

Analytical Authoethnography

**“Entrepreneur, keep learning and enjoying your
entrepreneurial journey”**

Eloísa Dutari

**Final paper
Master Programme in Entrepreneurship
Lund University, Sweden
May 30, 2011**

edutari@gmail.com

INTRODUCTION

In January 2010, I wrote an statement of purpose which lines were the beginning of what has been my “journey” as an international student of a programme in Entrepreneurship in Sweden“I have been looking for options to develop my entrepreneurial skills and to enhance my knowledge as much as my background and I have found in the Master Programme in Entrepreneurship of Lund University the most integral opportunity to do so. In this regard, the action oriented approach¹, the interaction with actors from the industry and the academia as well as my interest for several key learning outcomes described in the pensum, are among my main reasons to apply and motivations to join the Programme. Notwithstanding....I would like to take advantage of the time and the framework of the learning period, to initiate and carry out my own entrepreneurial project. Thus, seeking to pursue an entrepreneurial career, I am very much looking forward to access the valuable knowledge and experiences that the programme provides and therefore, to be selected as a student and candidate for the Master in Entrepreneurship in Lund University. The..... ”².

Among 1335 applicants from over 11 countries, I was part of the selected group of 25 international candidates that started coursing the one year programme in entrepreneurship in August, 2010³. I was extremely happy and motivated to take advantage of such opportunity to really get “formal” knowledge on entrepreneurship and to work in developing my own business idea during the year of studies. By that time, I had just thought about working in an idea related to sustainability and/or, green businesses and/or tourism and/or an internet based businesses⁴. Also, since I had the opportunity to visit good Swedish friends in 2003, 2007 and 2009, I was very much looking forward in sharing more with them, in real rather than virtual life. During my trips to Sweden, I had really appreciated and enjoyed the Swedish nature, landscape, people, sustainable oriented culture and the beauty of Stockholm.

¹ For details, refer to the Programme Curriculum for Master Programme in Entrepreneurship of Lund University as approved by the Board of the School of Economics and Management on April 13, 2007 and amended in December 19, 2007 and April 10, 2008.

² Eloísa Dutari, extracted from the Statement of Purpose for the Master Programme in Entrepreneurship in Lund University, p.1., submitted in January 2010.

³ Letter of Acceptance issue on June 1, 2010 by the Programme Manager of the Master Programme in Entrepreneurship.

⁴ Related to those areas of interest, I expressed my intentions in the video in which I pitched an idea during the second round of selection for the Master Programme, in my first day of class and in an email sent on October 2010 to my class.

Nine months after my journey as a student of entrepreneurship started and now when I am almost to finish the master programme, I can only conclude that this time, as an international student, as classmate, as teammate, as co-founder, as entrepreneur, as a Panamanian living in Sweden, as a person, as a woman, has been one of the most valuable learning periods of my life. During this months, many times I have learn while enjoying and smiling from my heart and many other times, while just trying to smile. This has been so not because of pretending, but rather because I have known and remember who I am. In a great extent, because of what I have learn at home with my family and also, feeling myself part of what my home country and culture means to me in many ways. We enjoy, we celebrate, we share, we work, we dance and we smile, but on the top of all, we keep our faith up, no matter what.

For me, the entrepreneurial knowledge and learning has come in different ways and from different sources in different times. As expected, I learn from the lectures new concepts and theories linked to entrepreneurship. But far beyond from the theoretical part, trough my learning experiences, I have come to understand and feel entrepreneurship more as an attitude, culture and a way of living than as a goal, occupation or career. More as an experience in which we, the individuals, the entrepreneurs are like “voyagers and explorers” with an inner call to constantly seek for “adventures and rewards”, of different types, in promising destinations and/or opportunities on our own or with others. Is like a never ending experience of creation, like life itself, with ups and downs. Nothing is wrong or bad, everything is just part of the journey, is just part of life, is part of evolving. As in any other trip, one, the entrepreneur, can always choose to go back “home”, to go where you feel save, where everything is known or were there are less uncertainties and more comforts. But also, only us, the entrepreneurs, know to which extent, the passion, expectation, innovation, new creation, profitability, investment, adventure, partners, experiences, learnings, friends, opportunities, people, individuals, potential outcomes or in general, which motivations are “good enough” for keeping us, in a particular moment of our lives, in one or another side, - in - on going- or - out -, of the entrepreneurial journey - the entrepreneurial experience - the entrepreneurial process.

During my studies I have experienced, witnessed and learn from entrepreneurial experiences embraced in the different stages of the entrepreneurial processes. Within the programme, as some of my classmates, I took advantage of the time, resources and the action oriented approach of the programme, to develop my own business idea from the scratch. I have been lucky enough to work

with a positive, creative, organized, intelligent, proactive, enthusiastic and supportive classmate, teammate and nowadays friend, David. We have worked with the aim of setting up a company related to the tourism industry⁵. Among my other 40⁶ classmates, some of them choose to commercialize products. Others decided to work commercializing inventions of the University. Some of them had start-up and entrepreneurial experience. A few of us have been at least partially “self-employed” and/or running a businesses. Others joined the programme after have finished their bachelor or first master degree. In one way ore another, we all started our journey as students of entrepreneurship within the programme. Each one of us choose during the year to follow one or another path. To have one or another attitude towards the experiences, opportunities and possibilities available within the master programme, Lund and Sweden, our “common” platforms during this period. Entrepreneurial, professional, personal, familiar or individual reasons and priorities have definitely influenced our decisions. Again, nothing has been wrong, bad, better or worst, it has only been, in my opinion, about choices and decisions made on one or another bases.

So, while developing our entrepreneurial project in the programme, we all have had opportunities and we have faced challenges during the process. This is something I specially noticed in the sessions we had every two weeks, in which all or most of the teams/entrepreneurs shared and updated with the classmates the status, progress, achievements and problems faced with the projects⁷. Every time we got together, I perceived and felt that we were like part of a cycle, some weeks, some of us were up and some other weeks we were down or some other weeks we went nowhere. In different opportunities, I felt, related, perceived and shared different emotions, attitudes, strategies, solutions, successes, failures and learning approaches. The University also provided us with office space within a business incubator, mainly occupied by entrepreneurs leading start-ups⁸. In my opinion and experience, this definitely had an extremely positive impact in enhancing and strengthening the opportunities for collaboration, learning, networking, socializing and sharing as well as in immersing us in a culture driven by more innovative and market approaches. I have enjoyed the great opportunity of getting in touch almost in a daily bases with entrepreneurs from my class and from the incubator, all of us, with very diverse backgrounds and

⁵ For more information, visit www.machuuza.com or follow us in <http://www.facebook.com/pages/Machuuza/112834332130128>

⁶ The 42 students in the programme include both, the selected international and Swedish students.

⁷ For more detail, contact the student, entrepreneur and project leader of the initiative, Alexander Okl, alexander.fw.okl@gmail.com

⁸ For general information about the incubator, visit <http://www.ideon.se/>

nationalities. Nowadays, I have good friends in both groups. Again, in our conversations, I have perceived and/or related myself, several times, to the challenges, opportunities, situations and in some cases, to the emotions that they were feeling as a consequence of their entrepreneurial experiences and ventures.

I have found extremely valuable to observe, experience, realize and confirm with other entrepreneurs as with myself, that in general, when we keep our attitude and emotions positive, we generally perform better and enjoy more what we are doing. I have also noticed that in this stage, we tend to be more open to look and learn from experiences in different positive ways. We also better solve problems and overcome challenges at the same time that we keep identifying, exploring and taking actions to exploit new opportunities. Furthermore, it seems that it is then when our entrepreneurial and personal perspectives develop faster in a good way. On the top of all, is when one feel more optimistic and confident of what is to come, despite of the uncertainties.

Uncertainty is a relevant element directly linked to entrepreneurial actions and entrepreneurial processes (Hisrich et al, 2010). The entrepreneurial mindset has been defined as “the ability to rapidly sense, act, and mobilize, even under uncertain conditions” (Ireland et al, 2003). Whereas uncertainty is perceived as an “ally” to exploit business opportunities (MacGrath, 2000) is also related to the possibilities of the entrepreneur to fail (Hisrich et al, 2010). Failure can be defined in different ways and experienced in different forms and stages of the entrepreneurial processes, but in any case, negative emotions might be experienced as a consequence of failure and have been related with negative impact in the entrepreneur’s motivation, self-efficacy and learning (Simpson & Marshall, 2010). Studies have indicated that learning from failure and having a positive attitude toward it is important for entrepreneurial success as well as for moving forward from failure (Politis & Gabrielsson, 2009). “Metacognition refers to the ability to reflect upon, understand, and control one’s learning” and has been deemed as a promotor of cognitive adaptability (Schraw & Sperling, 2011). Cognitive adaptability is a relevant to entrepreneurs as it refers to “the extent to which entrepreneurs are dynamic, flexible, self - regulating, and engaged in the process of generating multiple decision frameworks focused on sensing and processing changes in their environments and then acting on them” (Hisrich et al, 2010). In this framework, theory suggests that for entrepreneurs, it is highly relevant to learn from experiences, including the ones that could be qualified as “failures” and therefore, to be able to manage the negative emotions that could hinder

or negatively affect their recovery and learning processes. My primary interest in those theories comes from what I have experienced during the programme, as described in previous paragraphs.

The purpose of this analytical autoethnography is to share my experiential and theoretical reflexions on *how entrepreneurs keep a positive attitude and learning approach during the entrepreneurial process, specially when facing failures*.

First, I will analyze some theories related to entrepreneurial learning and recovery processes. The analysis is made in the light of my own experiences, which directly and indirectly involve the experiences of other entrepreneurs, from whom I have learn and with whom I have shared during my studies. Second, it is also my aim to identify simple and useful practices followed by entrepreneurs, which have proven to be useful when recovering and learning from failure as well as for keeping a positive attitude in their life as entrepreneurs.

Last but not least, I want to recall and statement that I found during this short period of research, which pretty much summarize one of the key reasons why I decided to focus this paper on this subject matter. I strongly support and believe that “entrepreneurs who failed were still entrepreneurial, and indeed, entrepreneurs”⁹.

THEORY

Key concepts, definitions and theories that are to be analyzed in a later section follows:

Entrepreneurs and risk

Different definitions have been provided for the term “entrepreneur”, specially given the “scholarly migration” in entrepreneurship research trough history (Landström & Bennerwith, 2010). Despite of the diverse and plural number of definitions agreement has been reached in the type of behavior of entrepreneurs: “(1) initiative taking, (2) the organizing and reorganizing of social and economic mechanisms to bundle resources in innovative ways, and (3) the acceptance of risk, uncertainty, and / or the potential for failure” (Shapero 1975)¹⁰.

⁹ Organization for Economic Co-operation and Development (OECD), Entrepreneurship Indicators Steering Group, *A Framework for Addressing and Measuring Entrepreneurship*, 2007, p.5 and 22, <http://www.oecd.org/dataoecd/21/51/39629644.pdf> , accessed May 2011.

¹⁰ Albert Shapero, *Entrepreneurship and Economic Development* (Wisconsin: Project ISEED, LTD, The Center for Venture Management, Summer 1975), p.187, in Robert D. Hisrich, Peters, Michael P. Peters, Dean A. Shepherd, *Entrepreneurship*, (New York: McGraw Hill International Edition, 2010), p.6.

Risk and fear of failure

The Global Entrepreneurship Monitor Report (GEM, 2010, p.17) refers to fear of failure as the “level of risk individuals might be willing to assume to start a business”. As Miller & Reur (1996) have pointed out, “risk can become manifest in failure”¹¹. From this report, I am going to quote a paragraph which I have found concise and with a practical application towards the potential impact of perception about entrepreneurial failure and risk: “Sometimes, the downside risk of failure outweighs even the most promising gains imagined in the event of success. In other words, even if the expected returns from entrepreneurship are considerably higher than the next best alternative, the perceived risks of starting a business may nonetheless deter some individuals. Risk-taking propensity can therefore play a significant role in the transition from potential (or latent) entrepreneurship to actual business starts”¹².

The entrepreneurial process and failure

The entrepreneurial process is related to the creation of “something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks and uncertainties, and receiving the resulting rewards of monetary and personal satisfaction” (Hisrich et al, 2010, p.7). Developing on their definition, Hisrich, Peters and Shepherd point out that it is a must for entrepreneurs to overcome the obstacles that “resist the creation of something new”. They also define the entrepreneurial process in stages that include the identification and evaluation of the business opportunity, as well as the development of the business plan, the determination and acquisition of the required resources and finally, the management of the enterprise¹³. Thus, as Minniiti & Bygrave (2001)¹⁴ have stated, failure can occur when the entrepreneur is trying to launch and grow a venture.

¹¹ Kent D. Miller, Jeffrey J. Reuer, “Measuring organizational downside risk”. *Strategic Management Journal*, Volume 17, Issue 0, (1996), p.671-691, in Rita Gunther MacGrath, “Falling forward: real options reasoning and entrepreneurial failure”, *Academy of Management Review*, Vol.24, No.1, (1999), p.13-30, <http://gatton.uky.edu/Faculty/ferrier/McGrath%201999.pdf> , accessed in May 2011

¹² Global Entrepreneurship Monitor, 2010, Global Report, p. 20, <http://www.gemconsortium.org/> , accessed May 2011.

¹³ For detail information on the different aspects of the entrepreneurial process, see table 1.1. on Robert D. Hisrich, Peters, Michael P. Peters, Dean A. Shepherd, *Entrepreneurship*, (New York: McGraw Hill International Edition, 2010), p.7

¹⁴ Minniiti, M., & Bygrave, W. “Adynamic model of entrepreneurial learning”. *Entrepreneurship Theory & Practice*, (2001), 25: 5-16 quoted in Dean A. Shepherd, “Educating Entrepreneurship Students About Emotion and Learning From Failure”, *Academy of Management Learning and Education*, Vol,3, No.3, (2004), p.274

Looking at the possibility of “failure” to occur alongside the entrepreneurial process, scholars have defined it in different ways. For instance, business failure has been related to fall in revenue and/or insolvency and/or the inability to attract new debt or equity funding (Hisrich et al., 2010). Shepherd (2003) refers to bankruptcy and closure of business. In a framework that goes more according with the objective of this paper, failure has been associated with “the entrepreneur experiencing a deviation from expected and desired results when establishing or managing a business” (Politis and Gabrielsson, 2009, p.365). Also in this line, MacGrath (1999) refers to failure as “the termination of an initiative that has fallen short of its goals”¹⁵.

Failure and entrepreneur’s attitude: an experiential learning approach

The attitude developed by an individual has been deemed by researches as the result of her or his life experiences. Thus, it embraces the social and environmental experiences faced in personal and professional contexts (Brewer and Hewstone, 2003 in Politis and Gabrielsson, 2009, p.367).

The experiential learning is linked to the cyclical processes in which an individual reflects upon her or his own action (Schon, 1983; Kolb, 1984; Boud et al.,1985; Cope and Watts, 2000; and Kolb, 2005 in Politis and Gabrielsson, 2009, p.367). In its context, the individual’s beliefs and attitudes are subjected either to be reinforced or to change in the extent that experience different circumstances and is exposed to new information (Politis and Gabrielsson, 2009, p.367).

Developing on the above mentioned theories, Politis and Gabrielsson (2009) applied the experiential learning theory to the field of entrepreneurship by evaluating the impact of failure in the entrepreneur’s attitude, particularly in start-up experiences -including business closure- in consideration of four hypothesis (Politis and Gabrielsson, 2009, p.368-375). The authors support the positions that consider failures in new ventures as as an experience that provide learning and development opportunities also concluding that “a positive attitude toward failure can be a significant asset for entrepreneurs as it can help them to deal with and learn from their mistakes and to move forward” (Politis and Gabrielsson, 2009, p.378).

¹⁵Quoted in Ucbasaran, D., Flores, M. and Westhead, P. , “Entrepreneurial optimism and experience: Does the nature of experience matter?”, *New York, Social Science Research Network*, (2008),p.4 <http://digitalknowledge.babson.edu/fer/vol27/iss6/4> , accessed in May 2011.

Failure and entrepreneur's emotions: recovery and learning process

Shepherd (2003) defines emotions as “the personal displays of affected (or “moved”) or “agitated” states¹⁶ and refers to grief as a “negative emotional response”. He applies theories on grief recovery to explore the motions of self-employed towards business failure. The author argues that the negative emotions affect the capacity of the entrepreneur to learn about the failure or “loss”. In this study, he develops on McGrath (1999) research, stating that failure can “inhibit” learning and become “more expensive” if firms only focus on success. Shepherd (2003, p.318-319) points out that scholars indicate that negative emotions can be as “beneficial” as “detrimental” to learning. He highlights that there is agreement on entrepreneurship and organizational scholars about the benefits of learning from failure, referring to Maidique and Zirger (1984), Nonaka and Takeuchi (1995) and Starkey (1998). In the same study, he states that “organizational decline inhibits cognitive processes, restricts decision making, and limits the number of options considered, which inhibits organizational change and/or adaptation”, referring to the developments of theorist such as Barker & Mone, 1998; D’Aunno & Sutton, 1992; Ocasio, 1995; Staw, Sandelands & Dutton, 1981; Sutton & D’Aunno, 1989. Shepherd (2003) also points out that negative emotions have been found to interfere with individual’s allocation of attention in the processing of information¹⁷. “Grieving is crucial, necessary, and unavoidable for successful adaptation” (Malkinson, 1996, p.155 in Shepherd, 2003, p.322).

An individual has emotionally recovered “when thoughts about the events and leading up to the loss of the business no longer generate a negative emotional response” (Sheperd, 2003, p.321 and Hisrich et all, 2010, p, 20). The scholars develop on loss orientation and restoration orientation as process that support the entrepreneur in recovering from feelings arising from failure. Loss orientation is “an approach to negative emotions that involves working through, and processing, some aspect o the loss experience and, as a result of this process, breaking emotional bonds to the object lost” (Hisrich et all, 2010, p.20). A change of view or interpretation towards the “loss”, allows the individual to “regulate emotions” to such extent that thoughts or memories of linked to the “loss” do not generate negative emotions (Gross, 1999 in Sheperd, 2003, p.322). But individuals are likely to be affected by pain at the early stage of the event even though have already started the recovery process (Schut, 1999 in Shepherd, 2003). In this event, family, friends or

¹⁶ Shepherd (2003) quotes and develops on Fineman, S. 1996. Emotion and organizing, in S. R. Clegg, C. Hardy, & W.R. Nord (Eds.), Handbook of organization studies: 543-564. London: Sage. Fineman (1996, p.546)

¹⁷ Shepherd (2003, p.320) develops on Mogg, Mathews, Bird, & MacGregor-Morris, 1990; Wells & Matthews, 1994.

psychologist could be of support for the entrepreneur to deal with the grief and to enhance the perspective. Contrary to this views, scholars as Wortman & Silver (1987, p.207) have stated that “Those who show the most evidence of working thorough the loss are those who ultimately have the most difficulty in resolving what has happened”¹⁸. This is so, because as a result of the confrontation, negative thoughts and memories could be more present and “slow the recovery process” (Lyubomirsky & Nolen-Hoeksema, 1995; Nolen-Hoeksema, McBride, & Larson, 1997 in Sheperd (2003), p.322).

“Restoration orientation is based on both avoidance and pro-activeness toward secondary sources of stress arising from failure” (Hisrich et all, 2010, p, 20). Or as Sheperd (2003, p.322) has point out, restoration orientation is also about “getting on with one’s life”. For avoidance, entrepreneurs can focus their attention in something different than the loss or failure in order to “speed up” the recovery (Hisrich et all, 2010). In this light, Shepherd (2003) points out that starting a new business could help the self-employed to recover at the same time that highlights that there is a risk for same mistakes to happen. When recovering, the pro-activeness of the entrepreneur is about giving caring and attention to other “aspects” of life rather than only think about the failure or loss (Shepherd, 2003).

Using one or another method for recovering, the entrepreneur will have to put effort in one or another way. As Archer (1999) has pointed out “a lost orientation involves confrontation, which is physically and mentally exhausting, whereas a restoration orientation involves suppression, which requires mental effort and presents potentially averse consequences for one’s health”¹⁹. In this consideration Stroebe & Schut (1999) have pointed out that “oscillation between the two orientations enables an entrepreneur to obtain the benefits of each and to minimize the costs of maintaining one for too long-this dual process speeds the recovery process” and that is relevant for reducing the negative impacts of the motions in the learning process²⁰. “A dual process of grief recovery provides a regulating mechanism for an individual’s grief such that it may lead to both a

¹⁸ Wortman,C. B.,&Silver, R.C., 1987, “Coping with irrevocable loss” in G. R. Van de Bos & B. K. Bryant (Eds.),Cataclysms, crises and catastrophes: Psychology in action:189-235.Washington,DC:AmericanPsychological Association in Sheperd (2003), p.322 quoted in Dean A. Shepherd, 2003, Learning from Business Failure, “Propositions of Grief Recovery for the Self-Employed.

¹⁹ Archer,J. 1999.The nature of grief: The evolution and psy- chology of reactions to loss. New York:Routledge in Dean A. Shepherd, 2003, Learning from Business Failure, “Propositions of Grief Recovery for the Self-Employed, p.323

²⁰ Stroebe, M. S., & Schut, H. 1999.The dual process of coping with bereavement: Rationale and description. Death Studies, 23: 197-224 in Dean A. Shepherd, 2003, Learning from Business Failure, “Propositions of Grief Recovery for the Self-Employed, p.323.

quicker recovery from grief and, at a given level of grief, a more efficient processing of information about the loss of a business. Both enhance an individual's ability to learn from the loss" (Shepherd, 2003, p.323).

METHODOLOGY

This paper follows an analytic auto ethnography approach. It particularly develops on the bases of "key features of analytic autoethnography": (1)complete member researcher status -CMR-, (2) analytic reflexivity, (3)narrative visibility of the researcher's self, (4) dialogue with informants beyond the self, and (5) commitment to theoretical analysis (Anderson, 2006, p.8).

First, as the CMR, I will primarily develop on my observations, experiences and learnings related to keeping a positive attitude and learning approach during the entrepreneurial process, even when facing experiences that the entrepreneur could perceive as failure.

Second, I will emphasize in better understand the actions and perceptions of 6 entrepreneurs who were my classmates or are alumni of the same master programme I have coursed. They experiences, attitudes and/or prospects have strongly called my attention. This is so, because I have relate myself to them and/or because, directly or indirectly, they have had a positive influence in my learning. In this regard, I should add that I choose them particularly because during the time we have met, I observed and perceived that they distinguish themselves because of their:

- (1) **Positive attitude.** This was so even in times when I knew that they were facing challenges.
- (2) **Simultaneous performance, as students and entrepreneurs.** Some of them "were in business" before they joined the programme and they actually have continued working at the same time than studying. Others, develop a business idea alongside the programme and reached break even in relatively a early stage. Also, some of them developed a business plan during the programme, set up a company and continued working on the venture, already for almost two years.
- (3) **Availability to support others.** Even though normally busy, this entrepreneurs always showed a positive disposition to support others and share their knowledge, contacts or experiences.
- (4) **Show passion, interest and/or conviction for what they do.** Despite of the different motivations and intentions they may have as entrepreneurs, I perceive them not just as responsible individuals but actually as entrepreneurs that express interest, joy and/or passion for

what they do. In my opinion, they contrast with individuals that perceive their engagement in activities or initiatives as mere responsibilities, duties or a sources of income.

(5) Balance between their personal and professional life. In general, I perceive them as good time managers and as entrepreneurs that work and perform well. Also, they enjoy sports or other leisure activities and share with other people, including friends, couples and/or family.

In doing so, I will share and discuss the results of an interview conducted individually with each one of them. The purpose of the interview was to understand (1) what do they perceive as failure, (2) how do they react in terms of attitude, motivation and emotions toward situations that they could link with failure and (3) how do they learn from entrepreneurial experiences, including those that they could relate to failure. The matrix used is an adaptation of the one developed in an study related to the cognitive and emotional perspective of learning toward entrepreneurial failure²¹.

| FACTOR | DESCRIPTION |
|------------------------------|--|
| Failure for the entrepreneur | How do you define failure? |
| | Do you think there is a link between success and failure? |
| | Have you face failure? If so, in which form(s)? |
| Grief | How is your attitude when facing failure? |
| | Describe your emotions when facing failure? |
| | How do you move forward from failure? |
| | Did failure make you think of quitting your life as entrepreneur? |
| Learning | How did you learn from the experience? |
| | Your disposition to take risks has increased or decreased? |

Third, developing on my thoughts, emotions and experiences, I will emphasize when changes on my own believes or thoughts have taken place. Also, I will share recommendations based on my key learning experiences, expecting that the information could be useful for other entrepreneurs and students of entrepreneurship.

²¹ Cristiana Anca, “Entrepreneurial Failure: A Cognitive and Emotional Perspective of Learning” (MA Corporate Strategy and Governance, 2007) p.41, <http://edissertations.nottingham.ac.uk/1560/1/07MALixca7.pdf>, accessed in May 2011.

Forth, I will compare my emotions, attitudes, motivations and learning experiences towards “failure” with those of the entrepreneurs that I interviewed. Finally, I will analyze those in the light of what some studies and theories of learning and recovery from failure have developed.

LIMITATIONS

I must point out that due the fact that for this assignment we have been given two weeks, my review of literature is not very wide. Nevertheless, I have focused specially on building upon the research of leading scholars in recovery and learning theories and apply their work to my own experience as well as to the ones that I have interviewed.

DATA

I will take advantage particularly of my own reflexions on the subject matter and will contrast those with the theory as well as with the results of the interviews that I conducted. The results are summarized and compared in the table available in the appendix. In doing so, in order to provide a common point of reference, this section will be primarily based on my answers given to the questions asked during the interview to other entrepreneurs. The questions are directly linked with the subjects discussed by the scholars, linked with failure, grief, detachment and learning.

| FACTOR | DESCRIPTION | ANSWER |
|------------------------------|---|---|
| Failure for the entrepreneur | How do you define failure? | It could mean different things, but from an entrepreneur’s perspective, I would say that it could be related with not doing or not achieving something that you expected or planned for your project or venture. Directly linked, failure has a lot to do with not learning. I mean, is about doing things in the same way, despite of the fact that you acknowledge or feel that “there is something wrong” that has a negative impact and still, you just keep doing the same things over and over. Fortunately, “failures” are temporal, so you can always evolve the situation. |
| | Do you think there is a link between success and failure? | Definitely. An experience that today you may link with “failure” could become in your best “asset” of knowledge, which could take you to a great “success”. |
| | Have you face failure? If so, in which form(s)? | Yes, I have faced temporal situations in different forms in which I have not been satisfied with the outcome. |
| Grief | How is your attitude when facing failure? | My attitude is about looking for changing and evolving the situation to something positive, and for that, I look for learning from it. |

| FACTOR | DESCRIPTION | ANSWER |
|----------|--|---|
| | Describe your emotions when facing failure? | Not as positive at the very beginning but then those have evolved to a positive stage. |
| | How do you move forward from failure? | Evolving the emotions and the situation. In doing so, I think about the issues, I try to understand what in the situation is positive or negative, what is up to me, what is not up to me, what can I learn from it, for the now and for the future. I talk to the parties involved in the issue about it and/or look for advise from others. I make changes for now and/or for the future and look for keeping a positive attitude for what is to come. When talking about “the now and the future” has a lot to do with the nature of the situation and its potential impact. |
| | Did failure make you think of quitting your life as entrepreneur? | No. |
| Learning | How did you learn from the experience? | Learning from failure has a lot to do with taking some time to review the situation and reflecting upon it. Also, talking about it with others and looking for contrasting your views and perspectives. |
| | Your disposition to take risks has increased or decreased? | It has not been affected. I believe that every new opportunity or possibility may involve so many different incentives of different kind, that I can only make a decision when I am considering a particular opportunity. Risk and uncertainties are just part of the “entrepreneurial equation”. |

ANALYSIS

This section will be developed in a structure that makes easier the consideration of the relevant concepts discussed.

Entrepreneurs: uncertainty, risk and optimism

The acceptance of “risk, uncertainty, and / or the potential for failure” is one of the behaviors that have been deemed as inherent to entrepreneurs (Shapero, 1975; Hisrich et all, 2010). Uncertainty is perceived as an “ally” to exploit business opportunities (MacGrath, 2000) and also to failure (Hisrich et all, 2010). The “level of risk individuals might be willing to assume to start a business” meaning the fear of failure (GEM, 2010, p.17) has a strong implication in the decision making process and attitude of the entrepreneur.

I acknowledge that there is always a possibility for things to go in one or another way, but we, as entrepreneur, can always look at the extent in which we could influence the result or for ways to

create from where we are, and from there to make a decision. Thus, following either an “effectuation” or “causation” approach, as Sarasvathy (2001) has developed²².

One of the early challenges I faced when developing my entrepreneurial project, was related to an opportunity that implied certain risk that ended up becoming a “failure”. We had to “afford” one month of work that took us nowhere, and that having to deliver a feasible business plan in about 4 months “meant something” to us. Basically, we decided to switch our internet-based focus of the idea and rather to work in the development of an app for the tourism industry. Our third teammate, who had the expertise in app development, had then several situations that did not allow the team to have a clear perspective of the extent in which he could be actually involved. The team discussed together and for the best, David and I ended up “quitting” the new idea and going back to the one in which we both could work. This is what I reported in my learning journal of Dec 17, 2010 *“This week, we had to make a crucial decision of focus, which unfortunately cost us about one month of work, since we used our travels during vacation to collect data for the app. We decided to leave it out of the business plan due the feasibility reasons we evaluated with Nicolas”*. I still believe there is a good opportunity in what we had in mind, but we decided to prioritize in feasibility and based on that criteria, I believe we made the right decision. Although to put aside the other opportunity “for later” gave the team some temporal frustration and stress at the beginning.

In this light, I will recall my position towards risk after have experience failure: *“It has not been affected. I believe that every new opportunity or possibility may involve so many different incentives of different kind, that I can only make a decision when I am considering a particular opportunity. Risk and uncertainties are just part of the “entrepreneurial equation”*. Thus, for me, the level of risk to take depends on the opportunity and definitely, what my situation is at that moment and of course, it has all to do with the priorities and the window of opportunity. We still have an opportunity to develop the app.

In connection to this position, I will compare now the answer given to the same question by the 6 entrepreneurs I interviewed.

²² According to Sarasvathy (2001), “causation processes take a particular effect as given and focus on selecting between means to create that effect” which reflect the decision of “choosing means to create a particular effect” thus being “effect dependent”. On the contrary, Sarasvathy defines effectuation as processes which “take a set of means as given and focus on selecting between possible effects that can be created with that set of means” which is about “choosing between many possible effects using a particular set of means” therefore being “actor dependent”.

| Question | Answer of Entrepreneur 1: Alexander Okl | Answer of Entrepreneur 2 | Answer of Entrepreneur 3 | Answer of Entrepreneur 4 | Answer of Entrepreneur 5 | Answer of Entrepreneur 6 |
|--|--|--------------------------|--|--|---|--|
| Your disposition to take risks has increased or decreased? | I think it has decreased my disposition to take risks. If I consider that with the new knowledge, doing something today I take more elements into consideration than before. That makes a decision less risky. | Same | I would say that is hard to say. Maybe getting older you think about taking less risks in the future. I believe that in certain situations in the future, I will not go into if there is certain level of risk. I have learn that you can take less risk and avoid failure by taking smaller steps and testing more often. You make guess of what the customer wants, you tell the customer what they want, you test that and then change it as the customer has told you and then you present it and keep doing that. So is a test-feedback-re-iterate. | Same. I have not ever been a huge risk taker | The more that you fail and get up, the more immune you become. Not affected negatively so far. It has been more like learning experiences. I have known people which failure have had bad impact in their lives, for them is a different story. | I'm a risk taker by nature:) Entrepreneurs hip, however is teaching me to take calculated risks. |

Indeed, the answers of all the entrepreneurs implied the recognition and acceptance of uncertainty, risk and failure. I would say that 2/6 interviewed entrepreneurs (Entrepreneurs 2 and 5), seem to have a neutral appreciation of risk. Entrepreneur 4 does not consider himself a “huge” risk taker. But Entrepreneur 1, 3 and 6 talk about “calculated risks” in one or another way, all of them after have learn from experiences as entrepreneurs.

Thus, I will conclude that how much risk is one, as entrepreneur, willing to take when considering going for an opportunity depends on where you stand, what you could get and what your priorities

are. Also, experience have thought entrepreneurs to take risks but to “calculate” the risks and actions. This approach has relation with MacGrath (1999) development on entrepreneurial failure and real options.

The entrepreneurial process and failure

First, within the entrepreneurial process, I believe is relevant to point out that “a failure” can happen in any of its stages. Thus, developing on (Hisrich et al., 2010), there could be a failure either during the identification and evaluation of the business opportunity, as well as the development of the business plan, the determination and acquisition of the required resources and finally, the management of the enterprise. It is in this framework in which “specific” failure could take place, such as those related to bankruptcy and closure of business (Shepherd, 2003). At the end of the day, in most of the cases, I believe that the “final” failure will be nothing but the result of smaller “failures” or negative circumstances that were not corrected or evolved in due time.

In our entrepreneurial project, for instance, we initially planned to “launch” the webpage around June, instead, we started with a blog and with a facebook page in May. Our interest has been to partner with an IT expert because the webpage is core to the business itself, so we want a committed person within the team rather than to outsource the solution. We have had to “adjust” our deadline to the second semester of the year, because the “potential” partner will be available only after June. If for one or another reason “we fail” to enter into business with this partner and all the other circumstances that surround the mobility and location of the team members turn into a negative impact in the project, I could not think of us “failing” in the project. We have learn, develop and achieve many good things, but if “something goes wrong” with this at the end, I will think that it has been that decision of the IT solution what has caused the problem, not then, but since before, because we have been acknowledging and taking the risk. Several of my learning journals have documented this situation since a couple of months ago:

“Our main priority is to be definitely, to focus on finding a technical partner who could maybe even have shares in the company if interested in the project and to develop the platform itself”. (Eloísa Dutari, Learning Journal, March 18, 2011).

“This week, focused on contacting friends and people we know in order to find an IT partner.” (Eloísa Dutari, Learning Journal, April 1, 2011).

“Key challenges at this point are(b) Find an IT partner. We have gotten interest of a Swedish IT programmer and are to meet him this week. We decided that rather than expend money in a temporal solution the “challenge” of having to develop the first face of the platform would be an invitation to a potential IT partner from the very beginning. We have also gotten references to contact IT students. Priorities for next week are Meet the IT partner.” (Eloisa Dutari, Learning Journal, April 29, 2011)

We agree to meet and confirm the collaboration between June 2 and June 6 with the potential IT Partner. He has a lot of experience in this type of solutions and what is more important, he likes the business idea itself. We believe that to wait until then is worthy and if for one or another reason is not him, we will have to change plans again. As pointed out by Minniiti & Bygrave (2001), failure can occur when the entrepreneur is trying to launch and grow a venture. But as Hisrich, Peters and Shepherd have stated, it is a “must” for entrepreneurs to overcome the obstacles that “resist the creation of something new”. I am sure that we will find our way to launch in August as we have re-schedule.

In consideration of the above mentioned statements and due the fact that this paper has particular relation with the experience, learning and recovery process of the entrepreneur, as pointed out before, I prefer to develop from the definition of failure given by Politis and Gabrielsson (2009, p. 365): “the entrepreneur experiencing a deviation from expected and desired results when establishing or managing a business”. Also, I take into consideration MacGrath (1999, p.14) approach, when she refers to failure as “the termination of an initiative that has fallen short of its goals”. Lets take a look to what the interviewed entrepreneurs deem as failure:

| Description | Answer of Entrepreneur 1: Alexander Okl | Answer of Entrepreneur 2 | Answer of Entrepreneur 3 | Answer of Entrepreneur 4 | Answer of Entrepreneur 5 | Answer of Entrepreneur 6 |
|----------------------------|--|---|--|--|--|--|
| How do you define failure? | Failure occurs if you were not able to reach a pre-set target. This target could be qualitative or quantitative. | I do not see failures, everything is a learning experience. | I think failure is not an option. When you run into a problem and you give up that is failure. So if you find an obstacle and you can go around it that is not failure. Everything is just about learning experiences. | Struggling to do something, putting a lot of time and not getting a result | Is when you have an expectation when you start to do something and then something went wrong, you did not get it, so in some respect it is a failure | A failure is when you don't succeed in reaching a desired outcome. Failures come in all sizes. |

As for me, I think that failure *“could mean different things, but from an entrepreneur’s perspective, I would say that it could be related with not doing or not achieving something that you expected or planned for your project or venture. Directly linked, failure has a lot to do with not learning. I mean, is about doing things in the same way, despite of the fact that you acknowledge or feel that “there is something wrong” that has a negative impact and still, you just keep doing the same things over and over. Fortunately, “failures” are temporal, so you can always evolve the situation”*.

When asking about specific experiences of failure, the answer provided better develop on the understanding of the statements:

“Yes, I have faced temporal situations in different forms in which I have not been satisfied with the outcome”.

| Question | Answer of Entrepreneur 1: Alexander Okl | Answer of Entrepreneur 2 | Answer of Entrepreneur 3 | Answer of Entrepreneur 4 | Answer of Entrepreneur 5 | Answer of Entrepreneur 6 |
|--|--|---|--|---|--|--|
| <p>Have you face failure? If so, in which form(s)?</p> | <p>Definitely. In several ways, and this is good. One case is related with failing to start a business in a foreign country which market was new for us. For me, this initial entrepreneurial idea for the master programme, was a failure because we stopped acting in that market. After a while, the team realized that to introduce a product in this market was not as easy as it would have been in our home country. Due the short time we had for the development of the idea in the programme, we realized that there will be not sufficient time to make good progress and therefore to learn from it. So, we decided to finish it. Another failure was related to not reaching some targets that we set for a trade show. After we had analyzed the situation, we concluded that next time we need to do better planning.</p> | <p>I do not see it as a failure, but I had to close a business previously because a governmental regulation took away about 90% of my market. I have also face challenges in my other businesses.</p> | <p>Yes. I thought I had a good idea and I turned into a company. I could not get the pricing to the right place where it could keep that business going so I turned it into something else. So I gave up an opportunity.</p> | <p>Yes, in my opinion I have failed in trying to have a proper professional relationship.</p> | <p>Yes i faced failure. Setting expectations and not going anywhere because I came to the programme and i did not get a venture going as I planned. I can learn form it and try to get something . If i do not have one I would say that I had fail.</p> | <p>I fail all the time. I fail to communicate in the right way, I fail to play a poker hand properly, I fail to negotiate in the right way, I fail to plan effectively. Of coarse I succeed a lot too, but the point is failures and successes don't have to surround big events, they happen every day.</p> |

From the answers we can conclude that Entrepreneurs 1, 4, 5 and 6 define failure in a very close extend to the definitions provided by Politis and Gabrielsson (2009) and MacGrath (1999). My perception of failure relates to them, in particular, because it seems we look at failure as something related with not achieving in the extent in which we have planned for our projects at some point. Although when talking about specific cases of failure, Entrepreneur 2 relates the issue more to an experience than to a failure, which corresponds to his general definition of failure. In the case of Entrepreneur 3, failure seems to be more related with “giving up” - an attitude - than with an event itself.

Also, it is to be noticed that Entrepreneurs 2 and 3 relate learning and failure from the very beginning, perspective that I also share with them. It seems that we look at “failure” as a situation in a given moment that could be changed (Entrepreneur 3) and also, that learning is something positive that comes out of failure. This perspective corresponds to Shepherd (2003) observation about the agreement on entrepreneurship and organizational scholars about the benefits of learning from failure, as Maidique and Zirger (1984), Nonaka and Takeuchi (1995) and Starkey (1998) has pointed out.

When questioning about the link between failure and success, the answer better complement this perspectives:

“Definitely. An experience that today you may link with “failure” could become in your best “asset” of knowledge, which could take you to a great “success”.

| Question | Answer of Entrepreneur 1: Alexander Okl | Answer of Entrepreneur 2 | Answer of Entrepreneur 3 | Answer of Entrepreneur 4 | Answer of Entrepreneur 5 | Answer of Entrepreneur 6 |
|---|--|--|--|--|---|---|
| Do you think there is a link between success and failure? | Yes. It is pretty much that you still succeed from a failure if you understand why the failure occurred, so you can make a success from the failure if you learn from it and in the future you do not do it again. Another link is that failure can lead to more motivation if you desire to learn, because in order to overcome the failure you need to develop the motivation to find the success in it. | I will say that the more “failures”, the more close you are to success because you always develop your knowledge, yourself and you get closer to success, so every experience is good. | I think that success and failure are opposites. If you access failure in any area, you can not be successful in that area. | Yes. Failures are part of success. You have to fail a couple of times in order to succeed. | Success and failure are opposites. the first one is what you have achieved and the other one not. | Definitely. People learn from doing things and failure is part of the process. I’ve always believe that you learn more from what you did wrong than what you did right. |

Entrepreneurs 1, 2 and 6 directly refer to failure as a source of knowledge/and or way of learning and succeeding in the future. I also share this approach with them. Entrepreneur 4 does relates failure as part of the path to succeed but does not directly link it with learning, although I would assume that it is implied in his answer. On a different perspective, Entrepreneurs 3 and 5 literally refers as success and failure as opposites, although, it is relevant to look at the answers they provided linked to learning in a subsequent section.

As for me, I must say that one of my main learning experiences during this programme took place as a result of the “start up challenge”, a competition in our class that took place in five days, within our first two weeks together. We were to make at least 500 SEK doing investments and businesses from a seed capital of 100 SEK that we were given. We reach our “academic target” but the process was intense. When we discussed the report that we were to submit as a group, we realized how much more had we gotten from the experience. The basic issue was that whereas “success” was related with reaching the academic target for some members in the team, specially for one, for me, it was about doing our best during the time that we were given and to do so by doing something

interesting. Our definition of success and failure was certainly very different and so our priorities. In the following lines, I quote what we wrote in the section “key learning outcomes as a team”:

“Although the team members agreed to work together, the different working styles, orientation and priorities was remarkable during all the process. This fact constituted one of the major challenges of the team. The majority of the team members had previously agreed in the idea to be developed. The last member who joined the team requested the exploration of other opportunities but priority was given to the development of the predetermined idea in the first part of the challenge. Notwithstanding the aforementioned, all the members worked together and after have started the development of the first idea, the team reviewed their actions and strategies every day. This exercise constituted the base of the improvement of the team integration and performance. Progressively, the team acknowledged and took advantage of their individual skills and capabilities so tasks were appointed in a more strategic and efficient way. Some members concluded that in future assignments are to be more opened to other team member ideas and suggestions rather than look at the opportunities just from their own perspective. It is to be notice that the capacity of the team was reduced because one member had a previously scheduled commitment during several days within the challenge period and even though the fact was well accepted by the other members since the beginning, it was understood later that the level of participation did impact the performance.” (Report 1, Start Up Challenge, Group 6, September 2010).

Thus, in my experience, it has been relevant to set up from the very beginning and constantly review, what the priorities as well as standards of the team are, because motivation, emotions and attitudes develop in a great extent from what we perceive as failure or success. And yes, from each experience, as this one, we learn, we improved, we have evolved and also from there, succeed.

Experiential learning approach, recovery and learning process

Entrepreneurs attitude toward failure will be defined, in principle, by their life experiences, reason why the social and environmental experiences faced in personal and professional contexts are relevant (Brewer and Hewstone, 2003 in Politis and Gabrielsson, 2009, p.367). In my case, “*my attitude is about looking for changing and evolving the situation to something positive, and for that, I look for learning from it*”. As I stated in the introduction, I believe that the teachings of my family and my culture have played a major role in this regard. Thus, I personally relate to the scholars definition in this respect. Nevertheless, it is to be noticed that new experiences always expose us to

new environments and therefore to new learnings, so if one has a negative attitude or approach, can always improve and I guess that it could go in the other way round too. In any case, individual's beliefs and attitudes are subjected either to be reinforced or to change in the extent that experience different circumstances and is exposed to new information (Politis and Gabrielsson, 2009, p.367). Following, the answers given by the interviewed entrepreneurs:

| Question | Answer of Entrepreneur 1: Alexander Okl | Answer of Entrepreneur 2 | Answer of Entrepreneur 3 | Answer of Entrepreneur 4 | Answer of Entrepreneur 5 | Answer of Entrepreneur 6 |
|---|---|---|---|---|---|---|
| How is your attitude when facing failure? | I do feel affected negatively in the beginning but then my attitude is translated in looking for the positive things of the experience by learning. | My attitude was normal. I just thought that things were not going as expected but nothing else. I do not over think about things rather I just go with the flow. For instance, last week I lost money in an investment but then in exchange I got experience. | My attitude was fine. I ended because I had something else that I wanted to do more so in that sense, I did not see that as a failure then. | My attitude is sort of neutral. Before I used to see things as a failure but now I see this more like feedback and understanding the reasons why it did not work. | At the beginning might be negative but then I look to do something else. Sometimes you need to just move forward and learn from it when the emotions are neutral then you review what happen. | I try to think about why I failed and how I should do better next time. Not learning from your failures is extremely counterproductive. |

Entrepreneurs 2, 3 and 4 reported a “neutral” stage in their attitude. Entrepreneur 2 and 4 link failure with learning, whereas Entrepreneur 3 refers more to the “next” initiative that made him feel he has actually not failed. Entrepreneur 5 relates to Entrepreneur 3 when looking for moving forward but also to Entrepreneurs 2 and 4, when looking for a learning experience, in his case, once his emotions are neutral. Furthermore, Entrepreneur 6 finds the not learning from failure as something negative. Entrepreneur 1 reported negative emotions but still a positive attitude oriented to learn. In this light, all the entrepreneurs seem to be in an attitude either of dealing and/or learning and/or moving forward from the experience linked with failure. “A positive attitude toward failure can be a significant asset for entrepreneurs as it can help them to deal with and learn from their mistakes and to move forward” (Politis and Gabrielsson, 2009, p.378). In this regard, the experiential learning is linked to the cyclical processes in which an individual reflects upon her or his own action (Schon, 1983; Kolb, 1984; Boud et al.,1985; Cope and Watts, 2000; and Kolb, 2005

in Politis and Gabrielsson, 2009, p.367). Here, the next question to be answer is the way in which we entrepreneurs learn “in practice”. As for me, “*learning from failure has a lot to do with taking some time to review the situation and reflecting upon it. Also, talking about it with others and looking for contrasting your views and perspectives*”. The experience previously mentioned with the start up challenge illustrate this case. Comparing my view with the interviewed entrepreneurs, I had some interesting findings:

| Description | Answer of Entrepreneur 1: Alexander Okl | Answer of Entrepreneur 2 | Answer of Entrepreneur 3 | Answer of Entrepreneur 4 | Answer of Entrepreneur 5 | Answer of Entrepreneur 6 |
|--|---|--|---|--|--|--|
| How did you learn from the experience? | I think or reflect about it. I look for the reasons that caused the result. I try to find out why it went wrong and I think about what I could have done better, you learn and therefore you succeed. So, I believe you succeed when you learn from the failure. I use methods of reflecting, talking to others, talking with your team and especially with people that have more experience in the field you are acting. I think personal mentors are the most valuables here. In this, I learned a lot from the book written by Napoleon Hill, “Think and grow rich”. | Most of my experiences have made me realized that rather than focusing on my ideas, I should take an objective look at the interaction between my idea and the market in an objective way. In this way I have had the biggest learnings. Maybe I should reflect more, but I do not think I will do it. This works for me, I believe that every person has an style for learning. | I learn from the experience more in the future, when with new knowledge you realize what you could have change in that “failure”. In the moment in which you “quit” you just did not know how to solve it. I learn by being in different but similar situations and having a second chance. | I over think things and some times it works very well. I try to see things from a different side and from there to learn. When it comes to mentors, if there are cultural issue like different ways on expressions it affect the learning and interactions | First, I get over it personally from the emotion perspectives. You do not want to get into the blame others. You then need to understand where you make your mistakes. If you can’t find it out by yourself, you can talk to somebody else. If giving advise to anybody, I will say that you should try to see the positive things and parts you get from that experience. Save the best of what you have lived. | I think you have to go into entrepreneurship knowing that it is a high risk business. In some sense you must expect failure, which is why I think it is wise to have your irons in a few fires, at least at the beginning. |

Entrepreneurs 1 and 4 seems to look for learning during the time when the experience happens. Contrary, entrepreneurs 3 and 5 refer to learning, but in the future, after have reached a more neutral stage in their emotions or have gotten new knowledge that allows comparison between what

happened an a “different” way of have deal with the issue. This finding has relation with Shepherd (2003) who argues that negative emotions affect the capacity of the entrepreneur to learn about the failure or “loss”. Thus, in Shepherd terms, it seems that those entrepreneurs look for learning after have overcome the “agitated” states.

Entrepreneur 2 seems to look mainly are market related factors when analysing failure and it seems that he does not tend to reflect but more to move forward. Entrepreneur 6 rather emphasised in the inherent implication of risk and failure in entrepreneurial activities but some others of his answers suggest that he might take a time to review the experience and to learn from it, rather than merely moving forward. As for me, review, reflexion and exchanging opinions with others gives me a good way to learn. I must say that I do see a “healthy” reason to make an “in deep” review when emotions are more neutral, because in this way, in my experience, processing the information and looking at things from a more objective perspective happens faster and easier. This I could perceive during the programme, specially in classmates who were working in certain projects with the expectation of being part of it at the end of the year, but who did not find such outcome for external reasons or decisions to them. I perceived that the way in which they were assessing the situations was not as positive as in the way they normally did it. This has relation with Shepherd (2003, p. 320) who refers to the “interference of negative emotions with individual’s allocation of attention in the processing of information”. I will argue that it is the nature and extent of the “failure” what determines the impact in the emotions of the entrepreneur and therefore the need to look at things sooner or later, depending on the existence of negative emotions. This is actually related to the opinion of Entrepreneur 6, when asked about his emotions toward failure. In my case, during the programme, I found very useful to make reviews of the assignments and activities or projects in a recent stage, because that allow to take quick measures of correction which has been relevant, specially because of time constraints related to the entrepreneurial project. Thus, I found in the weekly learning journals submitted, a good “excuse” to review what was/was not achieved during the week, where the priorities were for the coming week and how could we overcome challenges, by “playing” with our strategies and actions²³.

I questioned directly the interviewed entrepreneurs, about the stage of their emotions when facing failure. The answers given correspond in some cases to the theorist, whereas in other cases contrast those.

²³ For more information, refer to course document BUSP01 (2011-04-11), p.2-3.

| Questions | Answer of Entrepreneur 1: Alexander Okl | Answer of Entrepreneur 2 | Answer of Entrepreneur 3 | Answer of Entrepreneur 4 | Answer of Entrepreneur 5 | Answer of Entrepreneur 6 |
|---|--|----------------------------------|-----------------------------------|----------------------------|--|--|
| Describe your emotions when facing failure? | I may have negative emotions at the beginning but I try to transform them in something positive. This negative feeling that you get is what gives you motivation or a reason to learn from it and just to get away from the negativity. I try to find the positive feeling by understanding the failure, learn from it and to see success in it. | I never feel too concern or bad. | My emotions were more or less ok. | Usually negative emotions. | Definitely. A lot of people blame others. Is better to learn from things when this negative emotions towards others are gone and everything are neutral. | It depends how big the failure. But by learning from your small failures you can avoid the big ones. |

In my case, my emotions are *“not as positive at the very beginning but then those have evolved to a positive stage”*.

Entrepreneurs 2 and 3 seem to have relatively “ok” emotions when failure happens. Both of them also reported an attitude oriented to “move forward” rather than immediately reviewing the experience related to failure. So, their “fast” move forward could be linked to the non direct confrontation of the issue and therefore, to the low or non existence of negative thoughts and memories, as argued by Lyubomirsky & Nolen-Hoeksema, 1995; Nolen-Hoeksema, McBride, & Larson, 1997 (in Sheperd,2003, p.322).

Entrepreneur 4 reported negative emotions and also that he “over think” things. This could be linked with Wortman & Silver (1987, p.207) perspective, in the sense that for them, “those who show the most evidence of working thorough the loss are those who ultimately have the most

difficulty in resolving what has happened”²⁴. Nevertheless, Entrepreneur 4 seems not to have problems when moving forward, as it could be infer from his answer to the next question asked.

Entrepreneur 1 seems to find in the initial negative emotion a motivation to learn and to find something positive. His approach is closer to mine, in the sense that we both talk about initial negative emotions that evolve in something positive. Our situation might be more related to the cases of individuals who are likely to be affected by pain at the early stage of the event even though have already started the recovery process (Schut, 1999; Shepherd, 2003).

Entrepreneur 5 prefers to be detached from negative emotions before learning and reviewing the conclusion. In this regard, theorist argue that an individual has emotionally recovered “when thoughts about the events and leading up to the loss of the business no longer generate a negative emotional response” (Sheperd, 2003, p.321 and Hisrich et all, 2010, p, 20). In order to do so, a change of view or interpretation towards the “loss” is what allows the individual to “regulate emotions”, so thoughts or memories linked to the experience of failure do not generate negative emotions (Gross, 1999 in Sheperd, 2003, p.322). With this aim, the following section develops on some methods and practices to do so.

Recovering and moving forward: loss orientation and restoration orientation

Scholars have developed on the loss orientation and restoration orientation as process that support the entrepreneur in recovering from feelings arising from failure. “Restoration orientation is based on both avoidance and pro activeness toward secondary sources of stress arising from failure” (Hisrich et all, 2010, p, 20). Or as Sheperd (2003, p.322) has point out, restoration orientation is also about “getting on with one’s life”. I compared my way of moving forward with those of the interviewed entrepreneurs. Following the findings:

²⁴ Wortman,C. B.,&Silver, R.C., 1987, “Coping with irrevocable loss” in G. R. Van de Bos & B. K. Bryant (Eds.),Cataclysms, crises and catastrophes: Psychology in action:189-235.Washington,DC:AmericanPsychological Association in Sheperd (2003), p.322 quoted in Dean A. Shepherd, 2003, Learning from Business Failure, “Propositions of Grief Recovery for the Self-Employed.

| Question | Answer of Entrepreneur 1: Alexander Okl | Answer of Entrepreneur 2 | Answer of Entrepreneur 3 | Answer of Entrepreneur 4 | Answer of Entrepreneur 5 | Answer of Entrepreneur 6 |
|---------------------------------------|--|---|--|--|---|--|
| How do you move forward from failure? | By finding the learning and positive aspects of the experience. For me, the two good reasons to be in this world are to socialize with people and to learn in life. Talking to people helps to get a different perspective on the failure which makes it easier to understand it. Understanding also is created in your mind by pure thinking. | I focus in the solution and more forward rather than thinking or analyzing too much the problem. If the situation do not have a chance for being solved or fixed, I just let things go. If there is a possibility to fix it, I enjoy finding new ways and just try to “go around” the issue. There is where the fun is. | The reason why I quit was because there was something else more attractive, so that is how I moved forward. I just saw a better opportunity and went for it. | I hang out with friends and the next day is a new day. In some cases, in the moving forward, I just quit. in other cases, I start something totally new. | I do something else that is different. Do not try to do the same. And then you come back to that. | By “booking” a small win. Meaning that for me, the best way to get over a failure is to have a small success |

In my case, I think I move forward from “failure” by *“evolving the emotions and the situation. In doing so, I think about the issues, I try to understand what in the situation is positive or negative, what is up to me, what is not up to me, what can I learn from it, for the now and for the future. I talk to the parties involved in the issue about it and/or look for advise from others. I make changes for now and/or for the future and look for keeping a positive attitude for what is to come. When talking about “the now and the future” has a lot to do with the nature of the situation and its potential impact”*.

Now, I will use as framework of reference the restoration-orientation theory. First, for avoidance, entrepreneurs can focus their attention in something different than the loss or failure in order to “speed up” the recovery (Hisrich et al, 2010). This seems to be the case of Entrepreneurs 2, 3, 4 and 5. Indirectly, seems also to be the case for Entrepreneur 6. This “moving forward” approach also refers to Shepherd (2003) when referring to giving caring and attention to other “aspects” of life rather than only think about the failure or loss when recovering.

When moving forward from failure, I found myself related to Entrepreneur 1. It seems that we tend to follow a more loss orientation approach. As defined by the scholars, it is “an approach to negative emotions that involves working through, and processing, some aspect of the loss experience and, as a result of this process, breaking emotional bonds to the object lost” (Hirsch et al., 2010, p. 20). It appears that we look at things, we think about those, we try to understand those, we look for learning from it and with this approach to move forward. From our previous answers, it seems to be something we manage when the events are happening or have recently happen, which in my opinion is very beneficial to take measures to solve problems and overcome obstacles. Furthermore, I link this approach to metacognitive abilities, as “metacognition refers to the ability to reflect upon, understand, and control one’s learning” and has been deemed as a promoter of cognitive adaptability (Schraw & Sperling, 2011).

It is to be noticed that entrepreneur 5 showed a disposition for a dual process for learning. This is so, because he seems to “oscillate” between a restoration orientation and a loss orientation approach. This has been positively considered by Stroebe & Schut (1999). Also, Shepherd (2003, p.323) has pointed out that “A dual process of grief recovery provides a regulating mechanism for an individual’s grief such that it may lead to both a quicker recovery from grief and, at a given level of grief, a more efficient processing of information about the loss of a business. Both enhance an individual’s ability to learn from the loss”.

In any given case, scholars have pointed out that the use of one or another method for recovering will demand some effort in one or another way (Archer, 1999). I will argue in general that each entrepreneur is different, with different learning styles, with different emotional frameworks of reference and therefore what could be perceived as “heavy” for one does not necessarily mean the same for the other. Thus, what is relevant from my perspective is to keep emotions and attitudes positive and open for learning from every experience, including the ones that at some point could be qualified as failures.

Last but not least, when asking the entrepreneurs if any failure has made them think about quitting their life as entrepreneurs, only two answer that they have thoughts so. Thus, the other 4 answered that they have not and so was my answer was negative.

CONCLUSIONS

The following results are based on the analysis and therefore in the interviews and experiences reviewed.

I think that the level of risk that an entrepreneur might be willing to take seems to be directly linked with the “where is standing, what could get and what priorities may have” in a given moment. Also, experience have thought entrepreneurs to take risks but to “calculate” the risks and actions. This findings are consistent with McGrath (1999) real options reasoning.

In my opinion, entrepreneurs look at failure as something linked with the non fulfillment of pre set expectations, targets or plans more than necessarily to a particular “fatal” event. Thus, some entrepreneurs could look at failure as an experience rather than as a “fact”. Thus, Politis and Gabrielsson (2009) perspective as well McGrath (1999) approach are consistent with this finding. Also, entrepreneurs do look for learning from failure in different ways and moments. In this regard, the experiential learning as defined by Kolb (1984) does set a framework or path that seems to be followed by entrepreneurs in different “order” at different moments and the chosen approach is something very personal in an entrepreneur. It seems that there is a link between the existence of emotions toward the failure and the “will” to learn in the future or in recent times, when the failure has just happened. . A few entrepreneurs did not find a link between failure and success but rather they consider those as totally opposites. Thus, I will say that the emotional as well as cognitive implications of an experience linked with failure will be determined in a great extent by the definition and attitudes that the entrepreneur has toward failure.

The interviews and analysis suggest that “neutral” and positive attitudes could be linked with the “moving forward” stage from the experience related to failure. As considered by Sheperd (2003), the emotional recover has to do with the non existence of a negative emotional response towards thoughts related with the “failure”. One again, the individual’s attitude and learning style play a key role in the speed of recovery. Some entrepreneurs have a direct learning approach towards failure whereas others seem to look for “the next” experience, before learning. Thus, consistent with Hisrich et all (2010) and Sheperd (2003) work, it seems that naturally, individuals follow either a restoration orientation or loss orientation approach and in some cases, a dual process of learning and recovery that is related to both processes. Also, as found by Schut (1999), negative

emotions could precede the attitudes that could lead to learn from the experience and/or moving forward.

I believe that each entrepreneur is different, with different learning styles, with different emotional frameworks of reference and therefore what could be perceived as “heavy” for one does not necessarily mean or feel in the same for the other. Thus, what is relevant from my perspective is to keep emotions and attitudes positive and open for learning from every experience, including the ones that at some point could be qualified as failures and the how or when is to be chosen by the entrepreneur.

Consistent with Shepherd (2003) work, it seems that giving attention to other areas of life not necessarily linked with the experience of failure as well as involvement in activities that will give reward and distraction, seems to be positive for recovering and learning from failure.

Acknowledging that risk is part of the entrepreneurial equation, students of entrepreneurship and entrepreneurs could better learn, recover and move forward from failure, with a positive attitude, including some activities and practices in their life. Review and of “reflect” upon what is being done and “early” attention to issues during the development of entrepreneurial projects, could be one way to prevent “bigger” failures and/or better manage the risks. In doing so, looking for “mentors” or third persons that could enhance the perspective with their experience and objective view could be valuable. Keeping balance in life in the day by day, thus giving attention to more than the entrepreneurial projects is highly beneficial for many reasons, including keeping a positive attitude as well as dealing and recovering faster from “failures”. In this regard, developing in the restoration orientation approach of Hisrich et al (2010), “avoidance” is related to focus attention in something different and as well as to others aspects of life, as also supported by Shepherd (2003).

RECOMMENDATIONS FOR FUTURE RESEARCH

It seems to be a link between entrepreneurial experience and recovering and learning from failure. Because of this reason, Universities and Business Incubators should research on how to better support “young” or “nascent” entrepreneurs, in order to better deal with negative emotions and learn from failure.

LIST OF REFERENCES

Anderson, L., "Analytic Autoethnography" (2006), *Journal of Contemporary Ethnography*, Vol. 35 No.4, pp. 373-395.

Alexander Osterwalder & Yves Pigneur, "Business Model Generation", (New Jersey: John Wiley & Sons, Inc., 2010).

Barbara Simpson and Nick Marshall, "The Mutuality of Emotions and Learning in Organizations", *Journal of Management Inquiry* (2010) 19:351, p.353, via LibHub, accessed May 2011 and Dean A. Shepherd, "Learning from Business Failure: Propositions of Grief Recovery for the Self-Employed", *The Academy of Management Review*, Vol.28, No.2 (2003), p.9, via jstor, accessed May 2011.

Dan Lovallo and Daniel Kahneman, "Delusions of success: How optimism undermines executives decisions", *Harvard Business Review*, Vol. 81, Num.7 (2003), p. 56-63.

Dean A. Shepherd, "Educating Entrepreneurship Students About Emotion and Learning From Failure", *Academy of Management Learning and Education*, Vol,3, No.3, (2004), p.274.

Dean A. Shepherd, "Learning from business failure: propositions of grief recovery for the self-employed", *Academy of Management Review*, Vol.29, No.23, (2003), p.318-328.

Dean A. Shepherd, "Educating Entrepreneurship Students About Emotion and Learning From Failure", *Academy of Management Learning and Education*, Vol,3, No.3, (2004), p.274

Diamanto Politis, Jonas Gabrielsson, "Entrepreneur's attitudes towards failure, an experiential learning approach", *International Journal of Entrepreneurial Behaviour and Research*, 2009, 15(4), p.378

Gregory Schraw and Rayne Sperling Dennison, "Assessing Metacognitive Awareness", *Contemporary Educational Psychology*, Volume 19, Issue 4 (1994), p.460, via Science Direct, accessed May 2011.

Global Entrepreneurship Monitor, 2010, Global Report, p. 20, <http://www.gemconsortium.org/> , accessed May 2011.

Leon Anderson, "Analytic Autoethnography", (2006) *Journal of Contemporary Ethnography*, Vol. 35, Num.4, Sage Publications, 373-395.

Lowell W. Busenitz, and Jay B. Barney (1997), "Differences between entrepreneurs & managers in large organizations: Biases & heuristics in strategic decision-making", *Journal of Business Venturing*, 12: 9-30 (1997), <http://pcbfaculty.ou.edu/classfiles/MGT%206973%20Entrepreneurship%20Seminar/Week%202/Busenitz%20&%20Barney%201997.pdf> accessed in May 2011.

Organization for Economic Co-operation and Development (OECD), Entrepreneurship Indicators Steering Group, *A Framework for Addressing and Measuring Entrepreneurship*, 2007, p.5 and 22, <http://www.oecd.org/dataoecd/21/51/39629644.pdf> , accessed May 2011.

Politis, D. & Gabrielsson, J. (2009), “Entrepreneur’s attitudes towards failure: An experiential learning approach”. *International Journal of Entrepreneurial Behaviour and Research*, Vol.15, No.4, pp.399-424.

Robert D. Hisrich, Peters, Michael P. Peters, Dean A. Shepherd, *Entrepreneurship*, (New York: McGraw Hill International Edition, 2010), p.7.

R. Duane Ireland, Hitt, Michael A. Hitt, David G. Sirmon (2003), “A model of strategic entrepreneurship: the construct and its dimensions”. *Journal of Management*, Vol.29, No.6, 963–990.

Rita Gunther MacGrath, Ian C. MacMillan, “An Executive Summary of the book *The Entrepreneurial Mindset: Strategies for Continuously Creating Opportunity in an Age of Uncertainty.*” *Leigh Bureau*, <http://www.leighbureau.com/speakers/RMcGrath/essays/mindset.pdf> , accessed May 2011.

Rita Gunther MacGrath, “Falling forward: real options reasoning and entrepreneurial failure”, *Academy of Management Review*, Vol.24, No.1, (1999), p.13-30, <http://gatton.uky.edu/Faculty/ferrier/McGrath%201999.pdf> , accessed in May 2011

Sarasvathy, S. (2001) Causation and effectuation: Toward a theoretical Shift from Economic inevitability to Entrepreneurial contingency. *Academy of Management*, 26(2): 243-263.

Ucbasaran, D., Flores, M. and Westhead, P. , “Entrepreneurial optimism and experience: Does the nature of experience matter?”, *New York, Social Science Research Network*, (2008),p.4 <http://digitalknowledge.babson.edu/fer/vol27/iss6/4> , accessed in May 2011.

Other references

Report 1, Start Up Challenge, Group 6, September 2010.

Eloísa Dutari, Learning Journal, March 18, 2011.

Eloísa Dutari, Learning Journal, April 1, 2011.

Eloísa Dutari, Learning Journal, April 29, 2011.



LUNDS
UNIVERSITET

Machuuza

Business Plan

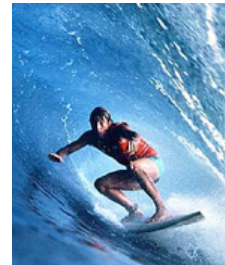
“Local knowledge, unique experiences. Request, compare, choose, experience”.

machuuza team:

CO- Founders: Eloisa Dutari & David Damian Lares



• Lund, Sweden • May 6th, 2011



This report is confidential and is the property of the entrepreneurs listed above. It is intended for use only by the persons to whom it is transmitted at purpose, and any reproduction or divulgence of any of its contents without the prior written consent of the Business Development Team is prohibited.

Table of Contents

| | Page: |
|--|-------|
| A)Executive Summary | 2 |
| B)Business Idea | 3 |
| C)Marketing Plan | 5 |
| - Market Description..... | 5 |
| - Industry Analysis..... | 7 |
| - Market strategy..... | 9 |
| - Sustainable competitive advantage..... | 10 |
| D)Business Model | 11 |
| E)Organization..... | 11 |
| - Management team and staff | 11 |
| - Values | 12 |
| F)Implementation | 13 |
| G)Profitability and Financing..... | 13 |
| H)Risk analysis | 13 |
| I) References | 14 |

This report is confidential and is the property of the entrepreneurs listed above. It is intended for use only by the persons to whom it is transmitted at purpose, and any reproduction or divulgence of any of its contents without the prior written consent of the Business Development Team is prohibited.

A. EXECUTIVE SUMMARY

Machuuza will be a virtual marketplace that facilitates information, communication and interaction between independent travelers and local tourist service providers, by allowing travelers to bid their trip and giving them access to local knowledge, prices, people and experiences.

Independent travelers represent one of the fastest growing segments of the travel industry accounting a global market worth USD \$136 billion a year. Up to 60% of the independent travelers use the internet as their main tool for looking for information and making their trips. Machuuza is targeting young Swedish independent travelers which belong to a segment that is ranked in the world among the heavier travelers and top spenders during vacations, which trips and interest in Latin America have been increasing. Thus, Machuuza is targeting local tourist service providers in Mexico and Panama, both ranked in 2011 among the top 5 destinations in Latin America and top 10 destinations world wide.

Machuuza allows travelers to customize their trips and to save time requesting rather than researching for reliable information. Also, travelers will be able to compare the prices, experiences, providers and benefits from trustworthy tourist service providers. Machuuza supports local services providers to “meet” rather than find customers and to reach non traditional markets as the Scandinavian. The Machuuza’s approach facilitate exclusive, unique and local-focused tourist experiences based on feeling, tasting, smelling, seeing, talking and listening as local’s do.

Different revenue models will be progressively implemented. The projections indicate that Machuuza requires maximum USD\$10,000 for the first year and also that it will reach break even in Q3 of year 1, expecting to close the year with a net income of USD\$ 414,876. The sustainability of the idea relies primarily in its growth potential and scalability at world wide level in the tourist industry.

The Machuuza team has a background in international marketing, tourism, external relations and IT and programming.

B. BUSINESS IDEA

Problem

Swedish travelers as well as others willing to visit Mexico, Panama and various countries have been dealing with the fact that the “where to go”, “what to do” and “when to do so” has normally been chosen, packaged, priced, rated, offered and sold mainly by intermediaries. This traditional model has created several issues for travelers that include:

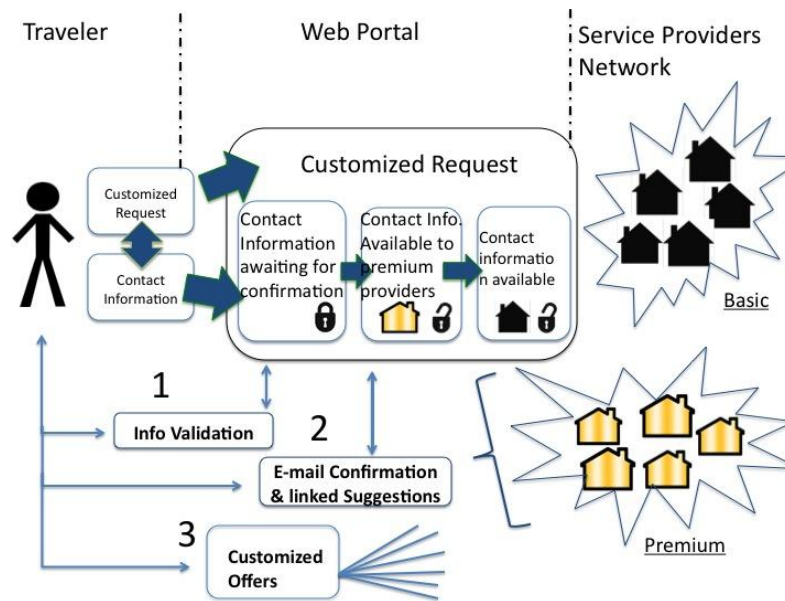
- expending resources such as time and money, when looking for information
- lack of trustworthiness in service providers
- doubts about reliability of the information
- language barriers
- twice or triple price in comparison with local tourist service providers offers
- trip advices are given by other tourists, lacking of local’s knowledge and experiences
- commercial tours are prioritized by service providers rather than the life style tourism and unique experiences that are preferred and demanded by the travelers

Relevant challenges faced by local tourism service providers in Mexico, Panama and other countries include:

- high costs in marketing
- poor customer oriented approach
- difficult access to new markets, including the Swedish and Scandinavian in general
- lack of market knowledge and good marketing skills
- information not well organized nor translated and many times deemed as not reliable

Solution

Machuuza is a travel community that facilitates information, communication and interaction between travelers and local tourism service providers in Mexico and Panama by allowing travelers to bid their trip and giving them access to local knowledge, prices, people and experiences. Key Features and advantages are described in the Appendix I, Figure 1.



The unique Machuuza approach

Machuuza provides much more than information, communication and interaction for travelers willing to visit well known destinations. Machuuza facilitate exclusive, unique and local-focused tourist experiences based on feeling, tasting, smelling, seeing, talking and listening as local’s do. Machuuza will look for service providers which quality and reliability is supported, as detailed in Appendix I, Figure 2.

Benefits

The Machuuza solution will benefit both, travelers and tourism service providers. The benefits can be summarized as follow:

| Benefits for travelers | Benefits for tourism service providers |
|--|--|
| Reliability and reduction of uncertainty | Market knowledge and competitive |
| Resource Optimization | Access to non traditional markets |
| Customization | A channel for direct marketing |
| Personal choice and flexibility | Increase number of customers and sells |
| Free membership | Fair and competitive deal |
| Local knowledge | |

For detail explanation of the customer’s benefit is included and current stage of development, see Appendix I, Figures 3, 4 , 5 and 6.

C. MARKETING PLAN

Market description

The two key targets of Machuuza are independent travelers and local tourism service providers.



Independent travelers

Machuuza is targeting young independent travelers as initial users. In particular, the targeted group could be described as follows!:

- 19-35 years old
- Whereas the youngest are more motivated by relaxation and fun those aged between 26 -30 are looking for exploration experiences.
- After have traveled they look for more travel, tourism and experiences
- they organize their trips by themselves
- use a wide range of information sources pre-departure
- the Internet is their main and most valued tool for obtaining information
- they look for comparing prices and obtaining information about destinations
- they talk to family and friends about their trip, looking for suggestions
- Over 60% book their accommodation trough the Internet
- Around 50% book and purchase their flights online
- Spend more on international tourism than other types of tourists



In this first stage, Machuuza is targeting the sub-segment of Swedish independent travelers willing to go to Latin America, Mexico and/or Panama. ‘Heavy travelers’ is a good definition for Swedish, in consideration of the following data:

- In 2007, Swedes made about 10.5 million leisure trips abroad².
 - Sweden is placed 16th in the list of the world’s top tourist spenders³.
- The per capita expenditure of Swedish travelers is approximately USD\$1,131⁴.
- The analysis of the data collected suggests that between 40% and 60% of the trips could have been booked by Swedish independent travelers of different ages.

For detail information refer to Appendix II, Figure 7 and subsequent pages, which shows the results of a survey conducted by the Machuuza team among independent travelers in Sweden and a summary of interviews with official and private sources of tourism information in Sweden.

The market of independent travelers in Mexico, Panama and the world

Independent travelers represent one of the fastest growing segments of the travel industry accounting for 20% of all international arrivals, generating an estimated 160 million visitors and a global market worth USD \$136 billion a year⁵. In 2010, Swedes enjoyed more than 130,000 trips in Latin-American⁶. Market research and estimations indicate that in 2010, approximately 3,762,377 independent travelers visited Mexico among which 238,224 were from Europe and 3,659 particularly from Sweden⁷. Approximately 226,538 independent travelers visited Panama in 2010⁸. Although there were not statistics available for the targeted sub segmented, it was found that about 120,769 travelers were europeans and 2,589 were Swedes⁹. Market research among Swedish independent travelers indicate that they have a “high” interest to visit Mexico and a “Medium-high with potential” to visit Panama. For detail information, refer to Appendix II, in particular pages 6 and 7.

Service Providers in Mexico & Panama

Machuuza is targeting tourism service providers that are within the various traditional sub-segments, including:

- Accommodation: hotels, hostels, cabins
- Car rental

- Tour operators
- Travel Agencies
- Tour guides
- Service providers of particular life-experiences such as spanish language schools, restaurants of typical food, diving schools, surfing schools and fishing clubs.



In particular, the tourism service providers that work with Machuuza:

- Work with computers and have access to internet connection
- Look for improve their international marketing strategy
- Provide access to life-style, special and unique experiences for travelers
- Are reliable and have positive references and background

Market research and estimations indicate that in Panama, there are about 794 Operators subscribed in the official tourism registration¹⁰. Among those, Machuuza is targeting about 100 for the first semester. In the other hand, in Mexico there are about 6,680 operators subscribed in the official tourism registration. Machuuza is targeting 100 for the first semester making a distinction on the specific areas they are focused. Ex. Nature, Spas, Lodging, Restaurants, etc.

Machuuza got in touch and interviewed representatives of service providers in the private and public sector. The perception and interest for the solution was very positive. For more information, look at the Appendix II, figure 8.

Environmental Analysis

International tourist arrivals have growth from 25 million in 1950, to 277 million in 1980, to 438 million in 1990, to 681 million in 2000, and the current 880 million and

is expected to reach 1.6 billion by 2020¹¹. “International tourist arrivals received by emerging and developing countries has steadily risen, from 32% in 1990 to 47% in 2009”¹². Trends indicate that are the “less travelled roads” and “unexplored destinations” in Latin America the ones with better prospect¹³. Currently, Panama and Mexico rank among most popular top 10 destinations world wide and top 5 in latin America¹⁴. In 2010, Mexico received 22,395.1 million international tourists which counts for 4.4% more compared to 2009 and the average tourist expenditure per day was about USD\$ 441.8¹⁵. Panama received 1,348,439 international tourist in 2010 which represents an increase of 7.5% in comparison to 2009¹⁶. In average, tourist stay in Panama about 9 days and expend about USD\$ 977 in total during the stay and about USD\$109 per day. The number of European tourist in Panama increased approximately in 12% in comparison with 2009, maintaining the growing trend of the last years¹⁷. In general, the current strong position of the Euro and the Swedish Kronor as currencies favors the power of acquisition or Europeans as well as Swedes, supporting the increasing trend of more travels abroad and the growth potential of the market¹⁸.

The tourism industry is a national priority in Mexico and Panama and programmes to support the sector as well as the development of business ideas are more available than ever before. For instance, Panama offers free medical insurance for tourist during their first 30 days within the country and up to USD\$ 100,000 (non refundable) for start ups developing ideas linked to the tourism sector¹⁹. Currently, there is not official strategy nor company that promotes Panama as a destination in any nordic country²⁰. Key issues that could affect the travel industry in the next five years are related to higher taxes and effects of the downturn²¹.

Thus, the prospect is that the industry will continue growing, the number of independent travelers increasing as well as the visits to Latin America, Mexico and Panama.

Competition

Machuuza has particular indirect competition:

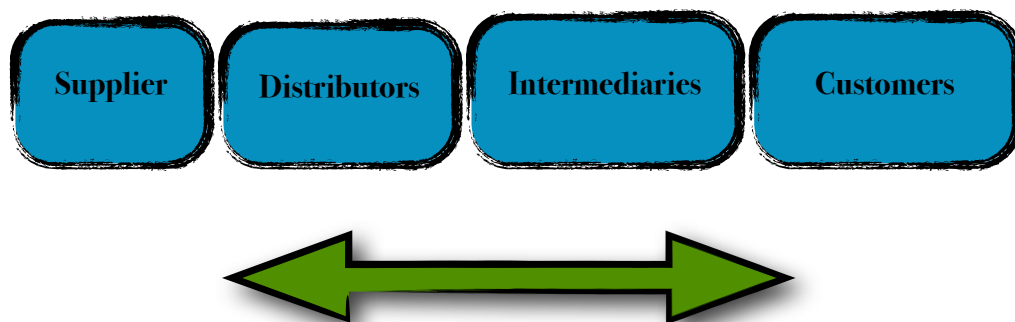
- online and offline travel agencies and websites of tours operators
- travel search engines
- brokers

For more information, see Appendix II, Figure 9 in page 9.

Industry Analysis

The Industry for internet marketplaces in the tourism industry is not well developed. There are other existing product category competitors which are an indirect threat. Thus, threats to Machuuza success and profits are to be considered²².

Traditionally, a linear model of tourism distribution has characterized the tourism distribution system:



The Internet has created indirect distribution.

ones closest

Travel in direct viewed as

was paying them

services. Their traditional basic tasks include²³:

- Information broker, by passing information between buyers and suppliers
- Process transactions, including printing tickets and forwarding money to suppliers
- Advise travellers

new channels for both direct as well as

Relevant for Machuuza are the

to the traveler or consumer.

agents have been normally

contact with customers,

an agent of the supplier who

commission for selling their

Different types of travel agencies, agents and suppliers adopt different competitive strategies and revenue models. Traditional travel intermediaries currently feel the greatest impact of these changes in the area of revenue, with pressure being brought to bear on the restructuring of the traditional revenue model, particularly from their greatest source of income, the airlines²⁴. Actually, competitive agencies are not longer relying on commission fees as their major revenue source but rather in different

internet-based e-commerce such as the value stream, revenue stream and logistical stream. Thus, revenue models that include valued added market making process, free offerings and infomediation have contributed in a major extent in highly competitive environments²⁵.

Machuuza stands out of the traditional structure in the industry. It, as it is an online marketplace which facilitates the interaction and connection of travelers and all tourist service providers in the chain. Key competitive advantages and differentiators of the Machuuza solution in relation to competitors are listed in Appendix II, Figure 10 in page 10.

Thus, in consideration of the market research and analysis, Machuuza is targetting Swedes independent travelers and tourism service providers in Mexico and Panama, because:

- The team has had direct access to market and cultural knowledge during the last 9 months
- Swedes are heavy travelers and are among the top exponders in trips with a strong currency
- There is an increasing interest among Swedes to explore Latin America
- Tourist service providers have an interest in reaching more Swedes and scandinavian tourist
- The Machuuza solution has been well perceived by potential customers

The main market barriers and strategies to overcome those are described in a SWAT analysis in Appendix II, Figures 11 and 12.

Sustainable competitive advantage

The Structure and Business Strategy of a firm have a strong impact in the creation of a sustainable competitive advantage²⁶. The added Value Proposition of Machuuza combine with is Organizational Values and culture, support the development of a sustainable competitive advantage. This, combined with trademark protection as well as branding, will position Machuuza in the market.

Machuuza follows the “3ps” approach²⁷, those taking into consideration social and environmental factors, as it considers “people, planet and profits”.

Machuuza:

- Has a fair price strategy

- Share and promotes appreciation for local knowledge, people and experiences
- Promotes environmental friendly values within the network of service providers

D. BUSINESS MODEL



E. ORGANIZATION

The Management Team and Staff

The Machuuza team is much more than background and skills, it is about passion and believe for traveling and experiencing. The team believes in the great value that the exposure to different cultures, realities, people and experiences can have in a person's life. All the people involved in have been passionate explorers in their home countries and heavy independent travelers in America and Europe. They enjoy life-style and local tourism. For detail information, refer to the Appendix, Figures 13 and 14, in pages 13-16.

Organizational Values and Culture

Mission

Machuuza facilitates customized and special travel experiences in a virtual marketplace.

Vision

Travelers and tourist service providers find in Machuuza the place to meet, interact and trade local knowledge and experiences at local prices

Organizational values and culture

The Machuuza's team and staff promote:

- **Customer oriented approach.** The customer is a co-creator that guides the customization of products and services.
- **Communication.** Team members listen, talk and share relevant information.
- **Innovation.** Open innovation and communication to generate new ideas, uses and methods.
- **Reflexion and learning.** The results of projects are reviewed with an eye to learn and improve.
- **Recognition.** Good performance is always recognized, celebrated and rewarded.
- **Efficient use of resources.** Productivity guides the use of resources.
- **Quality.** Processes and outputs are created and delivered with reliable standards.
- **Pro-activeness.** Team members take initiative and make proposals to generate positive change





F. IMPLEMENTATION

For details, refer to Appendix.

G. PROFITABILITY AND FINANCING

For details, refer to Appendix.

H. RISK ANALYSIS

For details, refer to Appendix.

REFERENCES

- ¹ New Horizons II - 2007 Global study of young travellers. updates a benchmark study conducted in 2002 which identified the motivations and unique travel characteristics of the millions strong global movement of young independent travellers
- ² NUTEK, Tourism and the travel and tourism industry in Sweden, 2008 edition
- ³ Tourism In Sweden, Effects of tourism industry on the economy and employment, volumes, behavior and supply & demand. Facts & Statistics 2009 report
- ⁴ Tourism In Sweden, Effects of tourism industry on the economy and employment, volumes, behavior and supply & demand. Facts & Statistics 2009 report
- ⁵ According to www.wysetc.org / 2009 Youth travel industry monitor report. Executive Summary
- ⁶ Information provided in interview with a representative of Tillväxt Verket
- ⁷ International visits by country. Official report of tourism activities in Mexico 2010". Source: Integral system of migratory operations and the national institute of migration.
- ⁸ Based on assumptions from market research and official data provided by the Panamanian National Institute of Tourism available upon request. See Annexes for Reference.
- ⁹ Official data provided by the Panamanian National Institute of Tourism available upon request. See Annexes for Reference.
- ¹⁰ For more information, visit http://visitpanama.com/index.php?option=com_zoo&view=frontpage&Itemid=482&lang=en
- ¹¹ UNWTO, Tourism Highlights, 2010 Edition, p.2
- ¹² Ibid
- ¹³ World Travel Market Global Trends Reports 2010, in association with Euromonitor International
- ¹⁴ For reference, visit <http://www.lonelyplanet.com/vanuatu/travel-tips-and-articles/76164>
- ¹⁵ For reference, visit http://www.sectur.gob.mx/wb/sectur/sect_Informes_Oficiales report 2010 "Ingreso de divisas".
- ¹⁶ Official data provided by the Panamanian National institute of Tourism available upon request. See Annexes for reference.
- ¹⁷ Official data provided by the Panamanian National institute of Tourism available upon request. See Annexes for reference.
- ¹⁸ For reference, visit <http://www.x-rates.com/>
- ¹⁹ For reference, visit http://www.atp.gob.pa/index.php?option=com_content&view=article&id=218:seguro-medico-aprobado-en-la-asamblea-para-turistas-extranjeros&catid=38:centro-de-noticias&Itemid=77 and <http://www.senacyt.gob.pa/convocatorias2011b/ronda2/index.html>
- ²⁰ Information provided upon request by the Panamanian National institute of Tourism available.
- ²¹ World Travel Market 2010 Industry Report, available at www.wtmlondon.com

²² Lehmann & Winer, Analysis for Marketing Planning, 2004, p. 68-75

²³ Vasudavan and Standing, 1999

²⁴ A new revenue model for travel intermediaries in South Africa: The negotiated approach Berendien Lubbe (2006)

²⁵ Business model for exploration of travel Websites in Taiwan Kaung-Hwa Chen & Chi-Yeh Yun. 2010

²⁶ Ahlström, R. et al, 2007, p.B33

²⁷ Schindehutte et al (2009, p.313-314)