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LEARNING FROM ORGANIZATIONAL FAILURE IN ENTREPRENEURSHIP - THE IMPORTANT ROLE OF ERROR MANAGEMENT (SUMMARY)

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≈ SUMMARY ≈

**LEARNING FROM ORGANIZATIONAL FAILURE
IN ENTREPRENEURSHIP - THE IMPORTANT
ROLE OF ERROR MANAGEMENT**

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Principal Topics

Learning from failures is a key success factor for entrepreneurs (Petkova, 2009). However, experiencing failures does not automatically lead to learning (Cannon & Edmondson, 2005; van Gelderen). Unfortunately, research on the conditions that foster learning from failure is still limited (Petkova, 2009). Based on action-regulation theory (Frese & Zapf, 1994), we extend this important research topic by introducing error orientation (Rybowiak et al., 1999) as a moderator of the relationship between organizational failure and learning. Organizational failure is defined as a considerable deviation from an expected and desired goal in an organization (e.g. business) (Cannon & Edmondson, 2005) and includes large and small failures.

Method/ Key propositions

We conducted a longitudinal study with weekly measurements over a period of 12 weeks from October to December 2014. The sample consisted of university students from Uganda and Kenya, who participated in a 12-week action-oriented entrepreneurship training (Gielnik et al., 2015). Students started real microbusinesses in the course of the training and thus went through the complete entrepreneurial process. Data were collected via questionnaires. Error management comprised two subscales, error mastery and error aversion, which were measured in a baseline questionnaire before the training. Extant of organizational failure was measured every other week. Entrepreneurial learning and business success were measured every week.

Results and Implications

Our sample consisted of 179 individuals and 1969 observations. We tested our hypotheses using hierarchical linear modelling with lagged effects (Bliese & Ployhart, 2002). Results show that error orientation moderates the relationship between failure and learning. Specifically, organizational failure related positively to learning in the following week if error mastery was high and related negatively to learning if error aversion was high. In addition, entrepreneurial learning was related to business success in the following week. We make several contributions to the literature. Our findings suggest that error orientation is a crucial condition influencing learning from failure. Furthermore, we focus on organizational failure. Previous research has mainly focused on business failure (Byrne & Shepherd, 2015; Cope, 2011) while neglecting how entrepreneurs learn from more frequent negative experiences such as organizational failures.

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