Abstract

This paper implements a qualitative, narrative approach to investigate entrepreneurs' personal experience of stigma associated with venture failure. Findings draw on the lived experience of 12 entrepreneurs and tell a collective story of how stigma affects entrepreneurs, shapes their actions, and engenders outcomes for them and their ventures. The story covers three episodes of entrepreneurs anticipating, meeting, and then transforming venture failure. Overall the paper shifts the focus of stigma research from the socio-cultural perspective pervading research to date, to micro level processes underlying socio-cultural trends. Findings offer unexpected insights into failure stigmatization. First, findings suggest stigmatization is best viewed as a process that unfolds over time rather than a label. Second, this process begins before, not after, failure and contributes to venture demise. Third, there is a positive ending to the collective story in that stigmatization ultimately triggers epiphanies or deep personal insights which transform entrepreneurs' view of failure from a very negative to a positive life experience. This transformation results in entrepreneurs distributing learning from failure to the founding of future ventures, even when ventures are not their own.

Keywords: entrepreneurial failure stigma; narrative approach; microprocesses; epiphanies

1.0 Introduction

Scholars increasingly recognize entrepreneurial failure as an important phenomenon given its implications for entrepreneurs and their role in job and wealth creation. Failure is pervasive, unavoidable (Cope et al., 2004; McGrath, 1999) and a potentially painful and traumatic experience for entrepreneurs (Cope, 2011; Shepherd, 2003; Ucbasaran et al., 2013). This trauma is reflected in the notion of stigma (defined below) associated with venture failure (Politis and Gabrielsson 2009; Cardon et al., 2011). Stigma can trigger negative media coverage and prompt criticism of unsuccessful entrepreneurs (Cardon et al. 2011) which may deter subsequent venture start-ups (Kirkwood 2007; Politis and Gabrielsson 2009). Fewer start-ups have implications for economic progress (McKeon et al., 2004; Warren, 2004) and, we contend, interfere with the distribution of learning from failure that Cope (2011) and others have identified (Cope and Watts, 2000; Singh et al., 2007). Stigma also has captured the attention of policy makers giving rise to, for example, the European Commission's "Second Chance" policy that attempts to reduce its negative effects (European Commission Enterprise and Industry Group, 2011).

To date, research predominantly examines stigma due to entrepreneurial failure at the societal level. Empirical findings reveal socio-cultural stigma in specific countries and show its relationship to outcomes such as interest in entrepreneurship (Begley and Tan, 2001) and entrepreneurial risk taking (Damaraju et al., 2010). Taken collectively, this quantitative research reveals generalizable relationships characteristic of the wider social context within which failed entrepreneurs make decisions about future entrepreneurial endeavors. However, we know little about the micro-level mechanisms and processes underlying these societal level relationships. Researchers have yet to explore how social stigmatization affects individual entrepreneurs'

actions, behaviors, and decisions during and after venture failure.   Moreover, self-stigmatization

may shape failing entrepreneurs actions, in addition to social stigmatization, since venture

founders intertwine their identities with venture outcomes (Cardon et al. 2005) and see their

businesses as extensions of themselves (Shepherd et al., 2009).

The purpose of this paper is to empirically explore the stigma of entrepreneurial failure at

the individual level. In particular, we seek to understand failure stigmatization from the

perspective of entrepreneurs who have experienced it and to illuminate how and why stigma

affects entrepreneurs and their actions and decisions. We thus address the research question

"How does stigmatization affect entrepreneurs and shape their actions as ventures fail?" We

implement a qualitative, narrative approach to examine the question. Narrative organizes and

gives meaning to narrators' experience of events (Creswell, 2007; Elliot, 2005) and meaning

making can be a core driver of the entrepreneurial process (Garud and Giuliani, 2013).

Importantly, narrative illuminates mechanisms underlying generalized relationships surfaced

through quantitative research (Elliot, 2005). It can show how individual agency coalesces over

time to give rise to the macro level relationships surfaced through quantitative research (Garud

and Giuliani, 2013). Narrative also illuminates process and change over time and may reveal

epiphanies that potentially alter the fabric of individuals' lives in ways that are unexpected

(Denzin, 1989). A narrative approach to entrepreneurship research is on the rise and is

particularly good at revealing how entrepreneurs generate and modify their vision of the future

(Gartner, 2007). All told, narrative research on failure stigmatization can enhance our

understanding of how and why stigma affects entrepreneurs and their subsequent decisions about

future start-ups. It can also extend our understanding of the distribution of learning from failure

that accompanies these start-ups. In the following sections, we present a background to the

study, describe research methods, present findings, and discuss implications for the wider entrepreneurship literature.

2.0 Background Literature

Stigma is defined generally as a mark of disgrace or infamy, a stain on one's reputation. Academically it has been described as something deeply discrediting that reduces the individual bearing the stigma "from a whole and usual person to a tainted, discounted one" (Goffman 1963, p. 3). More recently, Link and Phelan (2001, p. 377) provided a comprehensive description of stigma as a concept made up of interrelated elements of "labeling, stereotyping, separation, status loss, and discrimination" and indicated that stigma can have a substantive impact on many areas of a person's life such as income, housing, and health.

Research on stigma is reported mainly in the health and psychology literatures where studies are conducted to examine the nature, impact of, and coping strategies used to deal with stigma in a variety of life contexts (Roca 2010). These contexts include physical (Fife and Wright, 2000) and mental illness (Kroska and Harkness 2006; Markowitz 1998), sexual orientation (Hereck et al., 2009), and criminality (Rasmusen1996; Schnittker and John 2007). Corrigan et al. (2010) identified two types of stigma: social and self-stigma. Social stigma involved discrimination at the hand of others due to illness and was a means of endorsing specific stereotypes within society. Self-stigma entailed a person discrediting him or herself, thereby endorsing the negative beliefs held by society (Corrigan et al. 2010). Similarly, other scholars described self-stigmatization as the negative reaction of a person to him/herself in the light of personal experience (Knight et al., 2003).

Within management research, scholars examined the social stigma of failure in the context of corporate executives. Wiesenfeld et al. (2008) described stigma as the defamation of

executives due to their association with a failed company. Executives' stigmatization sometimes went further than social disgrace (Semadeni et al. 2008) and involved the loss of economic and professional opportunities as well as ostracism from the corporate world (Wiesenfeld et al . 2008). For example, empirical evidence showed top managers of failed organizations viewed as unsuitable, unskilled, and unlikely to get another chance at top management (Sutton and Callahan 1987).

Scholars are beginning to explore stigma in the specific context of entrepreneurial failure. We saw two themes dominating the few studies conducted to date. The first theme was that of socio-cultural aspects of failure stigmatization, as already stated. Several studies showed that stigma of entrepreneurial failure can vary from one national culture to another. For example, Begley and Tan (2001) found that the shame of entrepreneurial failure is stronger in East Asian countries than Anglo countries. Cave et al. (2001) found entrepreneurs from Britain perceived greater societal stigma for failure than did US entrepreneurs. However, Cardon et al. (2011) showed that even within the US, entrepreneurs in certain regions still experience stigmatization due to venture failure. Vaillant and Lafuente (2007) concluded that belief in the social stigma of entrepreneurial failure is a significant deterrent to entrepreneurial activity in Spain. Damaraju et al. (2010) compared collectivist and individualistic cultures and found collectivist cultures were less tolerant and more stigmatizing of failure thereby discouraging entrepreneurial risk taking. These authors also provided evidence that environmental dynamism (the extent to which environments are fast changing, innovative, and uncertain) provided an important moderating effect on the link between culture, stigma, and entrepreneurial risk taking.

The second theme in entrepreneurial stigmatization research was the focus on stigma related to bankruptcy specifically. Such studies also were done at the socio-cultural level and

commonly applied a public policy perspective to bankruptcy related stigma. For example, Efrat (2006) examined the reasons behind the reduced stigma among the American public towards personal bankruptcy. The author found that historically the public perceived bankruptcy as a result of overconsumption or fraud and thus socially stigmatized bankrupted entrepreneurs. More recently however, the American public attributed bankruptcy to factors such as inflation, recession, lack of welfare, and lenders' performance so that bankruptcy has become more socially acceptable. The author also explained that the media, government, and legal profession all played a role in shaping the social perceptions about personal bankruptcy. As the media reported more bankruptcy cases, people perceived bankruptcy as commonplace and became more tolerant of it. The public also saw bankruptcies tolerable due to the growing number advertisements placed by attorneys offering bankruptcy services and the use of neutral labeling terms such as debt resettlement. Lee et al. (2011) studied the influence of bankruptcy laws on entrepreneurship development around the world. Drawing on data from 29 countries, the authors found that "lenient" and "entrepreneur-friendly" bankruptcy laws led to a higher rate of new venture founding (p. 505).

Taken collectively, existing quantitative research reveals some of the generalized relationships at work in the socio-economic contexts within which entrepreneurs experience venture failure. What is missing, however, is an understanding of the micro-level mechanisms and processes undergirding these generalized relationships. We thus specifically examine how failure stigmatization affects entrepreneurs and their actions, behaviors, and decisions as businesses fail. Existing research implies that entrepreneurial failure and ensuing stigmatization would be a strongly negative experience for individual entrepreneurs (Cardon et al., 2011). For example, failed entrepreneurs may well experience negative outcomes (already described)

analogous to those endured by failed executives in the corporate context (Paetzold et al., 2008; Sutton and Callahan 1987; Wiesenfeld et al. 2008). This seems especially likely since research shows that an entrepreneur's identity is closely intertwined with his/her venture (Cardon et al. 2005). When failure happens, an entrepreneur may experience a negative spiral of shame (Smith and McElwee 2011) that can have numerous consequences. For example, accumulating research shows the possible social costs of entrepreneurial failure (Ucbasaran et al., 2013). Entrepreneurs can lose marriages and other close relationships (Singh et al., 2007; Cope, 2011) as well as professional network ties (Ucbasaran et al., 2013). Research reports possible negative discrimination with regard to future employment opportunities and access to future resources both financial and human (Cope, 2011; Shepherd and Haynie, 2011). Another social cost is the self-imposed distancing and withdrawal engaged in by failed entrepreneurs (Cope, 2011; Shepherd and Haynie, 2011; Singh et al., 2007). Other research reports additional consequences of failure suggesting that entrepreneurs may hesitate in taking risks or adopting new ideas, lack confidence in making venture related decisions and even decide to permanently give up on future venture founding (Politis and Gabrielsson 2009).

Unfortunately, research to date has only revealed the "tip of the iceberg" when it comes to the social costs of entrepreneurial failure (Ucbasaran et al. 2013: 189). Our understanding of the stigma associated with failure is especially limited despite initial findings that reported bankrupt Swedish entrepreneurs saw themselves as "marginalized" and unequal to others who had not failed (Sellerberg and Leppanen, 2012). We thus seek further understanding of entrepreneurial stigmatization at the level of individual entrepreneurs' lived experience. We wish to illuminate the micro-level mechanisms undergirding the social-cultural findings reported in the literature by exploring the research question of "How does stigmatization affect

entrepreneurs and shape their actions as ventures fail?" Our qualitative, narrative approach to the research facilitates a rich and nuanced understanding of individual entrepreneurs' experience of failure stigma and what it means for subsequent venture founding and the use of knowledge gained through failure.

3.0 Research methods

3.1 Research Design and Context

A qualitative design implementing a narrative approach was used for this study (Elliot, 2005). Qualitative research provides rich descriptions of micro-level mechanisms and processes (Richards, 2009), facilitates induction of patterns amenable to further quantitative research (Eisenhardt and Graebner, 2007; Yin, 2003), and is recommended for entrepreneurship research (Cope, 2011; Endres & Woods, 2007; Venkataraman et al., 2013). This design enabled us to flesh out the micro-level experience and actions of entrepreneurs that undergird failure stigmatization patterns at the socio-cultural level identified in existing quantitative research. Within this broader qualitative design, we implemented a narrative approach consistent with a growing body of research in sociology (Elliot, 2005) and psychology (Creswell, 2007; Lieblich et al., 1998). Narrative is discourse that provides a clear sequential order which connects events in a meaningful way, thereby offering insights about peoples' experiences (Hinchman and Hinchman, 1997). It is a device of interpretation through which people make sense of themselves and their experiences and can contain accounts of transformation (change over time), some kind of 'action' and characters, all of which are brought together in an overall 'plot' (Lawler, p. 242). Narratives are somewhat unique within qualitative methods given they contain temporal information about when and why certain events unfold and the effects of these events on subsequent happenings (Polkinghorne, 2003). It thus can illuminate factors proximal to

outcomes (Elliot, 2005); outcomes being the founding of new ventures and the implementation of learning by failed entrepreneurs in this study. Narrative also reveals the connection between individual agency and the wider social context (Elliot, 2005) such as the process mechanisms that underlie the socio-cultural patterns of stigmatization identified in existing quantitative research on failure stigma. Moreover, a narrative perspective has been gaining ground in entrepreneurship research as seen in special issues and a dedicated journal (Venkataraman et al., 2013).   We took the particular narrative approach that focuses on a specific event in participants' lives as opposed to documenting whole life stories (Elliot, 2005): We collected and analyzed entrepreneurs' stories of failure pertinent to the research question of "How does stigmatization affect entrepreneurs and shape their actions as ventures fail?"

The research context was New Zealand which has a high rate of entrepreneurial activity. In 2005, The Global Entrepreneurship Monitor reported New Zealand as third in terms of total entrepreneurial activity at 17.6%. This was greater than the USA in sixth position at 12.4% and substantially above the global average of 9.1% (Fredrick and Chittook, 2006, p.22). Indeed, the World Bank regarded New Zealand as being number one in terms of ease of starting new ventures (Ryan, 2012) and Minniti, Bygrave and Autio (2005) concluded that New Zealanders are pulled into entrepreneurship rather than pushed by necessity. Ease of start-up is supported culturally by an innovative spirit emanating from the country's agricultural background where number 8 fencing wire (British Standard wire gauge) was often used inventively for applications other than fencing (Orsman, 2011).

However, strong entrepreneurial activity is not the same as business acumen and there is evidence of higher than average failure rates and bankruptcy in this country (Lee et al., 2011). Moreover, the regulatory environment is not supportive of business failure with liquidation of the

business being the most common outcome of insolvency (Kuruppu et al., 2003). This is contrasted with the debtor-oriented approach in the USA where insolvent organizations are encouraged to continue operating as a going concern (Franks et al., 1996). Culturally speaking, New Zealand is an Anglo country so that the shame of failure is likely to be less than that experienced by failed entrepreneurs in East Asian countries (Begley & Tan, 2001). Within Anglo countries, New Zealand appears to be culturally closer to the UK than the US in research examining bankruptcy laws and outcomes in 29 countries (Lee et al., 2011). It is also interesting to note an engrained cultural norm that affects entrepreneurship and failure in New Zealand called the "tall poppy syndrome" (TPS) (Kirkwood, 2007). TPS involves the display of hostility and envy towards a person who is successful (Kirkwood, 2007). It is a habit of denigrating or cutting down to size those seen as high achievers (Deverson and Kennedy, 2005). TPS likely emanates from New Zealand's strong egalitarian ethos but may discourage entrepreneurs from starting up new businesses after failure or may compromise the learning from failure potentially realized when failed entrepreneurs found subsequent businesses.

3.2 Sampling and Data Collection

We employed what Patton (1990) labels purposive sampling by selecting information-rich examples to study. These were in depth examples likely to yield substantive information about the topic under investigation. In particular, the sample consisted of 12 entrepreneurs who experienced venture failure and its associated stigmatization and told richly detailed stories of this experience. We identified these entrepreneurs in two ways. First, we used a business school newsletter to disseminate information about the research and invite entrepreneurs with failed ventures to participate. Researcher contact details were provided in the newsletter article for individuals to seek further information about participation. Second, we enacted snowball

sampling using the entrepreneurs surfaced through the newsletter. Snowball sampling is also called chain sampling and "identifies cases of interest from people who know people who know people, who know what cases are information-rich, that is, good examples for study, good interview subjects" (Patton, 1990, p.182). This approach to sampling has been used in previous research on entrepreneurial failure (Cope et al., 2004). These two approaches yielded a total of 14 entrepreneurs who indicated a willingness to participate. Unfortunately, two of the 14 entrepreneurs declined to take part in the study despite signing the participant consent forms required by the university's ethics committee. These two entrepreneurs did not provide reasons for their non-participation and we did not pursue an explanation given that participation was strictly voluntary. The loss of these two participants was consistent with issues of accessibility and willingness to participate in failure research identified by other scholars (Shepherd et al., 2009; Zacharakis, 1999). The loss also indicated a potential limitation of the sample; it may include entrepreneurs who overcame the stigma of failure to the extent that they could talk about it and exclude entrepreneurs still too traumatized by failure stigma to discuss their venture's demise.

All told the sampling reflected a focus on individual entrepreneurs and their experience of failure stigmatization. Moreover, a narrative approach ensured that each participant gave a fine-grained account of their lived experience of failure. For all participants, this was their first venture founded and Table 1 gives further information describing the sample. Participants were given false names for anonymity.

Insert Table 1 about Here

Data were collected in 2009 predominantly through interviews which lasted between 1.5 and 2 hours. Interviews are the typical method used for data collection in narrative research; often the sole source of data (Creswell, 2007; Elliott, 2005; Lieblich et al., 1998). Our interviews were semi-structured with open ended questions asking participants to tell the interviewer their story of venture failure. Other data were collected as background information and played a secondary role to the interview data which constituted the primary evidence analyzed in the study (Creswell, 2007). Background data included media articles and website information as well as email communication and notes from phone calls with participants. As a general rule, the first author interacted with each participant over a period of several months while interviews and follow up conversations ensued.

3.3 *Data Analysis*

We began by constructing chronologies for each entrepreneur's story of venture failure, looking for common elements (Creswell, 2007; Elliott, 2005). As such, evidence revealed a collective story of failed entrepreneurship and how stigmas were experienced as participants moved through the sequence of events that constituted failure and its aftermath. We then conducted what is normally called content analysis of interview data, a classical method of analyzing narrative evidence in psychology, sociology, and education (Lieblich et al., 1998; Manning and Cullum-Swan, 1994). Content analysis involves identifying important themes and patterns in the data (Patton, 1987) and has been used in qualitative research on entrepreneurial failure (Cope et al., 2004).

To facilitate this analysis we progressed through a series of analytical devices to move from the raw data to more abstract themes and patterns. The progression is summarized in Table 2 but we caution the reader that analysis was not as tidy as it may appear in the table; the

"progression" sometimes involved going back and forth across analytical devices depicted in the table's rows. We began with open coding. Such coding is aimed at getting up off of the data (Richards, 2009, p. 77) to open the enquiry to consideration of a wider process that may be reflected in accumulated evidence (Morse & Richards, 2002; Richards, 2009). "Experiencing stigma" is an example of an open code used in the present research (see first row of Table 2). We then progressed to what we call expanded coding; reviewing and re-reviewing the data to expand the open codes into more numerous and finer grained codes. Expanded coding was enabled, in part, through analytical memo-ing or the documenting of speculations about possible relationships and themes emerging from the data. Examples of expanded codes from this study are shown in the second row, last column of Table 2. We eventually moved on to theme-ing or identifying a notion that runs right through the data such that it is not confined to specific segments of evidence (Morse & Richards, 2002). Again we employed analytical memos for theme-ing but also used potential themes to pose questions of the data. Questioning involved treating a potential theme similar to a hypothesis and returning to the data to see if this hypothesis could be supported by the evidence.   In this way we surfaced stigma themes which we report in the findings section below. Finally, we utilized theorizing devices as suggested in the literature (Creswell, 2007; Miles & Huberman, 1994). Such devices include the creation of models to capture processes suggested by the data. We generated models and report them as figures in the findings section that follows. We mention these figures in Table 2 to illustrate a final analytical step important for extracting theory from qualitative evidence.

Insert Table 2 About Here

4.0 Findings

How does stigmatization affect entrepreneurs and shape their actions as ventures fail? Our evidence presents a "collective story" or a research account of a group, stigmatized entrepreneurs, whose narratives have yet to surface in the entrepreneurship literature (Richardson, 1990). This collective story can be divided into three episodes that roughly correspond to the conventional narrative structure of a transformational tale – complication of situation, climax, and resolution (Selden and Fletcher, 2010). The first episode (complication of situation) we call "anticipating failure". It represents the time period wherein entrepreneurs begin to see venture failure as likely because of the serious, seemingly irresolvable difficulties being experienced (partnership issues, financial losses, and legal problems). The second episode (climax) we label meeting failure and it covers the months within which failure actually unfolded. During this episode entrepreneurs were busy with discontinuing businesses, declaring bankruptcy, dissolving partnerships, and so forth. The third episode we mark as transforming failure (resolution) and it entails entrepreneurs moving beyond the stigma they experienced due to venture failure. This third episode illustrates change brought about by an epiphany in the collective story – entrepreneurs had deep insights about the meaning of their failures that ultimately transformed it into a positive life experience. This positive transformation was an unexpected finding given existing research on entrepreneurial stigma that describes it as deeply discrediting of entrepreneurs (Ucbasaran et al., 2013); leading to exile (Cardon et al, 2011) and negative discrimination with regard to future employment prospects and access to resources (Cope, 2011; Shepherd and Haynie, 2011). In contrast, our entrepreneurs viewed failure, ultimately, as a positive life experience and acted on insights from epiphanies, trying to create change so that other entrepreneurs might avoid failure and escape stigmatization. Epiphanies can

be revealed by narrative research and provide a nuanced understanding of how a particular phenomenon is experienced and given meaning (Denzin, 1989). The following subsections present these episodes and describe associated themes. It is important to note that there was some variation in how participants progressed through the three episodes although the majority of entrepreneurs moved through the episodes as outlined. Substantive variations are noted in the discussion below. We also describe how themes affected entrepreneurs' actions, behaviors, and decisions.

4.1 First Episode: Anticipating failure

Anticipating failure began when entrepreneurs started seeing the problems their ventures had as insurmountable. Participants unanimously described this episode as a demanding and highly stressful time. Entrepreneurs tried to prevent the venture from failing but most described reaching a point when failure seemed inevitable. This recognition was so "overwhelming" and "stressful" that it triggered serious personal consequences for some including panic attacks (Ian, Tania), hospitalization (Caleb, Ian) and even suicidal thoughts (Tania). The two themes that surfaced in this episode were clearly about stigmatization and we label them "castigating self" and "expecting negative judgment".

4.1.1 Stigma themes

The castigating self theme involved entrepreneurs criticizing and negatively judging themselves when the failure of their ventures began to seem inevitable. This was clearly self-stigmatization because participants mentally but continually applied negative labels and descriptions to themselves when anticipating failure. For example, Ken stated: "I was beginning to feel like a loser – like a failure." David thought of himself as a "stupid" person and described himself as a "bad boy" who was about to "lose Mum's money" (her investment in his business)

because of his stupidity. Similarly, Tania reported thinking of herself as a failure even before her business collapsed. She described herself as stupid saying "I was dumb and stupid because I didn't know what I was doing…I wasn't business savvy… and I didn't have any business ownership or management experience". She denigrated herself for having "started something that I could not make work". She further castigated herself by thinking "failure is a bad thing because there hasn't been much failure in my family". Jana described being "harder on me" than anyone else was when she realized her venture might fail.

The majority of entrepreneurs blamed themselves for their ventures being on the brink of collapse and castigated themselves for disappointing family members. This can be seen in Ian's comment, "I was letting people down, particularly my family…..I had convinced my wife that I could run the business successfully and that it was worth giving up a relatively secure job in the bank". Caleb made an analogous comment when he stated "I felt I wasn't doing enough, I felt the pressure of my wife and kids and that was hard to live with because I tried to perform in order to protect them". Edward felt "guilty" and found potential venture failure "hard to live with" because there were some days he was not "even able to afford to give lunch money to my kids when they went off to school".

The expecting negative judgment theme showed participants' perceptions of others' harsh opinions and poor treatment when their ventures were at risk of failure. Although we report entrepreneurs' perceptions, this theme conveys social stigmatization because it indicates expectation of treatment by others. Not surprisingly, entrepreneurs expected to be treated negatively by creditors. For instance, Nigella said she expected unpleasant reactions from creditors she could not afford to pay as her business failed. She described "feeling threatened by" and being "nervous for weeks about" these creditors. Similarly, Larry "expected a lot of

backlash" from businesses that were not paid as his business was failing. Bob also expected that "bankers and other people who control credit" would "look at me in a different light" and judge him as someone who "didn't pay the bills". Creditors were not the only group that entrepreneurs expected negative judgments from. They also expected prospective employers to perceive them unfavorably. Tania offered a good illustration of this when she described worrying about her employment prospects should her business fail. She said that a "failed business" would "not look good on my CV (resume) when I applied for a job". Bob also became concerned about prospective employers stating that venture failure "would not put me in good shape in the future for earning money". Poignantly, entrepreneurs were also expecting negative judgments from family members. Tania expressed this by saying she feared her husband would "turn against her" due to the setback the failed business presented for their joint standard of living.

4.1.2 Stigma affecting actions, decisions, behaviors

Castigating self and expecting negative judgment affected entrepreneurs' actions, decisions and behaviors in this first episode of anticipating failure. In particular, entrepreneurs delayed or tried to avert impending failure as described by Paula. She admitted delaying the decision to end her venture because she was trying to avoid being stigmatized as a failed entrepreneur. She felt that the decision to close the business would damage her reputation and she wanted to continue enjoying her status of "successful" and "internationally recognized" entrepreneur. Paula stated that she "lost the house, the car, and everything else" and said the extent of this financial damage could have been minimized if she had "given up the business three years before". In the same way, Edward described how he "poured money into the business and tried to keep it going" in an effort to "save face". Edward stated: "We lost about

$450,000 but we could have come out of it probably only losing $150,000 if I hadn't been trying to save face".

Entrepreneurs engaged in behavior to cover up the fact that their ventures were at serious risk of failure. Specifically, entrepreneurs tried to keep their ventures' precarious positions secret from others because they feared being stigmatized. For example, Bob cited a "stigma of failure" as the reason he kept "ninety-nine percent of the negative information" regarding the state of the business as a "secret", even from his wife. He talked about the stigma of failure involving a loss of "pride"; he envisioned his friends as saying "poor Bob" and he wanted to avoid this if at all possible. He said loosing pride was almost as serious in his mind as "losing money" and the ability to "get credit and do something again in this small town". Nigella also talked about keeping the state of her troubled business secret. She stated that "for ages" she didn't tell her "closest friends" that her business was on the brink of failure; despite the fact that they were almost all "business women". She didn't tell these friends that she "couldn't even afford Christmas dinner" because of the financial losses she was experiencing.

Several entrepreneurs went beyond keeping secrets and actually lied in order to cover up the impending venture failure. David described having "tentacles of lies and deceit" running though "all his relationships" that formed a "little bubble protecting me when things started going wrong with the business". He admitted also lying to his wife to cover up the likely failure of the business. In a similar fashion, Jana spoke of "making up stories" that covered up the tenuous state of her business. She said she did this, in part, to "keep [her] image" of a successful entrepreneur intact.

Finally, entrepreneurs shunned professional help and potential social support as the venture started to show signs of failure. Matt said he felt "grief" when his venture looked likely

to fail but stated he was "not very good about admitting vulnerability and seeking help". He was concerned that "seeking help has a stigma about it". Bob acknowledged that if he had shared the issues plaguing the business with someone then it "might have been easier to deal with the challenges" but he did not do so at the time. Entrepreneurs also tended to shun personal relationships thereby missing out on social support when they faced the potential failure of their ventures. For instance, Nigella "stopped dating" because she believed that she "didn't have anything to offer anyone and didn't feel attractive anymore." She even avoided shopping because she worried that creditors who she was not able to pay would approach her and criticize her for spending money that should be paid to them. David stated: "I stopped going to church because people there knew about me and my business." This finding provides a somewhat unexpected and finer grained understanding of the social distancing entrepreneurs engaged in due to venture failure than previous research. Past studies suggest that entrepreneurs distance themselves socially after the failure of their ventures (Singh et al., 2007; Cope, 2011) but current findings suggest this distancing begins before actual failure.

In sum, evidence from this first episode in entrepreneurs' collective story shows that the stigma of entrepreneurial failure arises earlier than has been revealed in previous research. Scholars have argued that stigma surfaces at the time of actual venture failure (Politis and Gabrielsson, 2009) but our participants described in some detail how stigma surfaced prior to actual failure. Like Shepherd et al. (2009), we find that the negativity associated with failure surfaces in anticipation of it. Importantly, current evidence shows how the experience of stigma can contribute to venture failure in that it affected entrepreneurs' actions, decisions, and behaviors in ways that likely exacerbated ventures' problems. As such, stigma shaped outcomes for entrepreneurs and their ventures.

4.2 Second Episode: Meeting failure

This episode encompasses the time period when entrepreneurs took legal, financial, and professional steps to discontinue their businesses. Entrepreneurs described this episode as a "terrible" (Paula) and "humiliating" (Matt) period that seemed like a "nightmare" (Ken) filled with "suffering" (Larry), "pain" (Larry), "difficult transitions" (Tania), and "struggle" (Ian). Participants were clear they experienced stigma while they engaged in the practical activities associated with closing ventures. Two stigmatization themes that featured prominently in this episode were "perceiving ostracism" and "doubting judgment".

4.2.1Stigma themes

The perceiving ostracism theme meant entrepreneurs felt shunned and ignored by people who had previously been a vital part of the community they interacted with while developing and managing their ventures. As implied by its name, this theme reflects social stigma in that entrepreneurs felt shunned by others. Participants perceived ostracism from multiple groups, the first of which was bankers. Entrepreneurs described a spectrum of ostracism ranging from somewhat mild ignoring treatment to "harsh" shunning behavior. Ken describes the milder form of this behavior when he said bankers had no "patience". In the same vein, others reported bankers as being "uncooperative" and claimed that the "banks didn't understand" what the entrepreneurs were dealing with during this episode. Other participants spoke of a mindset that bankers had about entrepreneurs in the midst of failure. Caleb summarized this well when he stated that bankers only considered "their own selfish objectives". He argued that bankers should be "more lenient and understanding of the demands of my industry". He was extremely disappointed the bankers had only "looked at a situation from an accounting perspective". At the other end of the spectrum, entrepreneurs experienced what they perceived as very harsh shunning

from bankers, particularly when bankruptcy was declared. Nigella described how her bank

"cancelled" her debit card (electronic funds transfer card that can be used at point of sale) on the

day of bankruptcy without telling her in advance that this would be done. To access any money

in her account, she was required to get approval from the bank manager. This involved her

waiting in the lobby as a teller went to get the manager and bring him out to sign paperwork so

she could access funds. Again, she had been unaware that this procedure would be enacted

anytime she needed money to make ordinary purchases like groceries and clothing. She was

deeply embarrassed by this procedure and spoke of feeling "hideous" when enduring it. She felt

that other bank customers in the lobby were staring at her during these transactions. She felt the

bankers should have treated her differently from bankrupts who lost their ventures due to

extensive "personal lifestyle spending" because she was bankrupt due to "purely business

reasons".

Also, entrepreneurs felt ignored and shunned by larger businesses (i.e., suppliers) as they

tried to shut down their businesses. For example, David tried to arrange temporary credit with a

large business but found he could not do so and lamented that larger "businesses don't

understand" the situation for entrepreneurs. Nigella approached a large corporate organization

that she owed money to and explained her venture's predicament. She was relieved that the

organization agreed to forgive her debt but later found out that this company had placed her and

her venture on a "blacklist" that the large company would not do business with in the future.

This experience along with several others convinced her that large businesses were very

"hardnosed" and had "ridiculous and harsh rules concerning small businesses".

Sadly, entrepreneurs felt ostracized by friends and family. For example, Matt reported

that his "family treated him differently", his "social circle changed" and his "friendships were

not there any longer". Tania felt shunned by family members. They told her she was "being too negative" when she talked about her failed venture and "yelled and screamed" advice at her regarding shutting down the venture and moving on with her life. She was very clear that such treatment "did more harm than good" in that it "compounded" her feelings of being ostracized due to venture failure.

The doubting judgment theme encompasses entrepreneurs' lack of faith in their ability to make good decisions about the failing business and about their own futures. This is a self-stigma as seen in Ian's description of himself as he progressed through this episode. He claims he "lost complete confidence" in himself and "started to have self-doubts" about his "ability to be successful" in anything. Nigella said she was "not confident" about her "decision making ability" and "didn't trust" her judgment because her "choices for the business hadn't been great". Tania described her self-confidence as "murdered" with the failed venture. She explained that while shutting down her venture she was continually "doubting" herself and this was "killing her head". Similarly, Caleb said his confidence in his own decisions "went down with the failed business".

This doubting judgment spilled over into participants' personal lives. Entrepreneurs felt keenly responsible for the effect of the business failure on their families' lifestyle and income. Many entrepreneurs expressed a sentiment similar to Ian's who doubted whether or not he could be trusted to be "responsible" for himself and his family. Caleb and Tania also talked about how they "lacked confidence" in making family related decisions.

4.2.2 *Stigma affecting actions, decisions, behavior*

Evidence shows stigma in this episode affected actions, decisions, and behaviors in two ways. First, entrepreneurs continued to avoid socializing during this episode because of the

ostracism they perceived from bankers and other businesses. Participants feared they would run into bankers or creditors at social events and have to experience the feelings of being shunned and ignored again. Second, entrepreneurs delayed subsequent career decisions due to self-doubt. Nigella "spent months watching DVDs" and "doing nothing else" in order to avoid making decisions regarding her future. Ian also avoided any decisions regarding what he wanted to do next in his career by "staying long hours in bed" as he struggled with "overwhelming feelings of failure". Tania had ideas about possible new business ventures but avoided thinking about these ideas because "things didn't come right" for her failed business. She even didn't look at emails that her friend sent to her regarding ideas for another venture because she doubted her ability to make good decisions.

In conclusion, this second episode of the collective story shows that entrepreneurs experienced social and self stigma when their ventures failed. In particular, the perceiving ostracism theme provides a more fine-grained description of social stigma experienced by failed entrepreneurs. Previous research focused on stigmatization inflicted at a socio-cultural level by the media (Cardon et al., 2011) but the present study reveals sources of stigma emanating from others that entrepreneurs interact with directly as they take steps to close their businesses. Future research is needed to systematically examine how individual entrepreneurs experience stigma from different sources and to identify which sources affect them most strongly and why.

4.3 Interlude: Epiphany

In between the second and third episode we place an interlude which captures the epiphanies or pivotal realizations entrepreneurs had regarding the stigma of entrepreneurial failure. Epiphanies can be part of an unfolding narrative (Denzin, 1989; Elliot, 2005) and are experiences which alter the fundamental meaning structures of a person's life (Denzin, 1989).

Studied entrepreneurs had such experiences in that the very negative meanings attached to stigma failure in the first two episodes were transformed into positive meanings and experiences in the third episode of the collective story (presented below). This was an unexpected finding but the majority of entrepreneurs described profound realizations and moments of clarity that brought about a fundamental shift in how they perceived their experience of venture failure and themselves as a result of surviving failure. The transformation is described more completely in the third episode but is identified by this interlude to give a sense of the substantively reorienting nature of epiphanies in the collective story of studied entrepreneurs.

In particular, entrepreneurs described flashes of deep insight and realizations about how their own behavior and reaction to stigma had contributed to venture failure. They had moments where they acknowledged to themselves that personal ego and attachment to material things helped to bring about venture demise. For example, David described how he "suddenly got the answer one day" as to why he went bankrupt -- he lied and engaged in other deceptive behavior to protect his ego. He realized he engaged in "self-deception" as well as lying to others. For instance, he told of making generous donations to his church that he could not afford because his venture was failing. He made these donations in the name of the venture and, at the time of the interviews, believed they directly contributed to bankruptcy. His insight was realizing that he had been boosting his ego and covering up his venture's trouble by making generous donations to his church that were unaffordable. Similarly, Ian recognized the role his ego had played in the failure of his venture. He realized he "gave too many discounts" to customers, that his ego had "enjoyed helping people" but that he went "overboard" and brought about the failure of the business.

Bob described being "too attached" to the symbolic trappings of venture success which boosted his "false sense of ego". He realized that he got caught up in trying to "keep up" with his "peers". He indicated that attachment to his venture and its trappings of success interfered with his decision to exit the troubled venture. He could not bring himself to "let go" and further financial losses ensued. He came to see himself as having "gambled" by "throwing more money" into a failing business which only made things worse. He was forced to sell his house to pay outstanding venture debts and he found this "extremely difficult" due to an "attachment" to this material possession.

The depth and transformational potential of epiphanies is illustrated by the fact that several of the entrepreneurs described these pivotal moments as "spiritual". For example, Ken related an experience in which he felt the presence of a "higher power" that gave rise to the insight that he would "get all the answers" to his questions about why his venture failed and what lay ahead in his life. Similarly, Jana came to see her venture's failure as having spiritual significance in her life and the meaning she attached to it was one of "temporary transition period" despite the loss of the business being "very hard" for her. When interviewed, she believed she would start this business again and have a different result.

4.4 Third episode: Transforming failure

This final episode captures the period after epiphany and reflects the meaning participants created for themselves about failure as they moved on with their lives. This episode also encapsulates actions that grew out of those meanings. The majority of entrepreneurs gained profound realizations and deeper insights from their epiphanies so that in this episode they upended the stigma of failure and transformed the meaning of venture failure into something positive. Entrepreneurs took actions to challenge failure stigma which created feelings of

"enthusiasm" (Larry), "dream" fulfillment (Bob and Paula) and "meaning" (Ian and Matt). The two themes that surfaced strongly in this episode were "challenging stigma and learning more about venture founding through failure" and "pride in hard but ethical decisions".

4.4.1Transforming themes

The "challenging stigma and learning more about venture founding through failure" theme was due to the epiphanies described above. Entrepreneurs now saw failure experiences as part of a life journey but, not forgetting how painful the stigma had been, started to think about how they might change failure stigma to minimize its impact on other entrepreneurs who were at risk of failure. They were motivated to change or dispel the notion of venture failure as a final, negative end to an entrepreneurial career. They took actions to challenge the stigma of failure and shift others' thinking about failure as described in the following section.

Part of this first theme is also learning more about venture founding through the failure experience. Entrepreneurs learned a great deal from failure and developed a keen desire to share this knowledge with others. They wanted to learn more about failure and, in particular, how to prevent it. For example, David "wanted to learn more" about why he went bankrupt and also expressed a desire to "give something back" to the business community, despite his bankruptcy. He wished to help other entrepreneurs understand that "although failure was an awful experience…it does not have to be this bad… and there are things that can be done to stop failure". He also wanted to help other failed entrepreneurs get "back on their feet". Caleb was "far more determined" to learn about where and why he had gone wrong in the venture and how he could do better in the next venture. Nigella wanted to learn more about "different processes and systems" in running a small business.

The second theme concerned entrepreneurs "taking pride in hard but ethical decisions". Entrepreneurs ultimately felt proud about what they saw as difficult but principled decisions they made in dealing with venture failure. For some this manifested in pride at not declaring bankruptcy because they viewed it as dishonest or unethical to get out of paying debts. For example, Bob stated that he was "proud" that he "didn't opt for bankruptcy" even though "it would have been the easy option". Similarly, Ken pointed out that even though he went through "financially hard times", he didn't declare bankruptcy because he had "no intention of walking away with people's money". Paula also stressed that she "valued behaving in an ethical way" and this was why she didn't opt for bankruptcy even though it meant losing her house to pay back her failed venture's debts. Tania refused bankruptcy because she had people she "did not want to let down". For others who did declare bankruptcy, they took pride in doing it strictly for business losses, not for having accumulated debt to fund a lavish lifestyle. And Nigella took pride in surviving bankruptcy. She stated that not "everybody could cope with bankruptcy" and emphasized that "going bankrupt was very brave as it takes a lot of courage…. it's a big decision that gets bigger every day." These decisions regarding bankruptcy highlight the moral dilemmas faced by entrepreneurs as they struggled to make decisions regarding the dissolution of their ventures. While there is research exploring ethical and moral dilemmas in entrepreneurship (see Buchholz & Rosenthal, 2005; Hannefey, 2003; Teal & Carroll, 1999), this topic is under-researched in the area of entrepreneurial failure. We suggest that future research could address this gap and provide new insight given the potential moral and ethical dilemmas typical of failure such as declaring bankruptcy and settling finances with partners.

4.4.2 Actions, behaviors and decisions of transforming failure

Our evidence shows how the themes in this episode affected entrepreneurs' actions and decisions. Entrepreneurs took actions trying to change stigma associated with venture failure, for example. Nigella decided to "openly talk about failure" even though friends and family advised her to "hush it up" and "not go around telling everybody". She came to see her failure as a "real life experience" and thought that if she talked about it, she could make failure easier for someone else. As such, she felt she "broke stereotypes" about venture failure. Ian "openly shared" his failure experience with others in "the hope that someone would benefit from the story". He thought others could use his story to "turn their lives around".

Entrepreneurs engaged in behavior to pass on the learning they had gained through venture failure. Several participants acted as mentors to other entrepreneurs. Nigella informally "mentored two businesses in setting up processes and paying bills on time". She used her venture failure experience "to tell them when to say no, when to be careful, and when things can go wrong in the business". David also acted as an informal mentor and shared his "crisis management lessons that came out of this experience with companies in financial strain and on the brink of bankruptcy." Matt engaged in more formal mentorship in that he began consulting in the area of "change management". He consulted for "struggling organizations" and drew strongly upon his learning from his failure experience. Based on his experience, Ian developed and sold "a depression management program that was being increasingly used by others". His goal was to make others feel "empowered and self-determined again".

Some of the entrepreneurs started up new businesses and incorporated their learning into those ventures. Paula started up a business "offering business mentoring and coaching for people in the creative industry". She believed that such businesses "have a particular set of challenges different to other businesses" and her experience of kite retail could be helpful in

"beating some sense into entrepreneurs in the creative industry". Bob founded a new business but is clear he will "let go of the new business" given a particular threshold of losses. Larry and Paula both chalked out "exit strategies" for their new businesses.

The transformation in episode three went beyond entrepreneurs' careers, spilling over into their personal lives. For example, David believed lying had destroyed his venture and his marriage and worked hard in his personal as well as professional life to "to answer people's questions honestly, no matter how hard the questions". Ian volunteered in what he described as the "very meaningful" area of mental health, given his bout of depression that followed his venture's failure.

In sum, although stigmatization of venture failure was a very negative experience in the first two episodes of the collective story of these entrepreneurs, the third episode revealed a positive transformation in how entrepreneurs viewed failure and the stigma associated with it. This transformation was reflected in career choices, new ventures founded, contributions to other businesses, as well as in their personal lives. It is clear that participants saw the failure as a life altering experience but, in the transforming failure episode, the meaning attached to this experience was predominantly positive and the vast majority of the entrepreneurs valued the ways in which their lives had been altered. Importantly, they valued the knowledge gained and found ways to contribute that knowledge to other entrepreneurial endeavors even if they were not personally founding more ventures. Figure 1 provides a graphic representation of the episodes in entrepreneurs' collective story and a summary of the stigma and other themes discussed above.

Insert Figure 1 About Here

4.5 A Process of Failure Stigmatization and Transformation

Findings from the collective story of failed entrepreneurs suggested a process, depicted in Figure 2, of how stigma played out for entrepreneurs (top half of figure) and their ventures (bottom half of figure). In particular, the figure illustrates how stigma contributed to venture failure but ultimately transformed failure into a positive experience. The figure thus depicts the how and why of failure stigmatization; illuminating the micro-level processes that undergird existing findings about stigma at the socio-economic level (see Begley and Tan, 2001; Damaraju et al., 2010).

Insert Figure 2 About Here

As shown in Figure 2, entrepreneurs first experienced stigmatization when they realized that venture failure was likely -- before ventures actually failed. This was a surprising finding given that much of the existing literature assumes stigma occurs after ventures fail (Cardon et al, 2011; Lee et al., 2007). Pre-failure stigma shaped entrepreneurs' behavior. They took action trying to delay actual failure and the further stigmatization they thought would come with it. Also, they were in denial about how deeply troubled their ventures were. Unfortunately, behaviors such as delaying venture closing, shunning professional help and social support, and pouring more money into doomed ventures had negative outcomes for ventures. These behaviors further compromised ventures already weakened by both financial and operational difficulties so that difficulties increased and became more intractable. As a result, venture failure was hastened instead of prevented. Returning to the figure, pre-failure stigmatization was an iterative process with entrepreneurs often getting caught in a loop of experiencing stigma, behaving to avoid stigma, creating further difficulties for their ventures only to realize more clearly that venture failure was likely (see loop in figure depicted by thick arrows beginning with

the "realizes failure is likely" box). Many of the entrepreneurs got stuck cycling iteratively

through this loop in the months leading up to actual venture failure.

Venture difficulties ultimately led to failure as seen on the bottom half of Figure 2. It is

important to note that actual venture failure took place over a few months as entrepreneurs went

through the multiple steps required to dismantle ventures such as legal action to dissolve

partnerships and settle with creditors. As seen in the figure, entrepreneurs experienced

additional stigma when ventures actually failed and again they behaved in ways to avoid this

stigma if possible. However, having to take multiple steps to wind up the venture meant that

entrepreneurs got caught up in another iterative loop of experiencing stigmatization. They

experienced stigma as they took a step to shut down the venture. They tried to avoid this stigma

but were not able to because further steps to shut down the venture were required. This second

iterative loop can be seen in the thick arrows emanating from and ending in the "venture fails, is

dismantled box".

Finally, entrepreneurs had epiphanies as depicted in Figure 2. As stated, epiphanies were

moments of insight that encompassed a revised view of the stigma they had experienced.

Epiphanies gave rise to a transformed view of failure, to the point where entrepreneurs saw

failure in a positive light. This positivity encompassed two kinds of action to support

entrepreneurial activities in the economy. First, almost all entrepreneurs challenged failure

stigma, wishing to "break stereotypes" that others had about failure. They challenged by

disseminating information about failure. For example, a number of the entrepreneurs told other

venture founders and business associates about their failure experiences despite friends and

family cautioning them not to. They did so in order to "break stereotypes", lessen stigmas'

influence for other failed entrepreneurs, and to improve business contacts' understanding of failure from a founder's perspective.

The second kind of action taken was to distribute learning from entrepreneurial failure (see Figure 2). For three of the entrepreneurs, learning was distributed by founding another venture. This finding is consistent with existing literature which assumes that learning from failure finds its way back into the economy through subsequent ventures founded by failed entrepreneurs (Cope, 2011; Shepherd, 2003; Shepherd et al., 2009; Ucbasaran et al., 2013). However, learning from failure was distributed in ways beyond this mechanism assumed by existing research. Specifically, all but two of the entrepreneurs who did not found subsequent ventures disbursed learning through mentoring, consulting, and being active in entrepreneurial networks. These alternative means of distributing learning have received little attention in entrepreneurial failure research but seem potentially important for any economy hoping to stimulate economic growth through entrepreneurship. We suggest future research is needed to further explore these alternative forms of distributing learning from failure, especially the degree to which they prevent other entrepreneurs from failure. Taken collectively, these two kinds of actions, challenging stigma and distributing learning, could be considered reflexivity on the part of entrepreneurs or self-conscious actions whereby entrepreneurs recognize the forces at work in the wider social system and attempt to alter these forces through action (Archer, 2010). Future research on failed entrepreneurs' reflexivity could further our understanding of how failed entrepreneurs enact social change and would complement existing research that looks at this concept in the domains of social (Nicholls, 2010) and institutional entrepreneurship (Mutch, 2007).

Beyond the actions taken, it is useful to elaborate on the learning that arose from failure and the stigmatization process experienced by entrepreneurs. The majority of founders reported learning a great deal by experiencing failure. Much of the learning was consistent with what Cope (2011) calls higher-level learning because it altered entrepreneurs' conceptions of themselves and their ventures. A number of the entrepreneurs became fully aware of particular habitual behaviors and thought patterns, for the first time in their lives. For example, entrepreneurs came to realize the role that ego gratification and protection played in venture failure. They spoke of being forced to confront habitual patterns by the strong experience of failure and its associated stigma and how this confrontation changed long held views of themselves. Their experience is consistent with Argyris' (1991) idea that a failure experience penetrates the defensive barriers normally insulating knowledge of such patterns from an individual. Once habitual patterns of perceiving, thinking, and acting come into conscious awareness, new patterns can be developed (Argyris, 1991; Sitkin, 1992). As such, current findings corroborate Sitkin's (1992) idea that failure fuels an "unfreezing" of old ways of thinking and acting such that new ways are possible but also illustrate the intensity of experience sometimes required for unfreezing to take place. Entrepreneurs' enhanced self-awareness was acknowledged in what they said they would do differently if founding another venture including: less focus on and attachment to material wealth, purer intention for venture founding, taking more ownership of venture problems, and seeking help for problems instead of seeing this action as a sign of weakness. This higher-level learning was in addition to lower-level learning about more efficacious approaches to venture processes, management, and systems that entrepreneurs also wanted to share with others.

Importantly, entrepreneurs described this higher-level learning as emanating from their epiphanies, the pivotal moments of insight which transformed their understanding of the experience of entrepreneurial failure and its stigma. Given their nature, we suggest epiphanies are a somewhat different mechanism for the transformation of entrepreneurial failure than the critical reflection highlighted by Cope; a more deliberative process that involves careful consideration over time to yield learning (Cope, 2011). Epiphanies therefore extend our knowledge of mechanisms for learning from entrepreneurial failure. Future research could compare these two mechanisms for learning from entrepreneurial failure in order to understand the conditions under which each manifests and the differences in learning yielded.

To conclude, we note that prudence is appropriate regarding our findings on learning. Even though we portray entrepreneurial failure as ultimately a positive learning experience, we do acknowledge that some entrepreneurs fail to learn due to an inability to effectively confront the failure experience (Scott and Lewis, 1984). Confronting failure directly and assessing one's personal contribution towards failure can be a daunting prospect (Ucbasaran et al., 2013). In fact, one of the entrepreneurs in the present study did not experience an epiphany and had very limited learning from her failure experience (Tania). The literature also reminds us that still other entrepreneurs may learn only surface lessons consistent with existing beliefs (Baumard and Starbuck, 2005) or may rationalize their failure by thinking they learned important lessons from this experience when little learning truly occurred (Cope, 2011). Two of the entrepreneurs in our study, Caleb and Edward, fell into this category. Similar to Tania, these entrepreneurs felt they had learned a great deal but did not describe an epiphany experience as did the other entrepreneurs. On balance, their learning was not the higher-level learning evidenced by the others. Interestingly, two of these three entrepreneurs (Tania and Caleb) also shared information

about lifelong emotional and psychological issues they continued to deal with. We thus propose a boundary condition that may be necessary for epiphanies to occur and bring about a positive transformation of the failure experience and its attendant higher level learning. Specifically, we conjecture that entrepreneurs would need to possess a threshold level of psychological capital in order for the process depicted in Figure 2 to unfold. Psychological capital is defined as "one's positive appraisal of circumstances and probability for success based on motivated effort and perseverance" (Luthans et al., 2007, p. 550) and is characterized by four psychological resources: efficacy (confidence to take on and put in the necessary effort to succeed at challenging tasks), hope (one's ability to persevere toward a goal), optimism (a positive expectation about succeeding now and in the future), and resilience (being able to sustain and bounce back to attain success when beset by problems and adversity (Luthans et al., 2007; Walumbwa et al., 2010). The construct emerged out of the positive psychology movement (Luthans and Youssef, 2004) and we suggest it as a useful construct when considering which entrepreneurs ultimately gain positive outcomes from failure and which do not.

5.0 Discussion and Conclusion

The purpose of this study was to investigate stigmatization of venture failure from the perspective of individual entrepreneurs who experienced it. We sought to understand how and why stigma affects entrepreneurs and their behaviors and actions. Our purpose enabled identification of micro-level mechanisms pertinent to stigma that underlie the socio-cultural patterns of stigmatization identified in existing research (Begley and Tan, 2001; Damaraju et al., 2010; Lee et al., 2011). It also potentially extends knowledge of the trauma associated with venture failure identified in prior research (Cope, 2011; Shepherd, 2003; Ucbasaran et al., 2013).

We thus implemented a qualitative, narrative approach to address the research question "How does stigmatization affect entrepreneurs and shape their actions as ventures fail?"

Findings revealed the unexpected insight that stigmatization is a process rather than a label. Past research has focused on stigma as a label or mark of discredit for failed entrepreneurs (Shepherd and Haynie, 2011; Ucbasaran et al., 2013) but Figure 2 highlights how stigmatization unfolded as a process for the majority of entrepreneurs in our sample. The figure thus provides a framework for future research that examines stigma from a process perspective. Also unexpectedly, findings revealed that entrepreneurs experienced stigma *before* ventures actually failed. In particular, stigmatization surfaced in the anticipating failure episode and contributed to venture failure because entrepreneurs engaged in behavior harmful to their ventures in an effort to avoid further stigma. This finding calls into question the assumed sequence in the literature which is that failure leads to stigma (Cardon et al, 2011; Lee et al., 2007) when in fact our evidence shows that stigma actually occurred prior to failure; contributing to venture failure and further stigmatization of entrepreneurs. If corroborated by further research, this finding begs the question; could failure have been averted in some of these ventures if pre-failure stigma had not been such a strong force shaping entrepreneurs' actions? Future research could examine this question and the potential of designing practical interventions to avoid impending failure. Such interventions would be of interest to policy makers trying to nurture and support entrepreneurial endeavors such as the European Commission mentioned in the introduction.

Another important and unexpected finding was that of the epiphanies entrepreneurs experienced regarding their experience of failure stigma. Epiphanies transformed the meaning entrepreneurs gave to their experience of stigma from negative to positive. Epiphanies inspired entrepreneurs in the third episode of the collective story to take action to neutralize stigma for

other failing entrepreneurs and to contribute their learning about entrepreneurship and failure to other venture founders and struggling businesses. As such, epiphanies can be seen as another mechanism, in addition to the critical reflection identified by Cope (2011), whereby entrepreneurs come to view failure positively, as an event that was meaningful in their lives and engendered lessons worthy of carrying forward in both personal and professional life domains. Although Cope (2011) did not explicitly link entrepreneurs' critical reflection to stigma, future research could compare these two mechanisms with regard to differences in learning and post-failure actions.

Additionally, findings offered evidence on specific aspects of failure identified in the background literature discussed earlier in the paper. These aspects included the social costs of failure (Cope, 2011; Shepherd and Haynie, 2011; Singh et al., 2007; Ucbasaran et al., 2013), hesitation about risks and adopting new ideas, lack of confidence, and permanently giving up on venture founding (Politis and Gabrielsson, 2009). Table 3 summarized what our evidence indicated for each of these aspects across the three episodes of failure in the collective story. Evidence in the anticipating and meeting failure episodes illustrated how these aspects were exacerbated in the first two episodes. For example, our failed entrepreneurs experienced social costs similar to those identified in existing research including a loss of status, negative reactions from creditors, harsh judgments from family members, and a belief that prospective employers would interpret their failure negatively (see Ucbasaran et al., 2013, for a review of this research). The qualitative, narrative approach sheds some light on how these social costs arose for entrepreneurs because it implied the embeddedness of entrepreneurs in their communities (McKeever et al., In Press) and shows how entrepreneurs took actions to avoid losing status within these communities. For example, David's embeddedness in his church meant that he

perceived a huge social cost if church members found out that his business was in trouble. He kept donating large sums of money to the church in the name of the business in order to forestall any loss of status due to having a business in trouble. Future research could examine the relationship between community embeddedness and social costs of failure more systematically. The entrepreneurs in this study were from towns in a country with a small population. It would be interesting to examine how embeddedness is linked to social costs in densely populated urban areas, particularly global financial centers with extensive venture capital networks.

Insert Table 3 About here

Importantly however, the transforming failure episode in the last column of Table 3 shows how the failure aspects identified in the background literature were transformed positively for participants. In particular, it describes social benefits, hesitation transformed, confidence regained, as well as most participants' openness to starting another venture. The social benefits in particular stand in contrast to the social costs identified in existing literature. Arguably the greatest social benefit to surface was the entrepreneurs' willingness to share their learning from failure with others through mentoring and consulting. This benefit offers the new insight that learning from failure can still be injected into an economy even if failed entrepreneurs do not found a future venture.

This study has three implications for the wider entrepreneurship literature. First, findings reveal mechanisms that can bring about the personal transformation of failed entrepreneurs. In particular, our evidence shows stigma and the resulting epiphanies experienced by failed entrepreneurs functioned as mechanisms whereby entrepreneurs transformed their negative encounters with failure into positive life experiences. While previous research points to

entrepreneurial failure's potential for personal growth (Ucbasaran et al., 2013) and transformation (Cope, 2011), the mechanisms underlying such transformation remain under-researched (Ucbasaran et al., 2013). Our evidence shows entrepreneurs having to struggle with and make sense of failure stigma across the first two episodes of the collective failure story. Fortunately, the epiphanies experienced by most of the entrepreneurs ultimately enabled them to view failure in a positive light, as a rich and transforming life experience. As such, the epiphanies enabled the third episode to be a positive period wherein entrepreneurs enacted change not just for themselves but for other entrepreneurs and organizations potentially in trouble. Specifically, entrepreneurs proactively challenged failure stigma to minimize its effects on others, shared their learning from failure with others, and started successful businesses based on knowledge gained through failure. Findings thus contribute conceptually by offering another mechanism – epiphanies – in addition to the critical reflection suggested by Cope (2011) whereby entrepreneurs transform failure into positive outcomes such as higher-level learning. Epiphanies are different from critical reflection in that they are moments of insight and pivotal realization instead of conclusions based on extended contemplation that unfold over time.

In sum, findings suggest failure stigmatization and resulting epiphanies as process mechanisms that could be explored in future research on entrepreneurial failure. Are particular outcomes, such as future venture founding, more strongly influenced by particular stigma? How does stigma intertwine with failed entrepreneurs' emotions to produce outcomes in the aftermath of venture failure? Entrepreneurial emotion is at present an important and growing topic in entrepreneurship research (Cardon et al., 2012; Jennings et al, In Press) as evidence by a number of the papers in this special issue. We suggest that the context of stigmatization offers an excellent opportunity to explore 1) negative emotions to augment existing research on this topic

(see Shepherd, 2003; Biniari, 2012; Welpe et al., 2012), 2) emotions about the dissolution not just the creation of enterprises, and 3) the extent to which emotions potentially threaten entrepreneurial ventures (Marion et al., In Press). Does the process of making sense of experienced stigma differ for entrepreneurs who go on to found future ventures versus those who avoid further entrepreneurial activity?

Second, findings have implications for learning from entrepreneurial failure. Our findings encourage consideration of multiple means whereby learning from failure is distributed into economies. Existing research tends to see future venture founding as the means by which learning from failure gets distributed (Cope, 2011; Ucbasaran et al., 2013). The implication is that learning is lost if entrepreneurial failure prevents further enterprising activities as implied by existing stigma research (Begley and Tan, 2001; Damaraju et al., 2010). However, our findings encouragingly reveal multiple ways in which learning from failure can be contributed to future entrepreneurship even if failed entrepreneurs do not found more ventures. In particular, failed entrepreneurs passed on learning through mentoring other entrepreneurs both formally, through consulting and employment, and informally. They also passed on learning through other artifacts they created besides new ventures. Findings thus echo the idea of venture failure dispersing resources into the wider economic ecosystem that can be reassembled into new ventures (Ucbasaran et al., 2013). However, our findings suggest ways other than future venture founding in which knowledge resources, in particular, are reassembled. Future research is needed to further explore these different mechanisms whereby learning from venture failure is contributed to society. Considering the findings on epiphany and learning from failure together, we suggest that previously stigmatized entrepreneurs could serve as an important resource for policy makers and organizations wanting to support entrepreneurial activity. Failed

entrepreneurs could give prospective entrepreneurs a realistic preview of the venture founding process and could be available as mentors when difficulties surface.

Third, our findings have implications for venture startups after failure. Existing research suggests that failure stigma would discourage failed entrepreneurs from founding another venture (Begley and Tan, 2001; Damaruju et al., 2001; Lee et al., 2011). However, our findings show the range of individual differences that can manifest with respect to stigma's effects on future venture founding. Importantly, evidence illustrates that, for some entrepreneurs, stigma actually motivated future venture founding and shaped the kind of venture established. Future research could more systematically examine the individual differences suggested by current findings and consider the extent to which venture failure actually motivates, instead of inhibits future venture founding.

We identify four limitations of the present study. First, evidence was collected in one country, New Zealand. Although this design has the benefit of controlling for extraneous factors regarding stigma that might be due to different national cultures (Damaraju et al., 2010), it potentially limits the generalizability of the data. We therefore provide information about New Zealand culture in the methods section and encourage readers to consider findings as exploratory, inviting further research from different cultures. We also note that New Zealand is an Anglo country where the shame associated with failure is less than it is in East Asian countries (Begley & Tan, 2001). Second, the sample consists only of first time entrepreneurs so we are unable to conjecture about the role prior experience with entrepreneurial failure may have played in the experience of stigma. Perhaps prior experience with failure moderates the stigma process surfaced in this research. This possible effect also could be explored in future research. Third, current findings pertain to small and medium sized enterprises and it may be that stigma

varies with the level of loss such that different stigma are present when bigger financial losses due to the failure of a larger company are experienced. We suggest future research that investigates stigma experienced when large entrepreneurial ventures fail. Fourth, there was variability in the time between venture failure and data collection across entrepreneurs. For some participants failure was more recent than for others so that it could be argued their descriptions of stigma were more vivid and contributed to them having a more prominent voice in the collective story. There is also the issue of potential recall bias given the retrospective study design. We, like Cope (2011), see this as a caution but not as overly problematic. In particular, we see entrepreneurial failure as akin to the critical experiences identified by Chell (2004) and participants generally have good recall of these experiences. Indeed, research shows that some information recalled after long periods of time (up to 50 years) is still very accurate (Berney and Blane, 1997).

In conclusion, this paper extends research on the stigma of venture failure to the level of the individual entrepreneur and reveals how stigma shapes entrepreneurs' actions, behaviors, and decisions before, during, and after failure. Entrepreneurs' descriptions of stigmatization are sobering and could be shared with aspiring entrepreneurs in the classroom or through organizations set up to support venture creation. This information may help prospective entrepreneurs see the importance of designing systems to support their nascent venture and to plan for contingencies. Furthermore, findings show entrepreneurs experiencing epiphanies which enable them to reinterpret stigma as positive, transformational, and knowledge generating. Knowledge generated through failure stigmatization is distributed in the economy even when the failed entrepreneurs do not start-up additional ventures. We believe that policy makers wanting

to encourage entrepreneurship would be wise to recognize, celebrate, and harness this knowledge in programs that support entrepreneurial activity.

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Table 1
Description of entrepreneurs and failed ventures

Pseudonym/ experience	Venture founded/ failed	Venture description	After venture failure
Caleb Police force	Founded: 2003 Failed: 2006	Caleb started a transport business wanting to be self-employed and financially "comfortable". He closed it because inadequate funding translated into irrecoverable financial losses.	*Next career move*: Caleb was "determined" to learn about managing businesses. He enrolled at university (accounting). *Future venture?* Will start another venture.
David University student	Founded: 2003 Failed: 2007	David started a construction & property management business because he needed employment and to pay debts. He was "too ambitious" and "expanded the business too quickly" without adequate funding, staff, and systems. Huge financial losses led to bankruptcy.	*Next career move*: David helped build other businesses. *Future venture?* Will start another venture offering guidance to bankrupt entrepreneurs.
Bob Apprentice carpet layer	Founded: 1980 Failed: 1985	Bob started a carpet retail venture with a friend; wanting self-employment and to become a "millionaire". On the brink of bankruptcy due to poor credit management, Bob exited with $30,000 of personal savings left. He ended the partnership, sold his family home, and paid bills he was liable for.	*Next career move*: Bob used his $30,000 to start a small property development business with his wife. It is "successful", makes "good money". *Future venture?* Yes, started one.
Edward Employee in tire recycling company	Founded: 2000 Failed: 2004	Edward founded a tire recycling business that included manufacture and retail. He was motivated by "environmental issues" & financial gains from self-employment. "Inadequate funding" & the high cost of new manufacturing technology created irrecoverable financial losses. He closed the venture to avoid bankruptcy & sold the assets.	*Next career move*: Edward collaborated with researchers to improve the technology of the recycle manufacturing process. *Future venture?* Will start another venture.
Ian Bank marketing	Founded: 1981 Failed: 1986	Ian started a sports retail business. He was motivated by a "passion for sport" & interest in self-employment. "Giving away too many discounts" to customers led to accumulation of heavy debts. The venture was closed due to irrecoverable financial losses.	*Next career move*: Ian works in a mental health organization. *Future venture?* Will not start another business.
Jana Spiritual counselor	Founded: 2007 Failed: 2008	Jana founded a grief gift retail business with a friend to support people experiencing grief. It closed due to partnership issues and inadequate funding.	*Next career move*: Jana was unemployed and was looking for a job to earn a living. *Future venture?* Will start another venture after finding a suitable business partner

Pseudonym/ experience	Venture founded/ failed	Venture Description	After venture failure
Ken Tertiary student	Founded: 2003 Failed: 2008	Ken started a mushroom retail business, motivated by a "passion for mushrooms" and the need to earn a living. However, an unexpected and uncontrollable disease killed the mushrooms, leading to huge financial losses & business closure.	*Next career move*: Ken was unemployed and was looking for a job. *Future venture?* Open to starting another venture.
Larry Computer technician	Founded: 1998 Failed: 2004	Larry and partner began a software sales business; wanting self-employment. "Growing too soon" & partnership issues created financial losses; forcing receivership & closure.	*Next career move*: Larry worked as a sales person and is "living the dream" now after starting up his new consultancy business. *Future venture?* Yes, started one.
Matt Door making apprentice	Founded: 1980 Failed:1981	Matt and friend started a door & window making business. He wanted self-employment but partnership issues led to heavy financial losses and closure.	*Next career move*: Matt fashioned a "successful" career in change management, leadership, and business consultancy. *Future venture?* Open to starting another venture.
Nigella University student	Founded: 2001 Failed: 2007	She started a sun tan boutique to earn a "deposit to buy a home". However, financial losses led to bankruptcy.	*Next career move*: Nigella helped build other businesses. *Future venture?* Will start another venture.
Paula Artist	Founded: 1994 Failed: 2004	Paula began a designer kite retail business. She wanted to earn a living and leverage an interest in kite making. The venture closed due to losses and accumulated debts.	*Next career move*: Paula started another business. It sold art and consulted with art businesses. *Future venture?* Yes, started one.
Tania Administrator	Founded: 2004 Failed: 2008	Tania founded a dry cleaning business with her husband; desiring self-employment & financial security. She sold it for a low price after heavy financial losses due to business relocation and personal sickness almost led to bankruptcy.	*Next career move*: Tania worked in public service. *Future venture?* Unlikely to start another business.

Table 2
Description of data analysis

Analytical device	Description from literature	Ours evolved from	Examples from this research
Open Coding	(Creswell, 2007; Richards, 2009) Reading through interviews, marking passages consistent with 5 or 6 broad codes representing major categories that fit data. Not all data gets coded.	-the research topic and question -ideas about what we might find -the first read through the data (and resulting margin notes)	Open Code: -Experiencing stigma
Expanded Coding	(Creswell, 2007; Morse & Richards, 2002) Reviewing and re-reviewing the data to expand open codes into richer, more elaborated codes. Marking passages consistent with expanded codes. Using analytical memos to conjecture rudimentary theory.	-Open codes and margin notes made during the first few readings of interviews -Some analytic memo-ing (memos about what is happening within open codes)	Expanded codes for experiencing stigma: -Social or self stigma? -Timing of stigma/ link to chronologies -Actions, behaviors, decisions around stigma -Stigma outcomes -Stigma & venture -Positivity about stigma
Theme-ing	(Morse & Richards, 2002; Creswell, 2007; Miles & Huberman, 1994) Abstracting expanded codes into themes. Returning to data and chronologies to test emerging themes captured in analytical memo-ing.	-Analytical memos regarding what was surprising and/ or conceptually interesting. - Returned to data with posed questions, noted speculations, continued to conjecture theory	Stigma Themes: -Castigate self -Expect negative judgment
Theorizing	(Creswell, 2007; Miles & Huberman, 1994) Interpreting the larger meaning of the story in context of lives of study participants. Representing, visualizing theories and processes. Returning to data to "test" emerging theories.	-Ideas generated while theme-ing -Key ideas from existing literature -Suggestions of reviewers/ editors (especially Figure 2)	-Episodes in collective story of stigmatization (summarized in Figure 1) -Stigmatization process (Figure 2)

Table 3
Evidence on Aspects of Failure Identified in Background Literature

	Anticipating Failure	**Meeting Failure**	**Transforming Failure**
Social Costs	-Believed prospective employers negatively judged them (Tania, Bob) -Believed family members turned against them (Tania, Edward, Caleb) -Loss of status or successful image (Paula, Bob, Jana, Edward, Jana, David) -Stopped interacting socially (David, Nigella) -Negative reactions from creditors (Nigella, Larry)	-Mildly shunned by bankers (Ken, Caleb) -Harshly shunned by bankers (Nigella) -Ignored & shunned by suppliers or distributors (David, Nigella) -Treated negatively by friends & family (Matt, Tania, David) -Further avoided socializing (David, Nigella)	*Social Benefits* -Enhanced self-learning from failure (David, Ian) -Passed entrepreneurial learning onto others through mentoring, consulting (Matt, David, Nigella) -Talked openly about failure to reduce stigma (Nigella, Ian, David, Matt) -Designed program to empower others (Ian)
Hesitation about risks, adopting new ideas	-Hesitated to ask for help because of risk that others would know about the precarious state of the business (Bob, Nigella, Matt)	-Delayed career decisions (Nigella, Ian) -Didn't pursue new business idea because failing (Tania)	*Hesitation Transformed* -Started new ventures (Paula, Bob, Larry) -Developed & marketed new product (Ian) -Embraced personal change and self-transformation (Ian, David, Jana) -Challenged stigma (Nigella, Ian, David)
Lack of confidence	-Felt like a loser (Ken) -Felt stupid, like a "bad boy" (David) -Felt like she didn't know what she was doing , wasn't business savvy (Tania) -Felt personally unattractive (Nigella)	-Lost complete confidence, doubted ability to be successful at anything (Ian, Tania, Caleb) -Not confident about making decisions, couldn't trust her judgment (Nigella)	*Confidence Regained* -Felt enthusiasm (Larry, Paula) -Pursued dreams (Bob, Paula, Larry) -Found richer meaning & purpose in life (Ian, Matt) -Wrought & valued self-change (Bob, David, Ian, Matt) -Had pride in difficult decisions made around failure (Bob, Ken, Paula, Tania, Nigella)
Permanently give up on venture founding?	Not applicable	Not applicable	-Ian, Tania permanently gave up on founding; others already started (3), planned to start (5), or were open to starting new ventures (2)

Figure 1. Graphic summary of venture failure episodes

1. Anticipating Failure
Seemingly insurmountable problems

Stigma Themes
-Castigate self
-Expect negative judgment

Actions/ Decisions/ Behaviors
-Delay decisions about venture
-Cover up problems threatening venture
-Escalate commitment to venture, spend more money
-Avoid professional help and social support

2. Meeting Failure
Steps taken to end venture

Stigma Themes
-Perceiving ostracism
-Doubting judgement

Actions/ Decisions/ Behaviors
-Continue to avoid socializing
-Delay career decisions
-Avoid considering ideas for new ventures

Epiphany
-Deep insights about role of ego and attachment in venture failure

3. Transforming Failure
Positive meaning from failure
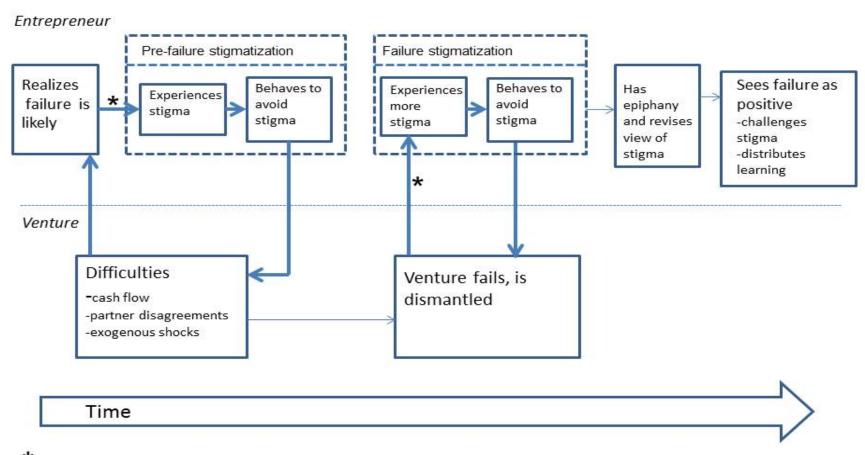
Transforming Themes
-Challenging stigma, viewing failure as learning & wanting to learn more
-Pride in difficult but ethical decisions made about failure

Actions/ Decisions/ Behaviors
-New ventures founded
-New product created
-New technology invested in
-Distribute learning about failure and venture management through mentoring & consulting

Figure 2. A process of entrepreneurial failure stigmatization and transformation

Entrepreneur

Pre-failure stigmatization

Failure stigmatization

| Realizes failure is likely | * | Experiences stigma | Behaves to avoid stigma | Experiences more stigma | Behaves to avoid stigma | Has epiphany and revises view of stigma | Sees failure as positive -challenges stigma -distributes learning |

*

Venture

Difficulties
-cash flow
-partner disagreements
-exogenous shocks

Venture fails, is dismantled

Time

* Thick arrows indicate iterative loops entrepreneur can get stuck in for some time