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ATTRIBUTIONS, LEARNING AND THE MOTIVATION TO RE-ENTER AFTER FIRM FAILURE

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Principal Topic

It is commonly accepted that entrepreneurs learn from experience (Cope, 2003; Rae & Carswell, 2001). While, much is known about the importance of knowledge to the entrepreneurship process (e.g. Shane, 2000); less is known about how that knowledge is accumulated (Politis, 2005; Unger et al., 2010). Failure in particular is often cited as an important catalyst for an entrepreneur’s learning (Corbett et al., 2007; Shepherd, 2003; Sitkin, 1996). Failure signals what was not working and adjustments to behaviour can be made (Minniti & Bygrave, 2001), and it can trigger double-loop learning where entrepreneurs fundamentally change their perception of business management (Cope, 2003).

However, for the benefits of learning to be realised the entrepreneur must be motivated to re-enter self-employment and apply the lessons learnt. As firm failure results in emotional and financial costs (Shepherd et al., 2009), it is not automatic that entrepreneur will be motivated to do this. Building on Weiner’s (1985) attributional theory, I develop and test a theoretical model that examines learning from failure and motivation to apply the lessons learnt.

Method

To test the theoretical model I developed a unique database of entrepreneurs who recently filed for firm bankruptcy. 310 telephone interviews were conducted (response rate 31%) directly followed by a mail questionnaire. After a three-wave mailing 147 valid mail questionnaires were returned (response rate 14,7%). Where possible established measures were used or adapted to the empirical context. Hierarchical linear regression modeling was used to test the hypotheses.

Results and Implications

Previous research has focused on the importance of experience for entrepreneurial learning, however, the underlying mechanisms which influence what entrepreneurs learn from experience have yet to be identified (Cope, 2003). The findings from this research provide support for attributions for the failure being one mechanism which influences what entrepreneurs learn from experience.

Moreover, the findings explain a result that has long puzzled researchers – that entrepreneurs do not always to learn from their prior entrepreneurial experiences. Focusing specifically on failure, I suggest that attributions for the experience influence motivation as well as learning and as a result, entrepreneurs who learn the least are most motivated to re-enter. In other words, there is a negative selection of individuals who re-enter entrepreneurship.

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