

BEING RESILIENT WHEN EXPERIENCING VENTURE FAILURE

ABSTRACT

This article is based on the case study of a New Zealand based entrepreneur and is part of a larger study focused on examining how entrepreneurs stay resilient when experiencing venture failure. Rich descriptions from this case study show that entrepreneurial resilience in the context of venture failure is a combination of the ongoing efforts, hope and acceptance. Spiritual beliefs as well as interactions within the social environment nurture hope and acceptance which helps the entrepreneur in being resilient when dealing with the setback of venture failure.

Keywords: Entrepreneurial Failure, Entrepreneurs, Resilience, Adapting to change

Scholars are beginning to acknowledge the impact of venture failure, particularly its impact on the founding entrepreneur (Smith & McElwee, 2011; Singh, Corner & Pavlovich, 2007). Failure has been described as a difficult (Ahmad & Seet 2009); upsetting and costly experience (Coelho & McClure 2005). The entrepreneur may have to face stigma (Politis & Gabrielsson 2009), loss of reputation (Smith & McElwee 2011), grief (Shepherd 2003), discouragement and rejection (McGrath 1999). Inability to effectively adapt to venture failure may lead to serious emotional and financial repercussions (Coelho & McClure 2005; Shepherd 2003; Shepherd, Wiklund & Haynie 2009; Singh et al. 2007). The venture failure can be so overwhelming that it can push some entrepreneurs into taking drastic steps such as committing suicide, or carrying out criminal activities (Smith & McElwee 2011). The purpose of this study is to examine “How do entrepreneurs stay resilient when experiencing venture failure?” By examining entrepreneurial resilience in the context of venture failure, this study will make a contribution to building theory on resilience in entrepreneurship theory literature. Unfortunately, there is limited research on resilience in entrepreneurship theory literature. In the wider organisational theory literature, despite the acknowledgement of individual resilience (London 1988; McCann et al. 2009), there is more emphasis on firm resilience and limited research and understanding of individual resilience. Researchers have suggested that the process of entrepreneurship can be quite stressful (Akande 1994; Boyd & Gumpert 1983); that often an entrepreneur takes a lead role in making venture related decisions (Politis 2005), and that some of these decisions may have to be made in challenging, uncertain and unexpected

situations. Thus, if an entrepreneur were to not have resilience to deal with such a situation, then this could result in ineffective decision-making, have a crucial impact on the performance of the venture, and perhaps even threaten the venture's chances of survival. Moreover, ineffective management of the stressful demands of a venture may also dent the confidence of the entrepreneur, his/her willingness to be involved in an entrepreneurial venture, to take risks, welcome new business ideas (Politis & Gabrielsson 2009) and his/her wellbeing. Understanding of how entrepreneurs can be resilient when experiencing venture failure will pave the way for developing theories on individual level resilience in entrepreneurship and wider organisational theory literature. In the following section, we present a literature review. Next we describe the research methods of this study. Then we present the findings. Lastly we discuss the implications for wider literature.

LITERATURE REVIEW

Resilience is the “ability to persist in the face of challenges and to bounce back from adversity” (Reivich, Seligman & McBride 2011, p. 25). In the 1970's some psychologists became interested in examining why some children developed well despite being at the risk of psychopathology and developmental issues due to genetic or experiential situations (Curtis & Cicchetti 2003). The researchers argued that such understanding would help to design prevention, intervention and social policy programs (Masten 2001). This research on children at risk marked the beginning of literature on resilience that later expanded to include studies on adults in a variety of difficult and challenging life contexts such as death of a loved one (Sandler, Wolchik & Ayers 2008; Bonanno, Moskowitz, Papa & Folkman 2005), abuse (Humphreys 2001; Burton, 2004), war (Maguen et al. 2008), terrorism (Beitin & Allen 2005; Bonanno, Rennie & Dekel 2005; Fredrickson, Tugade, Waugh & Larkin 2003), mental and physical illness (Bellin & Kovacs 2006; Greeff, Vansteenwegen & Ide 2006; Jonker & Greeff 2009; Retzlaff 2007), homelessness (Rew, Taylor-Seehafer, Thomas & Yockey 2001), economic hardship, violence and poverty (Li, Nussbaum & Richards 2007), old age (Kinsel 2005), challenges in college life (Steinhardt & Dolbier 2008), traumatic losses and major disasters (Walsh 2007). The goal was to prevent detrimental outcomes of adverse situations and promote wellbeing through intervention (Eye & Schuster 2000). Despite

resilience being examined in such a wide range of contexts, there is no commonly identified set of situations or qualities crucial for resilience (Luthans, Vogelgesang & Lester 2006) and researchers recommend that more research on resilience should be conducted in different populations (Bonnano, Moskowitz, Papa & Folkman 2005).

Antecedents, Attributes and Consequences of Resilience

Antecedents are those conditions that happen before a concept (Walker & Avant 2005). Attributes are those aspects that are present when the concept occurs and are frequently associated with the concept in the literature (Walker and Avant 2005) and consequences are the conditions or events that take place as a result of the occurrence of the concept (Gillespie, Chaboyer & Wallis 2007). In case of concept of resilience, adversity is the antecedent of resilience (Earvolino-Ramirez 2007; Gillespie et al. 2007). In case of attributes of resilience, earlier studies described resilience as dispositional, trait-like and, therefore, relatively fixed (Masten 2001). This means that a person either had the resilience trait or not (Block 1961). However, now there is increasing agreement that resilience is a common developable capacity (Masten 2001).

Earvolino-Ramirez (2007, pp. 76-77) points out that the defining attributes of resilience are rebounding/reintegration, high expectancy/self determination, positive relationships/social support, flexibility, sense of humour and self esteem/self-efficacy. Likewise, Gillespie et al. (2007, p.127) point out self-efficacy, coping and hope are attributes of resilience. Both studies concur that self-efficacy is an attribute of resilience. The remaining attributes put forward by these studies are also comparable. For example, the term high expectancy/self determination in Earvolino-Ramirez's study encompasses the aspects of having a purpose, feeling a sense of being able to rise above the hurdles, persisting, and surpassing without being defeated by ongoing difficulties that can lead to a sense of "hopelessness" (p. 77). These aspects correspond with future goal orientation, belief that goals can be attained and that pathways to achieving goals can be created and pursued as mentioned in Snyder's (2000) definition of hope cited in Gillespie et al.'s study.

Similarly, Gillespie et al.'s (2007, pp. 129-130) study cites Lazarus and Folkman's (1984) definition of coping: "recurrent oscillation of cognitive and behavioural efforts made by the individual in order to manage internal and/or external stressors that are appraised as excessive" which coincides with rebounding/reintegration, positive relationships/social support, flexibility and sense of humour attributes of resilience in Earvolino-Ramirez's study (2007). For example, appraisal of social relationships as being strong and dependable, making efforts to surround oneself with positive social relationships, using humour to deal with stress in a difficult situation, flexibility, and being open to change according to circumstances can all be different ways of coping. More recent empirical studies on resilience in various contexts have found self-esteem (Lee, Brown, Mitchell & Schirald 2008), optimism (Lee et al. 2008), positive support (Jonker & Greeff 2009; Levine 2009) and hope (Eggerman & Panter-Brick 2010; Mednick et al. 2007) as positive factors of resilience.

Resilience in the Organizational Theory Literature

The perspectives of adversity, adaptation to change, and positive outcomes in the broader literature on resilience are also found in organisational theory literature (Dewald & Bowen 2010). Studies point out various adverse situations such as disruptive technologies, recession, politics, internet crime, terrorist attacks, natural disasters, extreme weather conditions, fire, accidents, infrastructure collapse, and job actions (Dervitsiotis 2003; Foster & Dye 2005; Linnenluecke & Griffiths 2010; Sheffi & Rice-Jr. 2005). Such changes can be quite challenging for an organisation and its people to survive and adapt (Wanberg & Banas 2000) and can impact an organisation's chances of continued existence and competitiveness as well as the well-being of its people. However, in spite of the severity of such adverse events, some organisations have not only adapted and survived but also performed better than normal (Freeman, Hirschhorn & Maltz 2004). It is examples of such organisations that have spurred interest among researchers to examine resilience and acknowledge its significance in the organisational theory domain.

A range of disciplinary approaches has been used to study resilience, for example, leadership (Hunter 2006; Harland, Harrison, Jones & Reiter-Palmon 2004; Stewart & O'Donnell 2007), strategic

management (Hamel & Valikangas 2004; Reeves & Deimler 2009; Reinmoeller & Baardwijk 2005), human resource (Powley 2009), risk management (Ristuccia & Epps 2009), culture (Cheng 2007), and entrepreneurship (Dewald & Bowen 2010). Irrespective of these diverse approaches in the examination of resilience, several studies in the organisational theory literature, as with the wider literature on resilience, recognise resilience as a developable capacity (McCann, Selsky & Lee 2009; Vera & Rodriguez-Lopez 2004). Moreover, in conjunction with the above mentioned theoretical perspectives, the central view of resilience in this stream of literature is of the robustness of an organisation as a unit that can survive, positively adapt and bounce back from a challenging event. The underlying assumption, as Linnenluecke and Griffith (2010) argue, is that when an event involving significant change and/or disruption occurs, resilient organisations can adapt, survive, and perform better than before because such organisations have a certain combination of resources, skills, strategies, and responses in place to deal with the situation in hand. Such a perspective on resilience is useful as it has stimulated research to understand how organisations can be better prepared in terms of handling complex and unexpected situations (Crichton, Ramsay & Kelly 2009; Dam 1982; Dervitsiotis 2003; Gittel, Cameron, Lim & Rivas 2006; Hamel & Valikangas 2003; McCann et al. 2009). However, such a view of resilience “emphasizes the ability of organisations to rarely fail and maintain their performance despite encountering unexpected events” (Linnenluecke & Griffiths 2010, p. 488). Firms do fail and not all firms may be able to survive and turn around crisis situations (Dervitsiotis 2003). As failure is commonly considered as a significant challenging event, it should be included as a context to examine resilience in organisational theory literature.

Moreover, this primary view of resilience overshadows the role of individual resilience in an organisational context. The literature reveals that organisational resilience intervention plans include some element of developing resilience of individuals within the organisation (Dam 1982; Dervitsiotis 2003; Hamel & Valikangas 2003, McCann et al. 2009). Yet there are fewer studies with a direct and explicit focus on examining individual resilience in organisational contexts (Barrett 2004; Luthans et al. 2006; Wilson & Ferch 2005). Examining individual level resilience is important because significant

changes can be quite difficult for people to cope with and the literature suggests that if people have a negative attitude towards change then this attitude can have negative outcomes for the organisation (Wanberg & Banas 2000). Some researchers have argued that organisations can be resilient if people working within these organisations are resilient (London 1988; McCann et al. 2009). Thus, examination of individual level resilience and a focus on the context of failure can lead to a more holistic understanding of resilience in organisational theory. Examining the question: “*How do entrepreneurs stay resilient when experiencing venture failure?*” is a step in this direction.

RESEARCH METHODS

Study Design and Data Collection

As mentioned before, this article is based on larger study examining entrepreneurial resilience in the context of venture failure. Due to space limitations for this conference paper we have included rich descriptions and discussion on one case study. The purpose of this study is to build theory and not test theory. Since the entrepreneur’s viewpoint was the focal point of interest, a qualitative research design was considered suitable (Creswell 2009, pp. 175-176). Moreover, a narrative interview method, a type of interview in which the research participant is provided the opportunity to openly share her/his story without being obstructed as far as possible by the researcher was used in this study (Flick 2009). The entrepreneur was selected because he has experienced venture failure and was willing to share this experience for the purpose of this study. Hence, resilience in dealing with venture failure was understood from the point of view of the entrepreneur who has experienced it. For the purpose of this study we borrow Politis and Gabrielsson’s operative definition of an entrepreneur: “an individual who establishes and manages a business” (2009, pp. 370).

Data Analysis

We followed Strauss and Corbin's (1990) method of analyzing the words, lines and paragraphs of the transcribed interview with Aaron. We found three themes to categorize the data, a significant first step to building theory from qualitative data (Morse and Richards 2002). Patton (2009) argues that description and participants' quotes are the back bone of a qualitative study. An adequate amount of description and "most compelling bits of data" (Pratt 2009, p. 860) are provided for the reader to understand the foundation of how the researcher had interpreted the collected data; at the same time enough interpretation was woven into the description for the reader to comprehend it. As Strauss and Corbin (1990, p.51) suggest, knowledge of existing published literature can sometimes "provide ways of approaching and interpreting data", the findings are discussed in the light of relevant literature.

FINDINGS

Aaron had invested his life savings in a small clothing manufacturing company, which his accountant described as "a marvellous little cash flow business". Six months later, he had to opt for voluntary liquidation. Changes in economic policies and increased competition from overseas firms, led to the collapse of his business. Dealing with the financial institutions, government agencies, creditors, and unions was "extremely difficult" but failure of the business was only the beginning of a series of many other life-altering setbacks for Aaron and his family. He recalls this period as "a very difficult, stressful and a frustrating time". From turning over a million dollars a year, the entrepreneur was forced to spend his remaining savings to pay wages for the staff, sell the family home, and move to a derelict house in another town. Besides the financial challenges, this experience was also a "very emotionally shattering" for Aaron. He felt he had lost his identity with the loss of the business. As he explains, "What we do really says what we are and at my age no one wants to give you a job because you are too experienced and hence, from being a big time clothing manufacturer to being unemployed and living on the dole for 5 years was not an easy transition". The sense of loss and stress affected his health and landed him at the doctor's clinic. Although life after venture failure was far from being unproblematic, the remaining part

of the findings section provides rich descriptions of what enabled Aaron to adapt to and bounce back from this setback.

Family and friends

To adapt to the multiple challenges in an uncertain and a bleak situation was not easy. Aaron explains that he would have not been able to adapt and bounce back from this setback without the constant support from his family:

My rock at the time was my wife and kids. If I didn't have the stability of my wife, we wouldn't have gotten as far as we have gone. We lived in a house that my son was building and then camped in our daughter's home for a few months. It was my wife's idea to move away from this big city to reduce our cost of living and buy this house. It was derelict at the time but we slowly renovated it. My wife is wonderful. She has been a brick. There were the down days when I thought 'I am such a failure' and then I would here the kids say 'No dad you are not a failure'.

Aaron also described how his friend had introduced him to painting classes in an effort to cheer him up and help him feel relaxed:

When I was at my worst, it was one of my friends who asked me to go with him and enroll in a painting workshop. He even paid for the workshop. It [painting] was an amazing experience. I felt very relaxed and I did not feel any stress when I painted. I felt I was born again!

Aaron's friend's supportive attitude and suggestions to deal with stress enabled him to get a break from the constant dwelling on the venture failure setback and helped him feel calm and rejuvenated.

Spiritual beliefs

Aaron also described how his spiritual beliefs were a powerful source of resilience during this episode of this life:

I had a friend who was in the same industry and facing the same crisis but he committed suicide. Even though it was very stressful, I never got to the stage of contemplating suicide because my strength came from commitment to the Lord who is our saviour. Our faith was tested but if our trust were not in Jesus then we would have come apart totally. It was this scripture, God's word that steered my life in the positive direction. It read something like this: 'He who lights the fires says the Lord, you should get from me nothing but ashes'. I was making a lot of effort to get off the dole and get a job. I was shattered, not sleeping in the night and the scripture said if you light your own fires, you would just get ashes! I thought does God mean that I do not have to push and stress so much because He is there to take care of it all. It was only about twenty words in that scripture but it changed my whole attitude. I really took this on board as a word from God, backed off and became more relaxed about the whole situation. God wants to see what you are made of. Having said that God has a plan for you, the faith needs to be active. I think the two are compatible with one another. On one hand, there was the getting on and doing stuff and on the

other hand, it was allowing God to close some doors and open new ones. If you are stationary, it is very hard for you to go through a door that God might open, the motivation still needs to be there. Today I am watching God make it all happen as my artwork sells all over the world.

The above excerpt shows that Aaron's spiritual faith acted as a buffer against stress and defeating thoughts. He was able to hold on to positive views about the future as he believed that the ultimate control of what happened in his life lay with the higher power. He believed that venture failure was part of the larger plan of the purpose that God had for him. Such a belief created a sense of temporariness in relation to the ongoing challenges as a result of venture failure.

Positive distraction

Aaron also perceived being involved in painting as pivotal to his resilience. Aaron loved painting from the very first day of the workshop. It was a joyful, therapeutic and inspirational experience which allowed his mind to take a break from the constant dwelling on the looming uncertainty surrounding his life. He started to think about starting a new business that would involve selling his paintings but at the same time also felt reluctant to pursue this new business idea given the self doubt that plagued his mind because of venture failure. With his spouse's support, Aaron felt motivated and got involved in developing the new business:

My wife helped set up the gallery in the basement of our home. When people started asking if I would teach painting, my wife started making up a list of few names to give the idea of painting classes a go. Six of the ladies my wife rang came to the class and in next class 12 people turned up. My wife looked after the gallery and I just painted. Now I have regular classes in New Zealand and have travelled to many international destinations.

Aaron's passion for painting hasn't faded over the years. He intends painting for the rest of his life.

DISCUSSION AND CONCLUSION

The purpose of this article was to examine "How do entrepreneurs stay resilient when experiencing venture failure?" Findings from Aaron's case study, a New Zealand based entrepreneur indicate three overarching themes of: family and friends, spiritual beliefs and positive distractions that helped him stay resilient when venture failure triggered many changes his life and consequently he grappled with feelings of failure and stress in this uncertain and challenging situation. The framework

(See Figure 1) developed from the findings shows that the resilience to deal with the challenges after the venture failed was a combination of hope and acceptance that was nurtured by friends and family, spiritual beliefs and positive distractions.

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Negative ideas corrode hope making people pay more attention to their failures (Riskind 2006, p.179). Winnicott (1965) puts forward that when people are dealing with baffling experiences and emotional setbacks, they may need a safe holding environment; compassionate spaces where they can without hesitation express their emotions and invulnerability and interpret their painful experiences. Aaron's family and friends and his belief in the caring presence of God offered him a compassionate space to deal with venture failure. The stable, gentle, and empathetic presence of Aaron's family and friend boosted his morale and belief in this ability to withstand the challenges and bring his life back to normal again. His family remained patient and calm despite having to experience financial uncertainties and other changes due to venture failure. They offered help in whatever way possible, shared ideas, were nonjudgmental, and encouraging. This stability of supportive relationships and faith in God when many aspects of life were disrupted because of venture failure was instrumental in nurturing a sense of hope in Aaron, that is, not all was lost and the problems could be managed as he was not alone. Being hopeful meant that the entrepreneur believed that venture failure was a temporary and survivable setback; he had the determination to overcome the challenges that occurred in his life as a result of this setback and had the goal to positively turn around his life even though ideas on how to achieve this goal were not straightaway apparent. Hopefulness was evident in his inclination to keep trying to improve life despite what he was encountering on a day-to-day basis. Hopefulness was also evident in trying out new things, such as painting, being open to new ideas in improving the current situation and in positive spiritual belief such as "He [God] is there to take care of it all". In psychology research, hope is "defined as a cognitive

set that is based on a reciprocally derived sense of successful: (a) agency (goal-directed determination) and (b) pathways (planning of ways to meet goals)” (Snyder et al., 1991, pp. 570-571).

While Aaron’s family set an example of a resilient approach by being proactively and positively supporting him in dealing with the different challenges that occurred because of venture failure, he also described how his life was steered in a positive direction upon understanding that venture failure and his failed attempts to get a job were part of God’s purpose and that he must allow God to open doors for him. His spiritual beliefs inspired him to keep working at his problems but simultaneously be more accepting of hurdles that came his way. Thinking of venture failure as a part of God’s will made it easier for Aaron to tolerate the challenging circumstances such as job application rejections and move on from thoughts of what went wrong and how his life had changed to proactively facing the challenges and willingly working towards a positive future even though the situation appeared bleak and uncertain. Hence, spiritual beliefs not only helped to restore Aaron’s hope but also acceptance of the venture failure experience. An accepting stance in relation to an experience means to be willingly available and tolerant of the various aspects of that experience instead of attempting to avoid or escape from the painful and worrying aspects and extend the pleasant ones (Williams & Lynn 2010-2011). However, an accepting stance does not mean being passive; it means being able to acknowledge the blatant reality of that experience (Williams & Lynn 2010-2011), understanding the difference between what can and cannot be changed (Hayes 2002) and committing to change despite the distress related to that change (Williams & Lynn 2010-2011). Positive connection between accepting an experience and individual resilience was found in a recent study examining the resilience of older rural women. The study found that these women had been a part of the world war era and accepting war as a reality that could not be changed because it had already happened is what helped them stay resilient (Dorfman, Mendez & Osterhaus 2009). Findings of the current study add to this limited empirical evidence that an accepting stance towards an experience nurtures resilience because it allows one to proactively face rather than avoid the situation. Moreover, the current study shows that spiritual beliefs and social support from family and friends facilitate the acceptance of an experience.

Painting was a positive distraction for Aaron that helped to cultivate a sense of enjoyment and normality, a break from the constant overwhelming feeling of hopelessness, doom and gloom. Working towards the goal of starting up a gallery shifted Aaron's focus from despair surrounding the here and now to the promise of the future. Doing new and interesting things can reinforce the "calming effect of hope" (Folkman 2010, p. 905) and has the potential of "putting us back together again" (Bryson 2004, p. 326). Shepherd (2003) referred to getting away from the feelings of loss as the avoidance aspect of restoration orientation, a helpful part of recovering from a loss in life.

In increasingly turbulent environments for businesses, this article is a timely response to a need to understand entrepreneurial resilience when confronted with business failure. By examining entrepreneurial resilience in the context of venture failure, this study expands the primary view of resilience in organisational theory literature. Additionally, the article offers an in-depth insight into the role of social support from friends and family, spiritual beliefs and positive enjoyable activities as crucial sources of entrepreneurial resilience. This study can be used as a starting point by mentors and educators involved in entrepreneurship courses as a means to draw attention to personal and practical challenges related to venture failure and to encourage students to deepen their understanding of entrepreneurship by not only analysing business skills and expertise taught via course curriculum in relation to venture failure, but by also considering how their social environment and spiritual beliefs can influence their venture-related endeavours and help them in dealing with problems they encounter when enacting entrepreneurship. By using the framework, the students may learn to better appreciate the idea that entrepreneurs do not fly solo when they embark on the journey of entrepreneurship (Cope, 2010). The study can also be a useful starting point for entrepreneurs, and the families of entrepreneurs who are currently experiencing the setbacks of venture failure, to make sense of their own experience. Getting to know about similar experiences others have endured and survived can be healing and reassuring (Smith & McElwee, 2011). The entrepreneurs and their families caught up in such an event can analyse for themselves the disruption in their own life and their progress in adjusting to and bouncing back from this incident.

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Figure 1: Being Resilient When Experiencing Venture Failure

