

It's not what is felt but how it is managed: the implications of coping for re-entry after firm failure

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ABSTRACT

Using coping theory as an overarching theoretical framework, this paper investigates the effects of emotional and financial loss on re-entry into self-employment after firm failure and subsequent feelings of grief. I hypothesize that how firm failure is experienced influences the choice of coping strategies. In turn, the choice of coping strategies influences re-entry and feelings of grief. To test these hypotheses I developed a unique, longitudinal database of entrepreneurs who recently filed for firm bankruptcy. The findings largely support the hypothesized relationships. This paper shows that how entrepreneurs manage and cope with firm failure has implications for how they feel and whether they re-enter self-employment. Future research could investigate the relationship between entrepreneurial motivation and the use of adaptive coping strategies.

1. INTRODUCTION

The implications of entrepreneurial failure have been gaining recent attention in the literature (Shepherd, 2003; Shepherd & Haynie, 2011; Singh, Corner, & Pavlovich, 2007). Entrepreneurial failure can have devastating effects on an entrepreneur's well-being (Singh et al., 2007; Whyley, 1998) resulting in reduced self-efficacy, feelings of grief and financial loss (Cope, 2011; Shepherd, 2003; Shepherd, Wiklund, & Haynie, 2009). Further, these negative effects of failure can continue to impact the entrepreneur many years after the failure event (Cope, 2011). On the other hand, entrepreneurial failure can also act as an important stepping stone to future entrepreneurial success. Many successful entrepreneurs attribute their current success to learning gained from past failures (Cardon & McGrath, 1999; Johnson, 2011; Sarasvathy & Menon, 2003). Thus understanding the mechanisms which influence how entrepreneurs respond and recover from failure can provide a better understanding of how entrepreneurs cope with the implications of failure and gain the confidence to re-enter self-employment and try again (c.f. Shepherd, 2003; Singh et al., 2007). In this paper I focus on coping strategies as one mechanism which can influence how entrepreneurs feel after failure and whether they re-enter self-employment.

To examine how entrepreneurs cope with failure I draw on transactional model of stress and coping developed by Lazarus and colleagues (Folkman, Lazarus, Dunkel-Schetter, DeLongis, & Gruen, 1986; Lazarus, 1991, 1993; Lazarus & Folkman, 1984). This theory has as its foundation that after a stressful experience individuals use a variety of coping strategies to regulate stressful emotions and manage or alter the person-environment relationship that is the cause of the stress. This theory has been used to understand how individuals cope with a variety of stressful life events such as unemployment (Grossi, 1999; Leana & Feldman, 1990), major illness (Dunkel-Schetter, Feinstein, Taylor, & Falke, 1992; Hilton, 1989; Stanton & Snider, 1993), work stress (Dewe, 1991) and divorce (Berman & Turk, 1981). This approach also builds on prior research on entrepreneurial failure that has proposed that how entrepreneurs cope with failure influences learning and recovery from failure (Cope, 2011; Shepherd, 2003; Singh et al., 2007).

This study makes three principle contributions. First, the paper contributes to the literature on habitual entrepreneurship. If failure is considered in the context of an entrepreneur's career,

how an entrepreneur recovers from failure can provide valuable insights into the likelihood of habitual entrepreneurship (Shepherd et al., 2009). The findings from this study identifying the coping mechanisms which influence the likelihood of re-entry.

Second, recent research has suggested that emotional and financial recovery are likely to be interrelated (Cope, 2011; Shepherd et al., 2009). I found that there is an initial trade off between managing the financial and emotional implications of failure. Planful problem solving had a positive influence on the likelihood of re-entry and on subsequent feelings of grief. This suggests that entrepreneurs who focus on restoring the person-environment relationship may do this at the expense of their emotional well-being. This finding is at odds with much of the research on coping and adaptation. This suggests that recovery from firm failure is likely to be more complex than previously conceptualized as an entrepreneur must deal with the multiple implications that failure can have on their lives.

Third these findings have important practical implications. Proactively managing the implications of failure can increase the likelihood of re-entry, however, this can be at the expense of emotional well-being. Thus encouraging entrepreneurs to re-enter self-employment after failure should also be done in conjunction with addressing the emotional implications of failure.

The paper proceeds as follows. First I develop a set of hypotheses that relate the emotional and financial implications of firm failure to the use of different coping strategies. This is followed by a set of hypotheses that relate the use of coping strategies to re-entry into self-employment and subsequent feelings of grief. In the method section a detailed account of the study is provided. This is followed by a presentation of the results and analysis. The paper is concluded with a discussion of the main findings.

2. THEORETICAL FRAMEWORK

The transactional model of stress and coping developed by Lazarus and colleagues is used as the theoretical foundation for the study (Folkman & Lazarus, 1988a; Lazarus, 1991; Lazarus & Folkman, 1984). This model takes as the starting point that how an individual interprets a stressful experience influences how they respond and cope with the experience. In this process coping plays a fundamental role mediating the relationship between the negative implications of the experience with how the individual adapts to the experience. Depending on the effectiveness of the coping strategies used the implications of the stressful experience can either be reduced or amplified (Skinner et al., 2003). Specifically, coping is conceptualized as a *“person’s constantly changing cognitive and behavioral efforts to manage specific external and/or demands that are appraised as taxing or exceeding the persons resources (Lazarus & Folkman, 1984 p.141).*

This conceptualization of coping is process oriented in that it focuses on what the individual actually thinks and does after a stressful experience to manage the demands of the experience. It is also contextual in that it considers the role of person and situation variables in influencing and shaping coping strategies. This process approach is in contrast to trait oriented approaches which focus on what an individual usually does in stressful situations.

Coping has at least two major adaptational functions. The first function is to regulate stressful emotions. This can be done by either changing the way the stressful experience is attended to; for example by trying to escape from it. Alternatively, the relational meaning of the encounter can be altered by reappraising the meaning of the stressful situation; for example by

viewing the situation as being less important than initially appraised (Lazarus, 1993). The second major function of coping is to manage or alter the actual person-environment relationship that is the cause of the stress; examples include, actively planning what can be done to improve the situation (Lazarus, 1993). These coping methods are rarely used in isolation. Often multiple coping strategies are used to help manage the demands of a stressful encounter.

Although a range of coping strategies have been identified in the literature, there is no consensus regarding the structure and dimensions of different coping strategies (Skinner et al., 2003). For example, in an extensive literature review, Skinner et al., (2003) identified over 40 categories of coping strategies. However, they also found that three coping strategies were common across most studies. These were: planful problem solving, avoidance-escapism and seeking social support. Planful problem solving aims to improve the person-environment relationship. Avoidance-escapism is a way of altering how the stressful encounter is related to and is thus used to try and regulate stressful emotions. Help seeking is a combination of trying to alter the troubled person-environment relationship – for example by seeking advice on what to do next – and regulating stressful emotions – for example by seeking comfort and understanding. These three dominate coping strategies have similarities with the approach-avoidance distinction where planful problem solving and seeking social support are forms approach coping strategies and avoidance-escape coping is a form of avoidance coping (c.f. Roth & Cohen, 1986). It also has conceptual over-lap with the problem focused coping and emotion focused coping categories of coping where planful problem solving is a form of problem focused coping, escape avoidance is a form of emotion focused coping and seeking social support is a combination of problem focused and emotion focused coping (Folkman & Lazarus, 1988a).

To understand the functional role that these coping strategies play in adapting to stressful life experiences, coping research has focused on two separate but related issues (1) the variables that influence the choice of coping strategy and (2) the implications of these coping strategies for adaptational outcomes (Lazarus, 1993). I therefore investigate the specific factors the influence entrepreneurs' choice of coping strategies after firm failure and the implications these coping efforts have for re-entry into self-employment and subsequent feelings of grief.

2.1 Antecedents of Coping: Grief and Financial loss

The choice of coping strategies depends on the specific context in which the stressful life event occurs. Thus the different threats in a stressful encounter that are of immediate concern should influence the choice of coping strategies. Two threats that can make firm failure particularly stressful are financial loss and feelings of grief (Shepherd et al., 2009). These are specific threats to the entrepreneur's emotional and financial well-being and are thus likely to trigger coping efforts (c.f. Folkman & Lazarus, 1984). As individuals generally use a combination of coping strategies to deal with stressful life events (Lazarus, 1993), it would be expected financial and emotional loss would be associated with each of the three coping strategies. For example, Amoiti, Terry, Jimmieson, and Callan (2006) found that employees coping with a merger were likely to use problem solving and avoidant strategies when they appraised the merger as negatively affecting them in terms of promotion prospects and having to learn new procedures.

However, as emotion oriented coping strategies are generally used to manage negative emotions (Folkman & Lazarus, 1980, 1985), it would be expected that feelings of grief would be more associated with avoidant coping strategies than the other coping strategies. For

example, using case study approaches, Singh et al., (2007) and Cope (2011) found entrepreneurs predominately engaged in emotion focused coping, such as distraction and avoidance, to deal with the psychological aspects of failure.

On the other hand, problem solving coping strategies are generally used in an attempt to improve the person-environment relationship (Folkman & Lazarus, 1980, 1985). Singh et al., (2007) found that two of the most pressing concrete problems entrepreneurs face after failure is lack of income and financial pressure due to debts. In an attempt to alter this person-environment relationship and secure employment or self-employment Singh et al., (2007) found that planful problem solving was the most common coping strategy used. For example they found that networking was used to try and find a new job or new entrepreneurial opportunity and borrowing money from family and friends or taking legal action to be cleared from debt was used to cope with the financial implications of failure. Similar findings have been found in the job loss literature (McKee-Ryan, Zhaoli, Wanberg, & Kinicki, 2005).

To summarize, it would be expected that grief would be more associated with emotion focused coping strategies and financial loss more associate with problem solving strategies. As help seeking addresses both the emotion and financial implications of failure, grief and financial loss should have a similar influence on the likelihood of adopting this strategy. This leads to the following four hypotheses:

H1: The greater the feelings of grief, the more likely the entrepreneur will engage in (a) planful problem solving (b) avoidance-escape coping and (c) seeking social support

H2: Grief will explain a larger percentage of the variance in avoidance-escape coping than financial loss

H3: The greater the financial loss, the more likely the entrepreneur will engage in (a) planful problem solving (b) avoidance-escapee coping and (c) seeking social support

H4: Financial loss will explain a larger percentage of the variance planful problem solving than grief

2.2 Outcomes of Coping: decision to re-enter self-employment

Coping influences psychological, physiological and behavioral outcomes. Most studies, however, investigate the relationship between coping strategies and subjective well-being (for a review see Penley, Tomaka, & Wiebe, 2002), and neglect other important behavioral and objective measures of coping outcomes (Lazarus, 1993); an exception is within the general context of work and employment. In this context, coping has been found to influence important outcomes such as reemployment (Prussia, Fugate, & Kinicki, 2001), job performance (Judge, Thoresen, Pucik, & Welbourne, 1999) and turnover (Begley, 1998). In the specific context of entrepreneurship and self-employment effective coping after experiencing firm failure has been related to the decision to re-enter self-employment (Singh et al., 2007) and feelings of grief (Shepherd, 2003). For an entrepreneur to re-enter and actively run a firm they will need to deal effectively with the emotional and financial loss from the failure to be able to navigate the complexities of the new venture (Shepherd et al, 2009). This can include actively planning how to re-pay creditors or raise funds for the new firm. Entrepreneurs also need to overcome the emotional loss associated with failure and find the motivation to re-enter self-employment (Ucbasaran, Westhead, & Wright, 2008).

Although all coping strategies can have potentially positive effects on adaptive outcomes depending on the specific situation (Lazarus, 1993), a consistent finding across coping studies is that active coping strategies, such as planful problem solving coping and seeking social support, are associated with positive adjustment to stressful life (Cronkite & Moos, 1984; Dunkel-Schetter et al., 1992; Folkman et al., 1986). In contrast, avoidant coping strategies have been found to be associated with an increase in the risk adverse responses to stressful life events (Cronkite & Moos, 1984; Folkman et al., 1986).

Thus the use of planful problem solving and help seeking is therefore likely to have a positive influence on re-entry into self-employment and on the reduction of feelings of grief. On the other hand, the use of avoidant coping strategies is likely to have a negative effect on re-entry into self-employment and increase feelings of grief. Formally stated, this leads to the following four hypotheses:

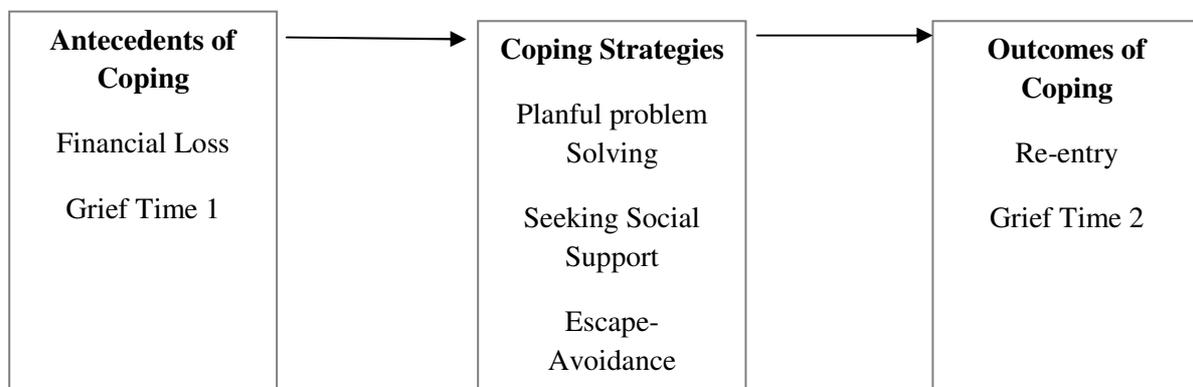
H5: The greater the use of planful coping strategies in terms of (a) planful planning and (b) seeking social support, the more likely the entrepreneur will re-enter and actively run a firm

H6: The greater the use of avoidant coping strategies, the less likely the entrepreneur will re-enter and actively run a firm

H7: The greater the use of planful coping strategies in terms of (a) planful planning and (b) seeking social support, the lower the subsequent feelings of grief

H8: H6: The greater the use of avoidant coping strategies, the greater the subsequent feelings of grief

2.3 Research Model



3.1 Research design and sample

In line with recent research on firm failure (Shepherd, 2003; Shepherd, Douglas, & Shanley, 2000; Shepherd et al., 2009), I define failure as insolvency and operationalize this as bankruptcy. Bankruptcy captures that the firm has failed for financial reasons and thus distinguishes failure from the broader concept of exit (Shepherd & Wiklund, 2006). Because an outcome of bankruptcy is that the firm cannot continue to operate under current management, it enables the relationship between coping and re-entry into self-employment to be investigated.

The current study directly builds on the findings in Jenkins, Brundin, & Wiklund (2010). This study focused on examining how stress appraisals for firm failure influenced feelings of grief after firm failure explaining variance in felt grief across entrepreneurs. The present paper takes the natural next step in understanding the role of coping for mediating the relationship between grief and re-entry into self-employment. As this study directly builds on the findings in Jenkins et al., (2010), the same database comprising the experiences of 284 entrepreneurs who recently owned and managed firm that went bankrupt is used.

The sample frame consisted of all firms that had filed directly for bankruptcy in September, October and November of 2009 in Sweden, a total of exactly 1000 firms. A key informant approach was adopted where the first qualified respondent was interviewed over the telephone approximately 6 months after filing for bankruptcy. On conclusion of the telephone interview the respondent was asked whether they would be willing to accept a mail questionnaire. To qualify the respondent had to be actively running the firm during the time leading up to the bankruptcy and have an ownership stake in the firm. 284 interviews were conducted and after a three wave mailing (i.e. two reminders) 121 complete mail questionnaires were returned. The response rate was therefore 28.4 percent for the telephone interview and 12.1 percent for the mail survey.

As it is ideal to measure coping strategies separately from their outcomes to allow sufficient time for the effects of coping to take place (Lazarus, 1993), the sample of failed entrepreneurs were interviewed on three additional separate occasions at approximately six month intervals. At each interview they were asked what their main occupation was, whether they had started a new firm which they owned and managed (alone or together with others) since the bankruptcy and whether they were actively running the firm. Grief was also measured as part of the mail survey at the time of initial contact and 6 months after the initial contact.

The average age of the respondents was 48 years old, 85% were male and 62% had been involved in more than one start-up. The average age of the business at the time of bankruptcy was 8.5 years and the average number of full time equivalent employees was 4.8

3.2 Pilot Study

Prior to commencing the study a pilot study was conducted to confirm that the identified three main coping strategies: planful problem solving, avoidance-escape coping and seeking social support were the most commonly used coping strategies by owner-managers who had recently experience firm failure. Telephone interviews were conducted with 50 owner-managers who had owned and managed a firm that had recently filed for bankruptcy within the previous five months. This was directly followed by a mail questionnaire. After a 2 reminders 24 completed mail questionnaires were returned. These answers were combined with three additional responses from earlier pilot testing of the questionnaire. To access the coping strategies used, The Brief Cope developed by (Carver, 1997) was used. This measure includes 14 of the most common strategies. Two items are included for each strategy. Based on an analysis of the distribution of responses on the items in this questionnaire, the coping strategies that most respondents used could be classified with the categories planful problem solving, avoidance-escape coping and seeking social support. These coping strategies were therefore included in the current study.

3.3 Operationalization of Constructs

3.3.1 Re-enter and actively run a new firm

During the initial telephone interview respondents were asked if they had started a new firm since the bankruptcy. Respondents were then interviewed three additional times at 6 month intervals. If the respondent had previously stated that they had re-entered they were asked if they were still actively running the firm. If respondents had not previously re-entered they were asked if they had started a new firm since the bankruptcy and if so, were they actively running this firm. Using the information from the four telephone interviews a variable *actively running a new firm* was created. If the respondent was actively running a firm at the time of the last contact with them they were coded as a 1 if they were not actively running a new firm at the time of the last contact with them they were coded 0.

3.3.2 Coping:

To operationalise the three identified coping strategies I used the items from the Ways of Coping Questionnaire (Folkman & Lazarus, 1988b) for Planful Problem Solving, Escape-Avoidance and Seeking Social Support. Respondents indicated on a seven point scale the extent that they were experiencing or doing each of the different coping strategies from 'not at all' to 'a very high degree'. Examples of questions included 'I have made a plan of action and I am following it', 'I am hoping for a miracle' and 'I am asking for advice from a good friend or family member that I respect'. A principal component analysis identified three factors which explained 66.965 percentage of variance. These results are shown in table 1.

3.3.3 Grief

To capture the affective distress component of grief (c.f. Archer & Rhodes, 1995), items were adapted from (Blau, 2007) who investigated the grief process associated with work site closure. This measure was chosen because it had been tested in a similar empirical context and is a parsimonious measure. To increase the face validity of the items, slight adaptations were made to make them relevant for firm bankruptcy rather than unemployment. The specific emotions included were denial, anger, and sadness. Respondents indicated on a 7 point Likert scale (1= *does not apply at all to me*; 7 = *completely applies to me*) the extent to which each emotion statement applied to how they are currently feeling about the bankruptcy. A principal components analysis revealed one factor accounting for 53.699 percent of the variance. The results are shown in Table 1 When combined into an index, the Cronbach's Alpha value of the grief index was 0.88.

Items (Cronbach's Alpha)	Factor Loading (Variance Explained)
Emotions	
1. <i>Grief</i> (.88)	(53.699)
I feel depressed about the bankruptcy	.749
Sometimes I want to cry because of the bankruptcy	.787
I cannot believe that the company went bankrupt	.817
I am furious that this could have happened to me	.771
I am angry that the company went bankrupt	.690
I am very sad because of the bankruptcy	.759
I can barely believe I no longer run the company	.706
I cannot believe that this has happened to me	.704
I feel a lot of hostility towards the people who were involve in the bankruptcy	.586
Coping	
1. <i>Planful problem solving</i> (.725)	(16.867)
I am focusing on what needs to be done next	.804
I know what I need to do so I am doubling my efforts to make things work	.793
I have made a plan of action and I am following it	.742
2. <i>Avoidance-escape</i> (.733)	(40.418)
I am wish that my current situation would disappear or somehow be over with	.666
I am hoping for a miracle	.525
I am avoiding being with other people	.796
3. <i>Seeking social help</i> (.853)	(10.046)
I am speaking to someone about how I am feeling	.825
I am asking for advice from a good friend or family member that I respect	.814
I am speaking to someone who can do something concrete to help me in my current situation	.767
I am talking to someone to find out how I can move on after the bankruptcy	.771

Table 1: Grief and Coping strategies: Varimax Principal Components Analysis

3.3.4 Financial loss

Financial loss was measured by asking the respondents at the end of the telephone interview to estimate how much debt they had incurred as a result of the bankruptcy. Respondents were asked: “have you today private debts caused by the bankruptcy?” 47% of respondents did not have any private debt as a result of the bankruptcy. If they answered yes, they were then asked “approximately how large are these debts?” The average amount of private debt was 281 000 SEK (44,000 USD) and the standard deviation was SEK 625 000 (96 300 USD). Given the substantial range of this variable a log transformation was used in the logistic regression analysis where active re-entry was the dependent variable. In the linear regression analyses used to investigate the choice of coping strategy and grief at time 2, a Windsor adjustment was used to account for outliers (c.f. George, 2005). This means that for observations with financial loss higher than the 95th percentile I imputed the value of the 95th percentile.

3.3.5 Control variables

A number of control variables were included in the analysis. As prior research has proposed that entrepreneurs may delay the exit of a failing firm to help emotionally prepare for the exit (Shepherd et al., 2009), whether the entrepreneur realized that the firm would fail was controlled for. This was done by asking respondents during the telephone interview if they realized the firm was going to fail. If they answered yes, the respondent was then asked how many months prior to the bankruptcy they realized the firm would fail. The results from these

two questions were combined into a single indicator capturing the number of months prior to the bankruptcy the respondent realized the firm would fail.

Additional control variables included measures of the entrepreneur's human capital – number of years of schooling, number of previous businesses founded and a dummy variable for prior industry experience. Firm related variable included whether the respondent personally founded the business, whether the firm was their main source of income, the number of hours worked, the number of years of ownership and firm size (number of full time equivalent employees). Demographic variables sex and age of the respondents was also included. In the logistic regression analyses, a log transformation was performed on the variables: number of previous businesses founded, number of years of ownership, number of employees and number of working hours. This was to obtain a more suitable distribution of the variable for logistic regression. In the linear regression analysis a Windsor adjusted was used to account for outliers.

4. RESULTS

The correlation among the coping variables range from .228 and .616. This suggests that multicollinearity should not be a main issue. I therefore start by testing the relationship between Grief, Financial loss and coping – hypotheses 1 and 3. These results are provided in table 2. I found that Grief had a positive influence on Avoidance-escape coping ($\beta = .570$, $p < 0.001$) and Seeking social help ($\beta = .466$, $p < 0.001$) but no influence on Planful problem solving ($\beta = .151$, $p > 0.10$). Thus I found support for hypothesis 1b and 1c but not 1a. In terms of the relationship between Financial loss and coping I found that Financial loss had a positive influence on each coping strategy: Planful problem solving ($\beta = 1.197E-6$, $p < 0.05$), Avoidance-escape coping ($\beta = 7.557E-7$, $p < 0.10$) and Seeking social help ($\beta = 9.088E-7$, $p < 0.05$). Thus I found support for hypothesis 3a, 3b and 3c.

To test hypotheses 2 and 4 I compared the respective effect sizes of Grief and Financial loss. This is the proportion of total variance of each coping strategy that is explained by Grief and Financial loss. This is shown in table 3. Grief explained 21.3 percent of the variance in Avoidance-escape coping and Financial loss explained 1.4 percent of the variance. Thus I found support for hypothesis 2. In explaining the variance of Planful problem solving, I found that Financial loss explained 4.8 percent of the variance and Grief explained 3.2 percent. Thus support is received for hypothesis 4.

	<i>Planful Solving</i>	<i>ProblemEscape-Avoidance</i>	<i>Seeking Social Help</i>
<i>Control Variables</i>			
Sex	-.519	-.345	.349
Age	-.012	-.035*	-.041**
Education	.075	.012	.076
Previous Start-Up	.074	.022	-.221
Prior Failure	-.763	.246	.073
Company Main Source of Income	-.415	.425	.066
Experience from the same industry	.097	-.003	.214
Realized Bankruptcy	.187***	-.007	-.008
Founder	.159	-.141	-.087
Years as Owner	-.001	-.015	-.006
Working Hours	.020*	-.004	.010
Number of Employees	-.023	-.004	-.018
Additional Employment	.563	-.258	1.096+
Additional Firm	-.439	.145	.466
Constant	2.856**	2.866	2.477*
<i>Research Variables</i>			
Grief	.151	.570***	.466***
Financial Loss	1.197E-6*	7.557E-7+	9.088E-7*
F	2.581**	4.186***	4.205***
Adj R2	.184	.313	.307

Table 2: Regression results: Antecedents of coping

	<i>Planful Problem Solving</i>	<i>Escape-Avoidance</i>	<i>Seeking Social Help</i>
Grief	.032	.213	.146
Financial Loss	.048	.014	.016

Table 3: Effective size Grief and Financial loss: Eta² is reported. This is the proportion of the total variance that is attributed to an effect

I use logistic regression analysis to test the relationship between coping strategies and re-entry into self-employment and subsequent feelings of grief. These results are presented in table 4. I first test the relationship between the coping strategies and re-entry into self-employment. The base model with the control variables and antecedents of coping is shown in column 2. The full model is shown in column 3. I found that Planful problem solving and Seeking social support have a positive influence on re-entry ($\beta = .431, p < 0.05$ and $.585, p < 0.05$, respectively). Thus I received support for hypothesis 5a and 5b. I found that Avoidance-escape coping had a negative influence on re-entry ($\beta = -.799, p < 0.05$). I therefore also find support for hypothesis 5c.

The relationship between coping and grief is then presented in column 4 and 5. The base model is shown in column 4 and the full model in column 5. I found that planful problem

solving had a positive influence on subsequent feelings of grief ($\beta = .316, p < 0.01$). This was the opposite to what was hypothesized. I therefore did not find support for hypothesis 7a. Seeking social support did not have a significant influence on subsequent feelings of grief. I therefore did not find support for hypothesis 7b. Escape-avoidance coping had a positive influence on feelings of grief ($\beta = .195, p < 0.05$) and thus support was found for hypothesis 8.

	<i>Re-entry Base Model</i>	<i>Re-entry Full Model</i>	<i>Grief T 2 Base Model</i>	<i>Grief T 2 Full Model</i>
<i>Control Variables</i>				
Sex	-.443	-1.052	-.129	.053
Age	-.015	-.008	-.022	-.016
Education	-.096	-.065	.071	.053
Previous Start-Up	2.046***	2.427***	-.121	-.167
Prior Failure	-.461	-.0389	.630+	.825*
Company Main Source of Income	2.066*	2.613*	-.309	-.448
Experience from the same industry	.273	.195	.011	.111
Realized Bankruptcy	.081	.058	.054	.024
Founder	.682	.520	-.227	-.302
Years as Owner	-.020	-.045	-.018	-.007
Working Hours	.138	.039	.014+	.008
Number of Employees	.640+	.880*	.019	.016
Additional Employment	.886	.575	.034	-.334
Additional Firm	.338	-.133	.251	.065
Constant	-4.548*	-6.860	2.689**	1.585
<i>Antecedents of Coping</i>				
Grief	-.163	-.088	.289**	.162+
Financial Loss	.030	.022	3.326E-7	-1.949E-7
<i>Research Variables</i>				
Planful problem solving		.431*		.316**
Avoidance-escape coping		-.799*		.195*
Seeking social support		.585*		.002
Correctly classified cases	73.7	84.2		
Cox & Snell R2	.296	.403		
F			2.523**	4.348***
Adj R			.248	.462

Table 4: Logistic regression results: coping strategies, re-entry and subsequent feelings of grief

5. DISCUSSION

This study examines the relationships between grief, financial loss, coping and re-entry into self-employment after firm failure. Prior research has suggested that grief decreases an entrepreneur's motivation to re-enter self-employment and coping can play an important role influencing how quickly and adaptively the entrepreneur recovers from the failure experience (Cope, 2011; Shepherd, 2003; Shepherd et al., 2009; Singh et al., 2007). In this paper I add to

this literature by showing that how feelings of grief are managed is more important for re-entry into self-employment, than feelings of grief alone. Grief can result in adaptive coping strategies which have a positive influence on re-entry and grief can result in maladaptive coping strategies which have a negative influence on re-entry. Grief, however, has no direct influence on re-entry; it is fully mediated by coping. Whether an entrepreneur is likely to re-enter self-employment therefore depends on the coping strategy that is used to a greater extent. In contrast to the adaptive role that coping can play for re-entry into self-employment, I found that the use Planful problem solving and Escape-avoidance coping had positive influences on subsequent feelings of grief even after controlling for initial feeling of grief. Seeking social support did not have an influence on subsequent feelings of grief.

5.1 Grief, Financial Loss and Coping

Based on a through literature review of the coping literature and a pilot study, I identified three dominate coping strategies – Planful problem solving, Escape-avoidance and Seeking social support – that are frequently used by entrepreneurs who have recently experienced firm failure. I hypothesized that feelings of grief and financial loss would result in entrepreneurs being more likely to use all three types of coping strategies. I found support for financial loss being positively associated with the use of all three coping strategies and feelings of grief being positively associated with the use of Escape-Avoidance coping and Seeking social support. Feelings of grief, however, did not have an influence on Planful problem solving. These findings suggest that the identified three coping strategies are actively used by entrepreneurs who have recently experienced failure. Further I hypothesized and found support for feelings of grief explaining a greater proportion of the variance in avoidance-escape coping than financial loss. Conversely, I hypothesized and found support for financial loss explaining a greater proportion of the variance in Planful problem solving. This suggests that the dominate coping strategy used can be explained by the factors that make the failure experience particularly stressful.

The finding that grief explains a greater proportion of the variance in escape-avoidance coping and financial loss explains a greater proportion of the variance in planful problem solving has important implications for how entrepreneurs cope and recover from firm failure. This finding suggests that it is easier to adaptively cope with financial loss than emotional loss. In addition, this finding can help explain why feelings of grief can still be felt long after an entrepreneur has re-established themselves. If an entrepreneur over utilizes avoidance-escape coping strategies to cope with feelings of grief they may not have actively dealt with the feelings despite moving on with other aspects of their lives.

Another important finding is that entrepreneurs who realized that the firm would fail were more likely to use planful problem solving as coping strategy. Prior research has suggested that one reason entrepreneurs may delay closing a failing firm is so that they have time to emotionally prepare for the closure of the firm and are thus less likely to feel grief when they exit the failing firm (Shepherd et al., 2009). Previous research using the current data set, however, did not find a relationship between postponing firm failure after realizing the firm would fail and grief (Jenkins et al., 2010). The findings from this study offer an alternative explanation for postponing the exit of a failing firm. Delaying the exit provides the entrepreneur with the opportunity to plan what they will do once they exit the firm. Hence once they exit they have a strategy in place to deal with the implications of failure.

5.2 Coping, re-entry into self-employment and subsequent feelings of grief

I hypothesized and found support for Planful problem solving and Seeking social support having a positive influence re-entry into self-employment and Escape-avoidance coping having a negative influence on re-entry. This finding is particularly important because the coping strategies are positively correlated with each other, yet they have opposite influences on re-entry. This suggests that entrepreneurs are likely to use all three coping strategies to manage the demands of firm failure, however, it is their relative use that has important implications for how likely an entrepreneur re-enters after firm failure. In contrast, I found that Planful problem solving and Escape-avoidance coping strategies had positive influences on subsequent feelings of grief. This was after initial feelings of grief was controlled for. These findings suggest that actively planning how to manage the implications of failure increases the likelihood of re-entry but this may be at the expense of the entrepreneur's emotional well-being. Planful problem solving and focusing on a new firm may keep the bankruptcy at the forefront of the entrepreneurs thoughts making it more difficult to move on from the failure. The entrepreneur's focus is likely to be on the new firm and as a result he or she is not able to spend time processing on the negative emotions from the failure. This finding challenges prior research that suggests that entrepreneurs first need to recover from the failure prior to re-entering (Shepherd et al., 2009).

These findings are also particularly important in the context of learning from firm failure. Recent research has proposed that how entrepreneurs recover from the grief associated with firm failure influences what they learn from failure (Shepherd, 2003). Learning is a positive outcome from failure (McGrath, 1999) but the extent of learning is influenced by how quickly an entrepreneur is able to recover from the failure experience (Shepherd, 2003). Feelings of grief can reduce the capacity for the entrepreneur to process the information available for learning from the experience (Shepherd, 2003). To facilitate learning from failure, Shepherd (2003) proposes oscillating between restoration coping strategies that attempt to alter the person-environment relationship and loss orientation coping strategies which focus on dealing with the emotions associated with failure, results in faster recovery opening up opportunities for learning. Cope (2011) also suggests that in the process of seeking social support and planning for starting a new venture an entrepreneur is likely to learn as they reflect on the experience creating opportunities for learning. I found that entrepreneurs actively use these coping strategies however in the process of actively planning and starting a new firm grief recovery can be stymied. As a result the learning process is also likely to be stymied. This findings suggests that the recovery process is more complex than initially conceptualized.

Prior research has also suggested that some period of avoidance can be beneficial for an entrepreneur's long term recovery (Cope, 2011). The finding from the present show that entrepreneurs who feel grief are likely to use this form of coping strategy and that if it is used in combination with other more adaptive coping strategies it can be beneficial for the entrepreneur. However, over reliance on this on form of coping may actually be deferential to the recovery of the entrepreneur if they do not also actively engage in coping strategies which attempt to alter-the person environment relationship. Similar findings have been found in other research on coping after stressful events (Lazarus, 1993; Roth & Cohen, 1986). There is some evidence that avoidance strategies can be beneficial in the initial stages of adapting to stressful events but if it is relied on for too long it can become a maladaptive coping strategy because it discourages the individual for taking active steps to deal with the stressful event (Suls & David, 1996).

5.3 Practical Implications

These findings have practical implications for managing and coping with entrepreneurial failure. In specific relation to motivation to re-enter self-employment, an adaptive outcome of the stressful encounter – actively coping and managing the implications of failure had a significant influence on re-entry, avoiding and trying to escape the situation had a negative influence on re-entry while grief did not have an influence at all. This suggests that providing active support for failed entrepreneurs can have significant implications for how they recover from firm failure. Specifically the findings from this research suggest that providing support which helps entrepreneurs deal with the emotional loss and active planning to help over come financial loss can have positive influences on their adaptability and motivation to re-enter self-employment.

Limitations and Future Research

Although it has been suggested the coping can help entrepreneurs regain their entrepreneurial motivation, what I have not considered is whether entrepreneurs with higher levels of entrepreneurial motivation are more likely to actively cope with the implications of failure. The role of motivation is often over looked in coping research (Lazarus, 1993) and thus future research could address more specifically the role of entrepreneurial motivation for coping with firm failure.

One of the most interesting findings of this study is that grief and financial loss have a direct influence on adaptive coping strategies and on non-adaptive coping strategies. In other words the same variables have a similar impact each coping strategy. An important question for future research is to investigate which of these coping strategies an entrepreneur is likely to adopt given similar feelings of grief and financial loss. Suggestions for doing this could be to investigate the role personal characteristics such as locus of control and self-efficacy play in coping after firm failure (c.f. Roth & Cohen, 1986).

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