LEARNING BY FAILURE AND REAL OPTIONS REASONING IN THE ENTREPRENEURIAL CONTEXT: LESSON FROM TRANSITION ECONOMY (SUMMARY)

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SUMMARY

LEARNING BY FAILURE AND REAL OPTIONS REASONING
IN THE ENTREPRENEURIAL CONTEXT: LESSON FROM TRANSITION ECONOMY

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Principal Topic

The process of starting anew after failure has been poorly recognized so far. To explain why some individuals become serial, while others remain novice entrepreneurs we propose to consider their learning abilities. We follow the assumption that entrepreneurs who can learn by failure are more likely to become serial entrepreneurs (Ucbasaran, Wright, Westhead, & Busenitz, 2003). Yet it is still little known what entrepreneurs learn by failure.

For some entrepreneurs loss of the venture may damage self-efficacy and motivation to start another one (Shepherd, 2003). There comes a question how entrepreneurs can benefit from failure of the venture and become successful serial entrepreneurs. The concept of real options reasoning seems to be promising for enriching the static theory of organization as it introduces dynamics related to the possibility of learning (Foss, 1998; McGrath, 1999). Therefore the question how entrepreneurs can use real options logic to improve learning by failure arises.

Method

This study used a multiple case design. The research sample was chosen using two criteria: number of previous ventures and results of the ventures. Twelve novice and habitual, both failed and successful entrepreneurs were chosen. Both narrative and in-depth interviews were conducted with these four groups of entrepreneurs. Data analysis followed the guidelines suggested for multiple case study.

Results and Implications

Our research findings emphasized the significance of learning by failure for the ability and willingness to start anew after failure. We found that entrepreneurs may use experiences gained from failed ventures to build a subsequent successful one. Additionally, running ventures entrepreneurs learn what their expectations about their further career are.

We identified six barriers to the learning process. The results suggest that applying real options logic entrepreneurs can diminish these barriers and, in consequence, build their knowledge potential. We also found that entrepreneurs who follow real options guidelines can improve their ability to determine the appropriate time for exiting venture. Implications for practice including enhancing ability of learning by failure and applying real options reasoning to the entrepreneurial process are suggested.

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