that typically is termed a positive bankruptcy as assets are sold off before reaching a completely illiquid state. They managed to get a small profit from doing this which they shared among equally.

Tomasz explains that he did not consider the possibility of having to file for a bankruptcy when first starting his company; “Not in my wildest fantasy I imagined it. To me it was never an option to fail”. Still, he valued the support from his relatives and friends; “they were so helpful with everything, both practical and personal”.

31
4.7.3 The Aftermath

It did not take long until Tomasz decided to start-up a new firm after the bankruptcy where he works as a consultant to other firms.

Tomasz does not feel that people look at him differently now compared to earlier. Still, he was and still is disappointed that his company did not survive. “My dreams, my work and my future were put on hold. They were not destroyed” he adds. Further, he claims that the bankruptcy was a mistake that could have been avoided by working harder and continued the struggle that took place before the decision to file bankruptcy was made. Yet, he feels that problems and mistakes like this can be seen as opportunities for the future.

Tomasz feels that going through a bankruptcy has changed him; “I look at things differently now, and I work harder to solve problems and finding solutions”. He claims that he would consider the operations to a larger extent; “you have to make sure that there is a future for you, that your operations which essentially are the foundation of the company can be developed as time progresses”.

4.7.4 Learning

“In this case it was all about understanding why it happened” Tomasz explained to us. After having reflected a great deal on the bankruptcy, Tomasz thinks he has learned a lot from it. Further, he clarifies that there was a decision to be made; whether he should continue as an entrepreneur or if he wanted to do something else. By working as a consultant he got the opportunity to gain new experience and possibilities as well as extend his network.

“What it all comes down to is to catch the right moment and find a possibility to start all over again” Tomasz answers when asked why he started a new company so soon after the bankruptcy. Another thing that he would not have realized without having to go through a bankruptcy is that one should never give up an idea that is worth fighting for.

If he got a chance to do things all over again, Tomasz claims that he would have spread the risks to a greater extent, spent more time on preparation prior to the start-up and designing a back-up plan in case things do not turn out as planned. When he started his second company Tomasz made sure that he was better prepared and had made more thorough analysis of the market and the prerequisites.
4.8 Summary of Empirical Findings

Below is a tabulated summary (table 1) of the presented empirical material. It briefly covers the four aspects dealt with in this chapter; the company, the failure, the aftermath and the learning outcomes. We hope that this will provide the reader with an easy-to-grasp overview which can facilitate the understanding of the following analysis.

<table>
<thead>
<tr>
<th>Case</th>
<th>The Company</th>
<th>The Failure</th>
<th>Aftermath</th>
<th>Learning</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. The Troublesome Franchiser</td>
<td>Car rental service which cooperated with multinational car rental firm</td>
<td>Due to bad marketing analysis and too low gross margins</td>
<td>Misses his money but see it as an investment in his daughter’s carrier</td>
<td>- An experience richer</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>- Life continues even after a crisis</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>- Start car rentals in connection with an airport</td>
</tr>
<tr>
<td>II. Gyro Gearloose</td>
<td>Provided simplifications of products to a Government Agency</td>
<td>Due to a high reduction in orders from the main customer</td>
<td>Calm reaction. Started up the business again after six months</td>
<td>- Thorough industry experience which helped him when re-opening the firm.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Do not blame yourself</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>- Dedicate a lot of time in the beginning</td>
</tr>
<tr>
<td>III. The Academic Risk-taker</td>
<td>Service organization supporting his existing firm</td>
<td>Due to unforeseen factors that could have been detected by a more thorough investigation prior to start-up</td>
<td>No regrets. Feel responsible for not investigating demand and customer satisfaction enough.</td>
<td>- Being an entrepreneur is a lifestyle</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>- Take risks but make sure that you are informed</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>- Create loyalty in your relationships</td>
</tr>
<tr>
<td>IV. The Social Survivor</td>
<td>Casting company inherited from his father</td>
<td>Due to strategic and financial decisions that proved to be wrong</td>
<td>Was struck hard but has now recovered with a strong fighting will</td>
<td>- Listen to advice given to you</td>
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<td></td>
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<td></td>
<td>- Turn the failure into something positive</td>
</tr>
<tr>
<td>V. The Awakened Workaholic</td>
<td>Big production company</td>
<td>Due to loss of customers as well as unfair play by part of top management</td>
<td>Became a more calm and mellow person. Discovered life</td>
<td>- Quit in time</td>
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<td></td>
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<td></td>
<td>- Relaxing is good for you</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>- Prestige is inefficient</td>
</tr>
<tr>
<td>VI. The Happy Multientrepreneur</td>
<td>Sales of disposable products</td>
<td>Due to entry of competitors</td>
<td>No crisis. Calm reaction as his other businesses were still up and running.</td>
<td>- Try everything once</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>- Pinpoint what went wrong and take the learning with you</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>- Stay positive</td>
</tr>
<tr>
<td>VII. The Stubborn Fighter</td>
<td>Consulting firm within technical development</td>
<td>Due to unexpected financial setbacks</td>
<td>Started a new firm almost immediately.</td>
<td>- Work harder and try all possibilities to find solutions.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Spread risks</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Prepare and plan prior to start-up</td>
</tr>
</tbody>
</table>

Table 1 - Summary of Empirical Findings (compiled by authors).
### 5 Analysis

“*If you have made mistakes, even serious ones, there is always another chance for you. What we call failure is not the falling down but the staying down*”

- Mary Pickford

In this chapter, the theoretical framework will be applied to the empirical findings and analyzed in our viewpoint. The analysis will be structured according to our research model, found in the summary of frame of reference. It will start with analyzing the foundation for the learning process with respect to the entrepreneurial failure, continue with the learning outcomes and thirdly consider the experiential learning process. In the end we will bring together the chapter with a clarifying summary.

#### 5.1 Foundation for the Learning Process

Throughout this thesis we have stated that failure can become a success in terms of individual learning. However, the amount of learning is dependent on the response to the failure, which can be divided into pragmatic and psychosocial. Below an analysis of the two will be provided.

##### 5.1.1 Pragmatic responses

As Bird (1989) suggests, bankruptcy is taken as the most severe level of entrepreneurial failure. The level of severity experienced by the sample respondents varies yet it confirms that bankruptcy is a painful procedure and that it is absolute since the company is shut down.

The perceived reasons for bankruptcy given by our sample covered a wide range of factors including insufficient marketing analyses; high reduction of customers; unforeseen factors in takeovers; incorrect strategic moves; entries of new competitors and unexpected financial setbacks. According to Liao (2004) the most common causes influencing failure can be categorized into four groups; individual characteristics, available resources, structure/strategy and environmental circumstances. The most common reason for entrepreneurial failure in our sample was the reduction of customers, which, together with the entries of new competitors fall into Liao’s group of environmental circumstances. The unexpected financial drawbacks can be categorized into the available resources group. Further the insufficient marketing analyses and incorrect strategic moves as well as unforeseen factors which came up after the take-over, can be included in the structure/strategy group.

This indicates that our sample had representatives in all of Liao’s (2004) four categories with the exception of individual characteristics. According to the sample, the perceived most common cause of bankruptcy seem to be external environmental factors and not inefficiencies of the founder/manager as claimed by Berryman (1983, cited in Koponen, 2003). Yet, if we allow ourselves to read in-between the lines, it becomes clear that some of the entrepreneurs choose to blame environmental factors although it was rather obvious that the individual did have a connection to the bankruptcy as such. For instance in the case of the Troublesome Franchiser; he blamed the multinational car rental firm for having flawed contracts, adverse agreements with the biggest customers, as well as having performed a defective market analysis. He considered himself to be blue-eyed but claimed that he and his daughter both made a perfect job. However, to us it became apparent that the
person had not put enough effort into the company, and was not sufficiently involved in the market and subsequently affected the performance of the company.

Further, in the case of Gyro Gearloose, we also found indications of inefficiencies of the founder/manager in the sense that he did not employ another person to help him cope and allow the firm to actively broaden the customer base. Finally, the unforeseen factors in a take over can also be related to inefficiencies of the founder/manager since the Academic Risk-taker did not take enough time to perform a thorough due diligence report, which can be connected to his entrepreneurial-personality as a discoverer or a risk-taker. The only two in our sample that explicitly understood and pointed out their own failure was the Social Survivor who said “When ones company is not performing well it is because you have made the wrong decisions which will have consequences” and the Stubborn Fighter who recognized that more work from his side was needed. This point to the importance of realizing that a mix of the external factors and individual characteristics heavily influences the future of a firm.

The fact that the entrepreneurs neglected their own involvement in the failure process might impact the possibility for the individuals to identify learning aspects from the failure. The level of self-criticism when responding to an entrepreneurial failure subsequently forms the foundation for learning. Further, the attribution to external factors underlines the hardship in facing a bankruptcy as it is easier to put blame on things out of one’s control.

5.1.2 Psychosocial responses

The analysis of the psychosocial responses can be divided into a societal, firm and personal context. The entrepreneurs in our sample have received mixed responses from the Swedish society concerning the failure. The Social Survivor says that he experienced that people helped him by listening and caring for him, when he failed. This describes a picture of the Swedish society contrary to the statements by Gratzner (2001) as well as Armour and Cumming (2005). Other entrepreneurs also claimed that they had not experienced any differences in the way they got perceived by society. Gyro Gearloose says that this was much due to the fact that he still has his huge network of suppliers. However, the Awakened Workaholic expressed that he got away with it because he simply moved to a new town- Still, he confirms Gratzner’s (2001) suggestions as he has heard about others who have been faced with suspicion after filing a bankruptcy.

Both the Social Survivor and Gyro Gearloose operated in areas of Sweden known for their entrepreneurial spirit. This might have lowered the societal pressure since most of their neighbors have their own companies and by this have knowledge of what a bankruptcy is and implies. However, the Awakened Workaholic operated outside this area and had a different perception of the Swedish Society. He believes that the Swedish people can be very judgmental and thrive at other people’s misery, something that would increase the pressure from society and the risk of social stigma.

The Stubborn Fighter and the Happy Multientrepreneur answered that they did not care about what society thinks. Both of them started new companies almost right after the failure and seem to be less vulnerable to social pressures. This might have a connection with their Romanian and Polish heritage that they come from a culture which might be more open for mistakes and less judgmental than the Swedish. The research suggests that Sweden still have a lot to learn from its few but strong entrepreneurial areas, such as Gnosjö, as well as other nations, in terms of lowering the societal pressures which causes social stigma and by this encourage learning from entrepreneurial failure.
On the firm level one can talk about the psychosocial response to failure from in terms of emotional attachment which leads to a personality change (Cardon et al., 2005). Our respondents, in general showed a limited emotional attachment to their firms. The Troublesome Franchiser argues that he never got really attached to his firm since it operated only during a short period of time. By interpreting what was said by the Academic Risk-taker, the Happy Multientrepreneur as well as the Awakened Workaholic it becomes transparent that they also make a division between themselves and the firm. This division has probably made their failure easier to manage, since the failure has affected their professional life to a greater extent than their personal counterpart. It can also imply that the entrepreneurs have reduced the failure by rationalization.

Still, Gyro Gearloose and the Social Survivor claim that they were integrated with their firm. This was probably mostly due to the fact that they had run or been involved in the company for more than twenty years. After such a long time, they most likely had a hard time viewing where their personal life ended and where their professional life began. Interpreting what was said by the Stubborn Fighter also implies that he was suffering from the same problem. Being attached might have made the progress of overcoming the failure more difficult since it does not only become a professional suffering but also greatly impacts the personal life. Yet, the emotional attachment might to some extent also have helped the entrepreneurs to reflect on the failure in a relevant way and further facilitated useful learning outcomes.

In a personal context, the entrepreneurs showed different responses facilitating different levels of learning. The Social Survivor responded by including himself in the reason for failure, had people around him that supported him after the failure and was emotionally attached to his firm which gave him high cause for reflecting. This gave him the sound foundation for learning. On the other side of the spectra was the Troublesome Franchiser who spelled out his own innocence in the failure, and did not carry on long enough to get emotionally attached. Further, he claimed to be bitter about the fact that he lost the money invested. This is a situation were reflections and self-appraisal might not be a natural response and so learning can be compromised. The level of negative emotions can constitute a barrier for learning according to Uscbasaran et al. (2001). Responding to the entrepreneurial failure by clear and honest self-appraisal is therefore important for learning to occur.

5.2 Actual Learning Outcomes

This section will discuss the learning outcomes, both perceived and interpreted, from the seven interviews. We have chosen to include interpreted learning outcomes in the analysis (see appendix for complete list), since these are an important source of information for the area of entrepreneurial failure as such. By including this information, the area can be developed and impact the Swedish perception of failure and in turn lift the interpreted learning outcomes to a perceived level and spur learning further.

All the learning outcomes can be split into the level of professional learning outcomes and personal learning outcomes, as shown in the matrix on the following page. Professional learning concerns learning in connection to firm operations and focus on rectifying professional mistakes. Personal learning includes learning outcomes which brings about changes in the personality and characteristics of the entrepreneur. The professional and personal learning can be categorized into high and low levels learning.
When professional learning and personal learning both are low it is called cursory learning which is positioned in the top left square. This type of learning stands for brief, careless and depth-less learning. Cursory learning outcomes has not greatly impacted the entrepreneurs neither on the private level nor the professional level. High professional learning and low personal learning can be described as corrective learning, as shown in the upper right corner, and brings about outcomes focused on what could have been done differently in terms of that precise company. Low professional learning and high personal learning can be categorized into intrinsic learning which includes congenital, genuine and intimate learning outcomes; that is learning which impacts the person on a personal level. This is positioned in the lower left square and relates to learning which change the personality of the person. Finally, when high professional and personal learning exists, the learning is termed reforming and is positioned in the lower right corner. Reforming learning outcomes fundamentally change the whole entrepreneur both in terms of his/her personal life and professional life.

The learning outcomes from our sample are sorted into their categories in table 2, on the following page. These are the total learning outcomes based on the respondents self perceived outcomes and our analysis of the discussion.
Analysis

Table 2 - Learning Outcomes (compiled by authors)

As can be seen from table 2, entrepreneurial failure seems to bring about a lot of different learning outcomes. The learning outcomes may have been generated from the bankruptcy as such but also during the time the entrepreneurs were working with their firms. Many of
the learning outcomes might also be something that they did not do, but realized during the failure that it was something lacking in the firm, which contributed to their failure. This is especially true for the learning outcomes categorized under the heading “Corrective” in Table 2.

The learning outcomes mostly fall into the corrective category. This means that learning outcomes connected to the actual business, which focus on what could have been done differently, forms the general learning base for the entrepreneurs. The entrepreneur’s professional lives are highly impacted, yet on a personal level, the failure did not generate a multitude learning outcomes. Examples of this type of learning outcomes are: “start car rentals in connection with an airport” and “employ complementing competencies”. Both of these learning outcomes are knit to the firm and what was lacking in its performance. However, neither have anything to do with the personal life of the entrepreneurs as such.

The second most frequent learning outcome generated from the sample was learning sorted under the heading “Reforming”. These are learning outcomes which have a high impact on both the personal and professional life of the entrepreneur. The learning listed in the reforming group tends to be the most significant outcomes since they are applicable in many different situations and aspects of life. They also affect the entrepreneur’s personality on the deepest level. This type of learning outcomes can for instance be: remember to put thing into perspective or create loyalty in your relationships. Both putting things into perspective and create loyalty in relationships can be applicable in many different context and so illustrate the multifaceted use of reforming learning.

To some extent this might also be true in terms of the rather few intrinsic learning outcomes presented. The learning presented in the intrinsic category represents important life learning outcomes, which increase the quality of life. It contains learning which deeply affect the personal life of the entrepreneur but does not concern the professional life to such an extent. Examples of intrinsic leaning outcomes found in the sample are “life continues after a crisis” and “a setback can be turned into fighting spirit”. Both of these shape the personality of the entrepreneurs and might make them stronger. The learning in the reforming and the intrinsic category tends to be more insightful than in the corrective and cursory group.

The corrective learning outcomes have a propensity to be more company-specific and situation-bound which might limit the every-day use of it. They tend to be normative and have more of a textbook approach, while the reforming and intrinsic learning outcomes might be more central for entrepreneurs in their general life. However, this very awareness brought about by the corrective learning outcomes might help the entrepreneurs to avoid ending up in the same situation again.

The fact that very few learning outcomes ended up in the cursory category, verifies that much can be learned from an entrepreneurial failure. The cursory learning indicates little or no reflections and could be moved into some of the other categories by allowing for more considerations. These learning outcomes are shallow and do not influence the lives of the entrepreneurs neither on a personal or a professional level to a significant extent. Examples of this is to simply state that the failure made the entrepreneur an experience richer. This is a too vague and shallow analysis and reflection-base to bring about any bigger learning capitalizing.
5.3 The Experiential Learning Process

Entrepreneurship can be seen as an experiential learning process. We found this to be true as all of the respondents can be applied to Kolb’s (1984) work as they have formed a concrete experience by facing a bankruptcy, followed by reflection on their setback to some extent which now has formed abstract concepts that in some cases guide new active experimentation.

When applying the case of a bankruptcy to the single and double loop learning model designed by Argyris and Schön (1996), see figure 6, it becomes clear that the actions are comprised of starting, running and managing a business which will have consequences for the firm performance; in this context the actions lead to negative performance and finally bankruptcy. As a match is not possible, the entrepreneurs are forced to take the mismatch path. The subsequent amount of reflection is the factor where the entrepreneurs diverge from each other. Some of them have been able to reach a deep learning trough clear and honest self-appraisal, whereas others have failed at pinpointing what and why things went wrong therefore only made it trough the single loop. An assessment of each case with regards to the single and double loop learning model is illustrated in figure 6 below.

![Figure 6 - Application of Argyris and Schön's (1996) Single and Double Loop Learning](compiled by authors)

I. As can be seen in figure 6 the Troublesome Franchiser got caught in the single loop as he attributed his failure solely to external factors such as the multinational car rental company’s low profit margins, a bad contract and faulty market research. The reflection was focused on attributing the failure to things out of his control, in other words it is hard to change the governing variables and underlying assumption as he would not be able to change the negative factors that lead to the bankruptcy. Bankruptcies are normally considered to be preceded by poor management skills among other factors as explained by Gratzer (2001) and it seems unlikely that external factors bear the sole blame for the Troublesome Franchiser’s bankruptcy. Further, it became rather clear during the discussion that his self-perceived learning outcomes were somewhat undefined and that him changing his assumptions of what went wrong and by this being able to move towards the double loop was rather distant.

II. Gyro Gearloose appears to be a clear case of single loop learning as not long after his bankruptcy he started a new company within the same line of business. As the initial business was serving only one customer, it would seem natural to spread the risks the second
time around by extending the customer base, still this is not the case. Rather, he keeps doing business the same way as earlier but in a smaller scale and on a consulting basis as he also works as a CEO for a waste disposal company. He has not attributed the bankruptcy to external nor internal factors as he claim that it was nobody’s fault. Still, he made a more general comment that direct blame to external factors, such as a faulty business idea, bad customers or no customers at all. This kind of statement points to a lack of reflection on what really happened and first and foremost why it happened. By failing to do this, reaching the level of double loop learning is not regarded as likely.

III. The academic risk-taker is currently in the process of moving from single to double loop learning as he is in the starting block of opening up a new firm. By this, hopefully he will be able to make good use of the learning that resulted from the bankruptcy in the new venture, allowing him to move from one loop to the other. This as it is not enough to only create theoretical solutions to the problems, which he appears to have done, one must also put them into practice before reaching the next level. He is also attributing the failure to both external and internal factors, such as not making more thorough analysis before buying the firm. For his new project, he planned on performing deep due diligence and other assessments which points to him putting his learning into practice and therefore fully moving to the double loop.

IV. A clear case of double loop learning is the Social Survivor who put himself through enormous amounts of reflected as he spent an entire year of going through what was right and what was wrong as well as what he could have done differently. Further, he is well aware of his own mistakes and faulty decisions that had large effects on the firm’s performance and therefore also contributed to the bankruptcy. After having settled his mind and decided to move on he re-opened his silent company which he know uses as a consulting firm. This allows him to make good use of his acquired learning and knowledge in practice as he guides and advises other firms within the casting industry. His values appear to have changed, as he now is a firm believer in being strong enough to let go of unprofitable customers and not being afraid of charging for your services – something that he claims he did not master prior to the bankruptcy.

V. The awakened workaholic can be the clearest case of double loop learning within our sample. Being an extremely hard-working man who almost never saw his family prior to bankruptcy he has now taken a completely different outlook on life. He went from being a workaholic to slowing down and enjoying life and he is now planning to retire in the coming two years. He explained that this change of life attitude would probably not have taken place if he had not faced a bankruptcy. The underlying values and assumptions that guide actions were strongly altered as he now lives a life in peace and quiet with more to it than only work.

VI. A calm reaction to the bankruptcy led the Happy Multientrepreneur through the double loop. By taking his time to reflect on the setback he was able to figure out what went wrong and by this avoid doing the same mistake more than once. By not only assessing what cause the bankruptcy but also why it did so the probability to move through the double loop is substantially increased. Being a serial entrepreneur, he claims to have found an insight through his many projects; by meticulously pinpointing what went wrong after a setback, one is able to extract the learning and bring it with oneself. As he has made this into a conscious feedback process the chances to constantly increase the learning from whatever he does, be it failure or other triumphs. Yet, it should be noted that it is one thing to say that one is learning, still it is even more important to put the insights in to practice otherwise the double loop learning is threatened.
VII. The final case, the Stubborn Fighter, has also reached double loop learning as he has been able to move on from his bankruptcy through thoughtful consideration of the factors leading to the firm’s setback. As he claims to have found out that stable and through analysis is crucial for firm survival in the longer run, he took this insight and applied it in his second start-up. He now feels that he has a more steady foundation for his decisions and therefore is able to go in the right direction compared to his earlier project. By this he has been able to put his learning into practice and now do things differently corresponding to double loop learning.

As discussed, the majority of the entrepreneurs have reached a deeper level of learning, as they have been able to move through the double loop. The response to the bankruptcy, both in pragmatic and psychosocial terms, will either hinder or facilitate the subsequent degree of learning. This implies that an entrepreneurial failure is an event out of the ordinary which triggers a reaction and puts a learning process in motion.

As explained single and double loop learning (Argyris & Schön, 1996) is based on the Lewinian model defined by Kolb (1984), and has been further developed to suit the need for a deeper understanding of the learning process. The most striking difference between single and double loop learning is that for the latter to take place there is a need for a change in the assumptions and values that guide action. This implies that double loop learning is more powerful in terms of changing attitudes and making use of the insights from, for example, a failure.

Also, to achieve double loop learning it is not enough to discover problems and invent solutions; it is vital that the solutions are carried out in practice. The experience gained from past failures can be applied to future decisions if there is room for critical assessment. This critical assessment, often explained as the “learning why-perception” is the key to deeper learning. If there is no asking why and relating the reasons for the failure to the actual outcome there is no subsequent change in the underlying assumptions. Further, it appears as if it is not enough to only reflect and consider the reasons for the failure. In order to avoid it in the future, it is even more crucial to reflect in a clear and honest manner as suggested by Bird (1989). Failing to attribute the setback to the right sources can lead to a misdirected new assumption or value.

5.4 Summary of Analysis

The pragmatic responses towards entrepreneurial failure were most frequently attributed to external factors as the entrepreneurs’ reflected on their setbacks. Still, it became clear that internal factors, such as individual characteristics, had an effect on the entrepreneurs’ strategizing and managing styles and therefore also contributed to the bankruptcy.

When considering the psychosocial aspect, the majority of the respondents had not perceived a different attitude from their immediate surrounding compared to before the bankruptcy. The societal acceptance could in most cases be connected with them operating in a very entrepreneurial region with a high tolerance for failure, or the fact that they have a foreign background which forms a different perception on failure than the Swedish one. Further, there appeared to be only a limited emotional attachment to the bankrupt firms which can be considered both in positive and negative terms. It seems to be easier coping with a bankruptcy if there is a low emotional connection. On the other hand, not being closely linked to the firm can give a smaller incentive to actually reflect on the setback as your personal and emotional involvement might not be as great.
Analysis

What can be drawn from this is that the pragmatic and the psychosocial responses towards a bankruptcy will have an effect on both the learning process and the learning outcomes.

The majority of the learning outcomes were found to be corrective, which is high professional and low personal learning. This point to learning outcomes which deals with rectifying professional mistakes. This is also in line with the fact that the respondents pointed to a limited emotional attachment to the firm, and by this were able to maintain a professional attitude where their personal life remained private and did not involve too much sentiment in their work. An implication of this would therefore be that their professional selves, rather than their personal counterpart, are the sources for the setback and therefore the learning outcomes are targeted to this area in the matrix.

Yet, the intrinsic and reforming learning outcomes are regarded as most useful as they are generally applicable to daily life whereas the others are seen as more situation bound and specific. Still, the large number of various learning outcomes points to the opportunity to learn from a setback and by this a failure can be beneficial, at least from a learning perspective.

The fact that proportionally much more learning with high professional and/or personal learning compared to the cursory learning outcomes implies that the number of entrepreneurs who have gone through the double loop learning process should be rather large. This as the reforming learning demands clear and focused reflection which is also true for the double loop learning. Further, the double loop points to important insights that are actively used and not only put in the back of the memory. This is true as those who have passed through the double loop now apply their learning outcomes in their daily life by interacting within their new projects, consulting firms or even their new ways of living life.
6 Conclusion

"Of course there is no formula for success except perhaps an unconditional acceptance of life and what it brings"

- Arthur Rubenstein

This chapter will provide the reader with a summary of the analysis and conclude the main findings of the work.

This thesis has contributed with a deepened insight into the field of entrepreneurial failure and learning. A theory of how to categorize the learning outcomes of an entrepreneurial failure, in terms of personal and professional aspects, is also presented. Further, by pointing to the importance of a clear and honest personal reflection of the setback in the single and double loop learning process, the insights are strengthened and the learning outcomes are developed.

From this, three main conclusions, corresponding to the research questions, will be presented, which together will conclude the exploration of the learning outcomes and its implications from an individual entrepreneur’s failure:

Firstly, the entrepreneurs responded to the bankruptcy by blaming external factors, such as the environment, the strategy/structure or the available resources. Yet, when analyzing further, the entrepreneurs’ own contributions seemed like a more important reason for the bankruptcy. The fact that the entrepreneurs rather blamed other causes than themselves can make it harder for the entrepreneurs to reflect in a constructive way around the failure, which forms the basis for learning.

From the psychosocial responses, the importance of societal acceptance and emotional attachment was investigated. We conclude that the Swedish society proved to be rather accepting towards failure, which makes the process of failure easier to overcome and spurs the learning opportunities. Yet, we believe this result was due to the fact that the entrepreneurs either are impacted by another culture where entrepreneurial failure is more accepted, or because the entrepreneurs lived in a very entrepreneurial area of Sweden where the tolerance level of failure is higher than in the rest of the country. Only one of the interviewees did not fall into any of these two categories and answered that he had not suffered from any societal pressure himself but heard about several others who had.

In terms of the emotional attachment we conclude that it can be both positive and negative to be emotionally attached to the company, in terms of learning. Having the firm and the person separated might have helped the entrepreneurs in the process of overcoming the failure. Yet, because the failure becomes less severe when less emotional bounds are involved, it might give the entrepreneurs less reasons for reflecting over what went wrong, which limits the learning possibilities.

Secondly, the learning in terms of personal and professional aspects was mostly corrective. That is; most learning outcomes involved improving the professional skills of the entrepreneur and not the personal life. Yet, the interviewees also showed insight into terms of re-forming and intrinsic learning. These were the two second and third largest categories which also contained the most valuable and deep learning outcomes applicable to a multitude of aspects of life. The corrective learning outcomes were very firm specific while the
intrinsic focused on the personal insights and the reforming type of learning impacts both the professional as well as the personal life of the entrepreneurs. Further, we concluded that very few cursory learning outcomes were present which indicate that the learning possibilities from entrepreneurial failures exists and are large both in terms of personal and professional aspects.

Thirdly, we conclude that the entrepreneur in general use and apply their learning from the entrepreneurial failure since most of them have or are about to take a double loop in Argyris and Schön’s (1996) Single and Double loop learning model. The double loop indicate that the entrepreneurial failure was an important experience and the learning outcomes derived from it is used in their daily life in the form of new companies, new ways of living, consultancy firms and other new projects.

The conclusions drawn in this section point to the importance of realizing that a failure is not always negative. By this, we suggest that through conscious and honest reflection, a failed entrepreneur can gain insights that could not possibly be gained without going trough a setback. Learning in an entrepreneurial context is clearly valuable as many entrepreneurs continue venturing in other forms even after a bankruptcy and are therefore able to apply the learning outcomes in their daily life.
When putting the findings of this thesis into a larger perspective, it becomes clear that there is a need for an increased understanding of entrepreneurial failure within the Swedish society. We believe that by opening up the discussion on bankruptcies and making them more acceptable, there are important lessons to be learned. Also, by removing parts of the social stigma connected to a bankruptcy, learning is facilitated and setbacks can more readily be turned into something positive. Further, a change of attitudes towards entrepreneurial failure can also be regarded as beneficial for the Swedish economy in total; as the perceived social risks of failing decreases, the entrepreneurial activities will increase and contribute to the economic growth.

The results presented in this thesis contribute to widen the exploration of the phenomenon of entrepreneurial failure. However, this is still a field where limited research has been made and the possibility to explore the field further is very large. During our research we found at least five different suggestions for further research. The first one concern how entrepreneurial failure impacts the entrepreneur in an entrepreneurial area, such as the Gnosjö-region, compared to any other area of Sweden. In our thesis we interviewed several persons from this region and found indications that the entrepreneurial failure was easier to cope with and more accepted in areas where most of the populations were entrepreneurs themselves, compared to areas where most people was employed. This could be interesting to look further into since it might decrease the skepticism towards entrepreneurial failures and increase the number of people who are willing to take the risk of starting their own business in other areas of the country.

Secondly, we found some support for the existence of different ways of experiencing entrepreneurial failure depending on which country one is from. The two respondents with a non-Swedish background both moved on comparatively fast and started new businesses and projects quickly after the failure. This could be interesting to investigate: How the national culture impacts the response and learning outcomes of an entrepreneurial failure.

The third suggestion for further research is to introduce a gender perspective and compare what women learn from entrepreneurial failures and what men learn. In our research, we were only able to convince men to take part which gave us a slightly biased result. Therefore it would be motivating to include the female learning outcomes as well and see if there is a difference. However, since women seem to start fewer companies compared to men it might be difficult to gather a representative sample.

Fourthly, the differences in how a failure is handled and reflected upon depending on the view on entrepreneur is an area where further examination is needed; is there any differences if one believes that entrepreneurs are born and not made or if entrepreneurship is something that can be taught? The implications of this could further contribute to the field of entrepreneurial learning.

The last research area which we suggest could be further explored is the difference in learning and responses depending on age. That is to compare different age groups and see if there is a difference in the responses and learning depending on which age group the en-
Discussion and Suggestions for Further Research

trepreneur belong to. One entrepreneur indicated that the failure would be much worse if he would have experienced it as a younger man, which has led us to believe that differences in responses and learning outcomes from a failure exists.
7 List of References


8 Appendix

8.1 Interview Guide

Personal

*Please tell us about your self.*

1.1 Name? Age? Education?
1.2 What is your background?
1.3 Are you more of a practical or theoretical nature?
1.4 Which are your three strongest personal characteristics?
1.5 What do you think constitutes entrepreneurs?
1.6 Did you start more than one company?

About the firm

*Please tell us shortly about the firm from start-up to shut-down.*

2.1 What type of firm did you start? When? Number of employees?
2.2 Were you alone or did you share the responsibilities with someone?
2.3 What was your business idea? Customers? Goals?
2.4 How emotionally attached were you to the firm?

About the failure

*Please tell us about the firm’s way to bankruptcy.*

3.1 When did you discover that things were not right?
3.2 Why do you think the firm went into bankruptcy? [Attribution theory]
3.3 What happened after the bankruptcy, both in practical and emotional terms?
3.4 Did you consider the possibility of bankruptcy during the start-up?
3.5 How did people in your immediate surrounding react?
3.6 In your eyes, how do Swedish people look at people who have gone through a bankruptcy? Why?

About the aftermath

*Please tell us how the bankruptcy affects/has affected you.*

4.1 Did the setback change you in any way? New insights? New outlook?
4.2 Do you feel that people look at you differently now compared to earlier? In what way?
4.3 How did you react emotionally?
4.4 How do you look at the bankruptcy today? Do you regret anything?
4.5 Is it ok to fail?

About learning

*Please tell us what you have learned from the bankruptcy.*

5.1 Do you feel that you have reflected upon the bankruptcy? In what way?
5.2 What actions did you take after the bankruptcy? Be specific; what contacts did you make? Persons you met? Practical things?
5.3 In your opinion, what have you learned? Practically? Emotionally? Personally?
5.4 Do you think you would have reached these insights even if you had not started the firm?
5.5 What would you have done differently?
5.6 How much did you know about bankruptcies prior to/when you started the firm?
5.7 Would it have affected your attitude if bankruptcies/failures/experience/learning were more openly discussed?
5.8 Do you learn more by trying yourself or by watching others?
5.9 What did you learn from starting a firm, independently of the bankruptcy?
5.10 What is most important to consider when starting a firm? How did you figure that out?
5.11 Have you been able to use your experiences from the bankruptcy practically?

Misc.

6.1 Have you considered starting a new firm? If yes, how did you do or how are you going to do?
6.2 What do you intend to do and to avoid?
6.3 Anything else you feel is important for us to know?
### 8.2 List of Interpreted Learning Outcomes

<table>
<thead>
<tr>
<th>Case</th>
<th>Interpreted Learning Outcomes</th>
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| I. The Troublesome Franchiser | • Full commitment is needed to succeed  
                                   • Do not invest more money than you can loose  
                                   • Read between the lines in contracts                        |
| II. Gyro Gearloose          | • Do not focus too much on too few customers  
                                   • Gather as much knowledge as possible from the industry and maintain a large network  
                                   • You have to risk some, to loose some                         |
| III. The Academic Risk-taker| • Work extremely hard in the beginning to get the firm profitable  
                                   • The risk of failure might be limited in a takeover if a thorough due diligence is made  
                                   • Remember to put things into perspective  
                                   • Spread risk                                         |
| IV. The Social Survivor     | • Employ complementing competencies  
                                   • Never “fall in love” with the customers  
                                   • Spread risk  
                                   • Do not hesitate to ask for advices early on  
                                   • Give yourself time to grieve  
                                   • A setback can be turned into fighting spirit               |
| V. The Awakened Workaholic  | • Keep up to date with market demand  
                                   • Having a board with senior advisories helps  
                                   • Make sure you can trust the people in the management 100%  
                                   • Vacations are good for you  
                                   • Consider bankruptcy before hand to prepare you. Do not be naive. |
| VI. The Happy Multientrepreneur | • Prepare for competition                                                              |
| VII. The Stubborn Fighter   | • Appreciate the importance of support from friends and family  
                                   • Use a failure as inspiration to make something better |