THE ROLE OF BURNOUT IN VENTURE FAILURE (INTERACTIVE PAPER)

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INTERACTIVE PAPER

THE ROLE OF BURNOUT IN VENTURE FAILURE

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Principal Topics

“Organizational failure” is often viewed as the result of poor financial performance or the lack of fit between an organization and its environment. Little research, however, has investigated specific non-financial antecedents of firm failure. We propose that job burnout is a primary determinant of venture failure. Job burnout is a psychological syndrome that involves chronic emotional and interpersonal stressors at one’s job and the individual’s subsequent responses to the work, job, coworkers, clients, organization, and themselves. Our aim is to extend theory by proposing a relationship between burnout and venture failure.

Key Propositions

We propose that exhaustion and disengagement are antecedents to venture failure. Exhaustion is a result of intense physical, affective, and cognitive strain which may result from prolonged exposure to certain demands. Disengagement from work can be defined as distancing oneself from one’s work while experiencing negative attitudes toward the work object, content, or the work in general. Our theoretical model suggests a positive relationship between both exhaustion and disengagement from work and venture failure. In other words, we propose that ventures are more likely to fail when the entrepreneur has feelings of exhaustion or disengagement from their work. We also propose several variables that we expect to moderate these relationships. More specifically, we expect that financial performance moderates each of the relationships previously described such that exhaustion and disengagement from work are more closely associated with venture failure when financial performance is poor. We also expect that a poor fit between a firm and its environment will also enhance the stressors on entrepreneurs. Thus we propose that the fit between a venture and its environment would moderate each of the relationships previously described such that exhaustion and disengagement from work are more closely associated with venture failure when environmental fit is low.

Implications

For researchers, we believe this paper will make several important contributions to the burnout and entrepreneurship literatures. First, this research moves the discussion of venture failure from the firm level to the individual level. Second, theory is developed to relate entrepreneur burnout to venture failure. Lastly, firm performance and environmental fit are introduced as moderators of the relationships between burnout and venture failure. For entrepreneurs, this research provides a model that helps to clarify why ventures fail. This may lead to better strategies for recognizing and dealing with burnout.

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