ANGER, GUILT OR SHAME? A STUDY OF EMOTIONAL RESPONSES TO FIRM FAILURE (SUMMARY)

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SUMMARY

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Principal Topic

A small and growing number of studies have started examining entrepreneurs’ reactions to business failure, proposing that entrepreneurs experience grief when their businesses fail (Shepherd, 2003; Shepherd et al., 2008; Singh, 2007) and that grief in turn can influence learning and recovery. Grief is a made up of a number of emotions, for example, denial, anger, depression and individuals can vary in the intensity in which they experience these emotions (Hogan, Greenfield & Schmidt, 2001). Building on these insights, we explore the antecedents and consequences of entrepreneurs’ emotional responses to the failure of their firms.

Method

In line with other studies which have explored entrepreneurs’ responses to firm failure (Singh et al., 2007) 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 develop a number of propositions which explain entrepreneurs’ emotional responses to firm failure and their implications for re-entry intentions. We found that entrepreneurs’ emotional responses are dominated by either a sense of relief or feelings of grief. Those entrepreneurs who felt relieved after the bankruptcy described the lead up to the bankruptcy as very stressful. The bankruptcy signalled an official end to this. Relief is often felt when it is thought that the worst is over (Roseman and Evdokas 2004). These entrepreneurs usually blamed external factors for the bankruptcy and in line with attribution theory felt anger. They had either started a new firm since the bankruptcy or had high intentions to do so. On the other hand, those entrepreneurs who felt grief after the bankruptcy described a feeling of loss and drew analogies to grief. In line with attribution theory they often cited internal factors as causes for the bankruptcy. Their re-entry intentions depended on how well they recovered from the experience.

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