WHO FAILS OVER AND OVER AGAIN AND WHO LEARNS FROM FAILURE? (SUMMARY)

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SUMMARY

WHO FAILS OVER AND OVER AGAIN AND WHO LEARNS FROM FAILURE?

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Principal Topic

The habitual entrepreneurship and entrepreneurial learning literatures assume that prior entrepreneurial experience (whether success or failure) leads to better performance in subsequent entrepreneurial endeavors because entrepreneurs learn from their experiences and implement their new knowledge (e.g., Politis, 2006). The empirical evidence, however, is inconclusive (Ucbasaran et. al, 2008). Little is known about what entrepreneurs learn from experience, which experiences lead to important learning outcomes and what influences the learning process. Cope (2003), for example, found that discontinues events can result in higher order or double loop learning. Shepherd proposes that grief experienced from firm failure can inhibit learning. Building on these insights we draw on attributional theory to help explain the antecedents and consequences of learning from firm failure.

Method

In line with other studies which have explored entrepreneurial learning (e.g. Cope, 2003) we use an explorative case study approach. Semi-structured interviews were conducted with nine individuals who had owned and managed a firm which had gone bankrupt during the previous year and with two individuals who had experienced a firm bankruptcy approximately eight years earlier. This should be a sufficient number of cases in order to draw analytical conclusions (Eisenhardt, 1989; Yin, 1994).

Results and Implications

Based on the results from the case studies we suggest a model to explain why some entrepreneurs do not seem to learn from their prior entrepreneurial experiences. We suggest that attributions for the failure influence motivation as well as learning and as a result, those that learn the least are the ones most motivated to re-enter. In other words, there is a negative selection of individuals who re-enter entrepreneurship. Those entrepreneurs who attributed the failure to their own actions described rich learning outcomes. Their motivations for re-entry were dependent on how well they coped with their grief. On the other hand, those entrepreneurs who attributed the failure to external factors, for example, it was the fault of their business partner, draw very few learning outcomes from the experience. They often had intentions to re-enter and in one cases had already done so.

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