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Entrepreneurial Failure, Networks and Sensemaking: An Interpretive Phenomenological Analysis

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A B S T R A C T

The purpose of this study is to advance the theoretical knowledge of how entrepreneurs who have experienced business failure make use of personal and professional relationships within their network during their sensemaking process. Six in-depth, semi-structured interviews were conducted with entrepreneurs who terminated their business in Sweden and Denmark. Their stories were analyzed through an Interpretative Phenomenological Analysis (IPA) with an aim to answer the following question: *how do entrepreneurs who experience failure make use of different relationships within their network during their sensemaking process?* The empirical findings present that the times in which participants reached out to members of their network can be split into two parts: during the failure and after the failure. In analyzing the emerging themes that came to light through the above analysis, there appear to be five factors (loss, identity, attitude towards failure, risk acknowledgement, previous experience) that are categorized into one superordinate theme (failure attribution), which seems to correlate with whether or not an entrepreneur actively engages in sensemaking following a failure. Lastly, theoretical and practical implications were delineated.

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1. Introduction

Understanding the depths of entrepreneurial failure is a growing topic of interest amongst academics within entrepreneurial research (Singh et al., 2014; Politis & Gabrielsson, 2007; Cope, 2010; Ucbasaran et al., 2013; Heinze 2013). Themes within this growing subject area range from examining the process and consequences of business failure for entrepreneurs (Ucbasaran et al., 2013) to understanding how the sensemaking process relates to entrepreneurial failure (Shepherd 2009; Cardon, Stevens & Potter, 2011; Ucbasaran et al., 2013; Heinze 2013). Sensemaking is best understood as developing a plausible understanding of something and testing it with other individuals (Ancona, 2012). Thus, examing the process of sensemaking in regard to entrepreneurail failure proves to be a relevant discussion given that "when an outcome occurs, such as failure, an individual will want to think about why it happened" (Cannon, 1999, Pg. 419; Weiner, 1974, 1985; Wong & Weiner; 1981). The studies mentioned above acknowledge that sensemaking is a social process, however, they fail to address specifically how entreprenurs make use of their networks throughout this process.

Davidsson and Honig's (2003) study on understanding the role of social capital among nascent entrepreneurs highlights the importance for both entrepreneurs and nascent entrepreneurs to actively maintain, pursue and develop social relations given their influence on entrepreneurial activity. There is no doubt that entrepreneurship has an influence on economic growth (Carree and Thurik, 2010), so it follows that an entrepreneurs' social relations play an important role in contributing to such growth. As discussed in the literature review, the social relations of an entrepreneur can be divided into personal and professional relationships (Ibarra & Hunter 2007) given an established set of criteria established by Krackhardt (1992) and discussed by Evald et al. (2006). This study aims to fill the gap identified above by exploring the ways in which entrepreneurs make use of personal and professional relationships within their networks when making sense of their failure.

Accomplishing this objective unfolds in the following manner:

1. Chapter two outlines the existing literature around the succeeding areas of research: the sensemaking process in regard to entrepreneurial failure and entrepreneurial networks.

2. Chapter three outlines the research methods undertaken to answer the research question established for this study.

3. Chapter four presents the empirical findings and analysis that emerged from the research methodology discussed in chapter three.

4. Chapter five concludes this paper with a discussion on both the findings and analysis presented in the preceding section and the practical/theoretical implications that this study provides for entrepreneurs and academics.

2. Literature Review

This section reveals what is currently known within literature in relation to entrepreneurial failure, sensemaking and personal/professional relationships within networks. It lays the theoretical foundation for this research, and provides the foundation necessary to properly interpret the empirical findings of this study. Section 2.1 provides a discussion on sensemaking in relation to and beyond entrepreneurial failure. Section 2.2 examines current discussions on personal and professional relationships within networks and is further related to the sensemaking process of entrepreneurial failure.

2.1 Making Sense of Entrepreneurial Failure

Sensemaking has been a growing topic of interest in organizational research over many years (Daft and Weick, 1984; Weick; 1988; Weick, 1993; Gioia and Chittipeddi 1991; Thomas et al., 1993; Weick 1995; Ancona 2012). Daft and Weick (1984), for instance, propose a comparative model of organizations as interpretation systems, which highlights the relationships of organizational scanning (data collection), interpretation (data given meaning) and learning (action taken) to define such interpretation systems. Although insightful, this work lacks a constructive perspective of sensemaking, which is addressed by Gioia and Chittipeddi (1991).

Gioia and Chittipeddi (1991) take on a more constructivist approach to sensemaking by suggesting that it is an iterative process of meaning construction and reconstruction in an attempt to develop a meaningful framework to understand the nature of one's experience. This theory has further been used in more general contexts by examining three key processes – scanning, interpreting and action – all of which have been identified as steps in the sensemaking process

(Thomas et al., 1993). *Scanning* refers to selectively attending to and collecting relevant information regarding one's particular experience, while developing ways to comprehend this information refers to *interpretation*. *Action* is the final key process, which simply refers to one's ability to execute decisions based on the insight gained from scanning and interpreting information concerning his or her experience (Taylor & Crocker, 1981; Daft & Weick, 1984; Gioia, 1986; Thomas et al., 1993).

Taking this point further, Ancona (2012) suggests that sensemaking consists of 1) exploring the wider element, 2) creating a map of the current situation and 3) acting. When exploring the wider element one must go about working with others to observe what is going on by collecting different types of data through different sources. Creating a map simply consists of letting "the appropriate map emerge from your understanding of the situation" (Ancona, 2012, Pg. 9). This overall process leads to "acting thinkingly", which means that using trusted frameworks and testing new frameworks occurs simultaneously (Ancona, 2012, Pg. 10; Weick et al., 2005, pg. 412). Sensemaking then is an effective tool throughout experiencing moments of threat and fear, which arises from unexpected occurrences or when one's understanding of the world seems inadequate (Ancona, 2012). Entrepreneurial failure, for instance, is an unexpected occurrence that makes one's understanding of the world seem inadequate, which suggests a need to examine sensemaking in relation to entrepreneurial failure. However, sensemaking has been used to understand entrepreneurial failure only in very limited instances (e.g. Shepherd, 2009; Cardon et al., 2011; Heinze, 2013). The following sections examine entrepreneurial failure in relation to sensemaking in order to lay a relevant foundation for the research conducted in this study.

The term failure proves to be complex due to its inherent subjective bias – what is considered to be a failure for one may be considered a success for another. Authors such as Cope (2010, Pg. 2) suggest that failure can be viewed as *"the termination of a business that has fallen short of its goals"*, while others like Ucbasaran et al. (2013, pg. 175) refer to failure more verbosely such as: "the cessation of involvement in a venture because it has not met a minimum threshold for economic viability as stipulated by the entrepreneur". This evident divergence raises difficulties when conducting research, so this study uses the former definition of failure for the sake of simplicity in identifying entrepreneurs as participants for this research. This clarification is necessary to guide the reader through the subsequent discussions.

Entrepreneurial failure can be "painful and costly, can generate vicious cycles of discouragement and decline, and can obviously be mismanaged" (McGrath, 1999, Pg. 16), so anticipating and meeting failure can be a trying time for entrepreneurs having such an experience. Expecting negative judgment from others and the chastisement of oneself seems almost inevitable when anticipating failure, while meeting failure with taking legal, financial and professional steps to discontinue business often strengthen these presumptions with feelings of exclusion and self-doubt (Singh, Corner & Pavlovich, 2014). Given this complexity the entrepreneur is inclined to make sense of his or her failure, which arises from determining the cause of it (Wagner & Gooding, 1997). Determining this cause is the result of attributing the failure to something that explains it, and a necessary product of attribution is sensemaking (Cardon et al., 2011; Dweck & Leggett, 1988; Heider, 1958; Zacharakis et al., 1999) – that is, an interpretive process of assigning meaning to continuous occurrences (Gioia & Chittipeddi, 1991; Weick, 1995; Cardon et al., 2011).

Sensemaking is a social process that consists of making sense of something through interactions with others by sharing ideas and thoughts in order to find possible meanings (Weick, 2002), and entrepreneurship is fundamentally a social process (Cardon et al., 2011). As Cardon et al. (2011, Pg. 81) claims, "Entrepreneurs do not act alone, just as individuals cannot make sense of events absent the social context in which they occur" (Parker et al., 2004). When an outcome such as failure arises then, an entrepreneur will not only want to think about why it happened (Weiner 1974, 1985; Wong & Weiner, 1981), but will do so by sharing ideas and thoughts with others in order to develop an understanding of it (Weick, 2002). As Weick (1979) claims, the meaning about situations is developed through one's interactions with others rather than in isolation. Some authors (Cardon et al., 2011; Ucbasaran et al., 2013; Heinze, 2013) have realized the important role that others play in the sensemaking process during entrepreneurial failure, but none have attempted to understand how entrepreneurs make use of personal and professional relationships within their network to make sense of their failure.

2.2 Understanding Network Dynamics

Aldrich and Zimmer (1986) suggest that the starting point for studying entrepreneurship through social networks is the relation between two people – also known as a strong or weak tie depending on level, frequency and reciprocity of relationships between persons. These three

factors that determine the strength of a tie are drawn from Granovetter's (1973) work, but Krackhardt's (1992, Pg. 216) work suggests "there is considerable ambiguity as to what constitutes a strong tie and what constitutes a weak tie". Given this clouded ambiguity associated with the concept of strong ties, Krackhardt (1992) designates the word *philos* as a type of tie that is different from other ties, but constitutes strong ties as Granovetter (1973) defines. This type of relationship rests upon the following three necessary conditions:

1. *Interaction* – Frequent interactions amongst individuals as *philos* results in each having access to information that the other has.
2. *Affection* – Each individual a part of *philos* must feel a mutual respect for one another.
3. *Time* – The history of interactions amongst those within a *philos* must have lasted over an extended period of time, so that the relationship can develop.

Interaction, affection and time are three ingredients that actively combine to establish a basis of trust amongst those within *philos*. Krackhardt (1992) specifies that an *opportunity* for information exchange emerges from frequent interaction, *motivation* to treat one another in positive ways is produced through affection, and the *experience* necessary for the prediction of how any shared information is used emerges from time – a process necessary for trust to be established in order to provide comfort and reduce resistance during uncertain times. Provided this established criteria, *philos* can be divided into both personal and professional relationships (Ibarra & Hunter 2007). According to Ceci and Iubatti (2012, Pg. 568), personal relationships produce "relations of trust, obligation and custom (Lincoln, 1990: p. 281)", while professional relationships "rely on specific business-related knowledge exchanges". Professional relationships can be identified to encompass both *operational* and *strategic* networks. Operational networks consist of individuals who help with accomplishing what needs to be done within the job and "represent the important stake holders and groups at work" (Yost & Plunkett, 2009, Pg. 118). Strategic networks include "lateral and vertical relationships with other functional and business unit managers outside of [one's] immediate area of responsibility. This distinction between personal and professional relationships proves to be relevant throughout the findings that are discussed in chapter four.

Evald et al. (2006) uses Krackhardt's (1992) proposition to propose that entrepreneurs need these ties for receiving emotional support, encouragement and receiving access to sensitive/detailed information. This is because the entrepreneurial process is highly ambiguous and uncertain, and entrepreneurs are "confronted with many unanswered questions and maybe some fear of failure" (Evald et al., 2006, Pg. 7). Cardon et al. (2011, Pg. 82) claims "sensemaking may hold particular importance for entrepreneurs, who regularly face ambiguous and strategically challenging scenarios". Provided that sensemaking is inherently a social process of sharing ideas and thoughts in order to find possible meanings (Weick, 2002; Ancona 2012), it follows that an entrepreneur would reach out to their *philos* for receipt of emotional support, encouragement and access to sensitive/detailed information during the sensemaking process. It is from this theoretical foundation that the following question emerges that this research aspires to answer: *how do entrepreneurs who experience failure make use of different relationships within their network during their sensemaking process?*

3. Research Methodology

3.1 Research Design

In the past, within the international business and entrepreneurship fields it has been common for researchers to rely on quantitative research methodologies rather than qualitative when evaluating data (Nummela & Welch, 2006). In fact, between 1989 and 1999 a mere 18% of entrepreneurial studies published in key journals used qualitative methodologies (Chandler and Lyon, 2001). Recently however the focus has begun to shift towards the use of qualitative data as researchers begin to acknowledge the advantages that it can present. Researchers such as Cope (2005, 2010), Heinz (2013) and Seymour (2006) have given traction to the use of qualitative data in the field of entrepreneurial research citing that, "the strength of a qualitative research design such as this lies in its capacity to provide situated insights, rich details and thick descriptions" (Cope, 2010, Pg. 608). In particular, and of particular relevance to this study, qualitative data analysis has been applied to the study of entrepreneurial failure (Cope, 2010; Heinz, 2013).

Within the field of qualitative research there exist a variety of approaches for gathering and analyzing data. Given that this research poses a question rather than a theoretical hypothesis an iterative approach was chosen that aims to derive theory out of data. The specific approach utilized

and outlined in this paper is known as Interpretative Phenomenological Analysis (IPA). This approach was originally developed by Smith et al. (1999) in the field of psychology and has been subsequently adopted into other areas of academia including entrepreneurship (Seymour, 2006; Cope, 2005; Cope, 2010; Heinz, 2013).

3.2 Research Sample

It is suggested for studies utilizing IPA to use a relatively small sample size due to the intensity of the analysis (Smith & Osborn, 2008). A typical sample size for IPA consists of six to eight individuals (Smith et al., 2006; Heinz, 2013; Cope, 2011). Ideally a homogenous sample is used, specifically in relation to the research question under consideration (Smith, 2009).

In this study participants were identified via personal and professional networks. Based on availability and location a sample of convenience was implemented. Initially eight entrepreneurs were chosen who considered themselves to have experienced a business failure as defined by this study, however, after conducting interviews it became clear that three of the participants did not fit the necessary criteria and so their interviews were not used in the final analysis and discussion. Table 1 outlines the participants used for this study.

Table 1 - Participant Profiles

Profile of Entrepreneurs	
Flintberg	Björn Flintberg founded Nindev at the end of 2010 with the intention to both corner the B2B market with a cross platform solution to different industries through app development, and use the surplus to invest in product development. The company purchased a small start-up, which brought along its venture capital funding, but unfortunately had a very high burn rate due to unsuitable finances. Nonetheless, Nindev raised $4 million in capital, which contributed both to its rapid growth and ultimate failure after two years. Unfortunately the company grew so fast that it could no longer recruit at a reasonable pace nor follow up the quality of what was being delivered at a proper rate. Flintberg followed up the failure with writing two books, running a consultancy business and developing an organization that is focused on providing necessary resources for individuals whom experience bankruptcy in Sweden.
Schlegel	Peter Schlegel founded Admazely and spent two years on building it after spending three years at a venture capital backed company and being inspired to start his own company. Admazely was a technology firm that developed a software platform to help small and medium sized retailers with more personalized online advertising. Schlegel and his team managed to raise $1 million in the first year, which sustained the company of fifteen employees throughout the following year. The company was accepted to join an accelerator that offered a very attractive loan, and felt certain of receiving it given that they were not only more advanced than their competitors, but also because the chairman

	of Admazely was on the loan committee of the accelerator. Unfortunately, one individual on the committee vetoed Admazely receiving the loan and they did not have a plan b for fundraising during the time that the company was experiencing rapid growth, which ultimately resulted in its bankruptcy two years after its origination. Schlegel was offered a job by one of his colleagues that served on Admazely's board after its failure, which has led him to owning a third of the company that he currently serves as the COO for – Responsive.
Esser	Alex Esser founded Tunaspot back in 2012 with a few good friends who were skilled in engineering, marketing and business. Tunaspot's focus was on location-based music – in other words, it offered a platform for individuals to check in to different stores (e.g. Starbucks, McDonalds, H&M) and download the entire playlist that was playing in the background. The company managed to reach about 100,000 users, but it was having trouble receiving the music rights given that there are so many components to working within the music industry. Tunaspot managed to receive the rights to the music by working above Spotify and partnering with the large labels that run the music industry, but this focus resulted in its lack of focus on acquiring more users, which is necessary for the type of product it offered. The owners of Tunaspot decided to declare bankruptcy and give what was remaining of the $270,000 back to the investors after not experiencing the necessary growth discussed above. Esser now serves as the managing director in Sweden, Norway and Denmark for a music-streaming platform – Deezer.
Lövschall	Peter Lövschall started an online platform in 2010 with two cofounders for construction companies to get out their leasing contracts for machinery before the contract ran out. The company experienced rapid growth throughout the time of its existence. The founders were expecting a second round of funding provided that the venture capital firm provided them with an extra 100,000 Euros to help them sustain until the second round. This being said, they continued running under the assumption that they would receive more money, but the venture capital firm backed out at the last minute, which ultimately lead to his business failure. Lövschall now works as a manager at the Student Innovation Center at Lund University.
Chan	Anna Chan started a frozen yogurt franchise chain at the end of 2010 with a business partner while maintaining a full time job. Their intention was to run one flagship store that would attract others to buy into it, and they managed to distribute the rights of the company to four different franchisees. Her business partner's parents ended up owning two of the five shops, and they negotiated not having to pay royalties on the first business and tried negotiating down the payment of royalties for the second business. This internal conundrum caused Chan to sell her shares and take a loss after one year – the business ended up failing not long after due to a market failure. Chan now works as a business developer for a start up and is in the process of deciding what kind of business to launch now with her current business partner.
Greenspan	Neal Greenspan opened two indoor play lands in Lund and Malmo Sweden in 2004 with two other business partners, one being his wife. Initially the business was very successful with Greenspan running the center in Lund and his business partner running the one in Malmö. However, after about a year the business partner left and Greenspan took over both companies. At that time the Malmö center was losing money so he put the company in bankruptcy and focused all of his efforts on the Lund center. In 2010 the lease in Lund ended at which point the landlord decided to raise the rent by 25%. It would have been impossible to cover the rent without incurring loss so they were forced to once again file for bankruptcy. Greenspan is now the COO of his own company, Perfect Your Pitch in Lund.

3.3 Data Collection and Analysis

The aim of IPA is "to explore in detail the participant's view of the topic under investigation" (Smith, 1999, pg. 218). Because of this, data collection utilized semi-structured interviews based on a series of open-ended questions, which aimed to eliminate the conducted research and analysis from being skewed (Smith, 2011). The interview guide that was developed for this study can be found in Appendix A. The guide was divided into the four sections:

1) *General questions concerning entrepreneurs experience with failure.*
2) *Questions regarding the process of the entrepreneur making sense of his or her failure.*
3) *How entrepreneurs' made use of their personal networks during the sensemaking process of their failure.*
4) *How entrepreneurs' made use of professional networks during the sensemaking process of their failure.*

Each question in section one and two was carefully structured in order to gain specific insight into both the entrepreneurs' experience with failure and how he or she worked to make sense of this failure. The questions in sections three and four were structured to provoke the most valuable information concerning how the entrepreneurs made use of both personal and professional networks when making sense of his or her failure.

These questions served as a general guide for the interview and were followed up with further open-ended questions related to the response of the interviewee. These follow up questions, also referred to as 'probes' were phrased using the participant's own words in order to avoid interviewer bias (Rouston, 2010). The initial questions were based on preset themes of interest while the follow up questions served to elucidate emerging themes. At least one in-person interview was held with each of the participants resulting in a total of 10 hours of recorded interviews. Following each interview the data was transcribed verbatim from the recording.

Analysis of qualitative data focused on identifying emerging themes within each case and then across cases. Given that this type of analysis depends on the focus of the study in question there are no strict rules for the analysis however, IPA outlines a set of clear and specific guidelines for the process. The process is very similar to grounded theory in that it aims to derive theory from

collection and categorization of data (Bryman and Bell 2007). It should be noted that IPA does not claim to be objective (Cope 2011), rather it is inductive and ideographic in the sense that it relies on individual thematic analysis of each participant prior to working up to larger claims and categorization of the sample as a whole (Smith & Osborn 2008). A detailed explanation of the different stages used in this analysis can be seen in Table 2.

Table 2 - Stages of Interpretive Phenomenological Analysis (IPA)
(Adapted from Smith, 1999, 2008; Cope, 2011 and Heinze 2013)

Stage	Level of Analysis	Description of Analysis
Familiarization	Reading of the case	The texts are read and re-read in order to gain an intimate understanding of each case prior to outlining any patterns.
Coding	Labeling information	Labels are given to areas of the data that seem to be of potential theoretical significance (Bryman & Bell, 2007) forming units of meaning, which are then grouped into common clusters (Cope, 2011). Color-coding is also used to highlight areas of importance.
Categorization	Developing intra-case themes	Patterns are identified and data is grouped into categories to discover emergent themes. Each of these three steps is performed individually for each case.
Pattern Recognition	Developing inter-case themes	A meta analysis of all the cases is done to identify master themes noting similarities and differences between accounts (Cope, 2011). From this a table of superordinate themes can be constructed (Smith, 2008). See Table 3 for a brief synopsis of the central themes identified.
Interpretation	Writing up	Shared themes are translated into a narrative account. At this point the unique experience of each individual reemerges (Smith 1999). At this stage, no relevant academic literature is referenced while discussing emerging theoretical propositions in order "to maintain an inductive, phenomenological approach to theory development" (Cope, 2011, Pg. 611). Instead the researcher interprets the data while using the participant's own words in order to let the reader asses the "pertinence of the interpretations" (Pietkiewicz & Smith, 2014, Pg.13).
Discussion	Theoretical Explanation	Following the narrative account is a discussion relating the findings back to theory. It is here that relevant academic literature is referenced. This is an iterative process in which the researcher tacks "back and forth between existing theory and data whilst remaining sensitive to the unique situational experiences of the participants". In this way, "the research was phenomenologically grounded but also interpretative and hermeneutic" (Cope, 2011, pg 611).

3.4 Limitations

As with any research approach there are a few limitations to using IPA that should be acknowledged prior to analysis. The first limitation is the inability to maintain complete objectivity in analysis given that "The researcher's own conceptions…are required in order to make sense of that other personal world through a process of interpretative activity" (Smith 1999 pg. 219). In order to mitigate this degree of subjectivity this study focuses on using verbatim quotes from the participants within the narrative analysis (as suggested by IPA) to enable "the reader to assess the pertinence of the interpretations" (Pietkiewitcz & Smith 2014 pg. 13)

Another notable limitation is the inability to make large generalizations outside of the data presented. Given the sample size and the specificity of the cohort with which all the participants fit, the focus of the study is to explore themes within this sampling rather than the entrepreneurial community as a whole. In conjunction with other studies on similar groups it may be possible to develop generalizations over time, however, in this study data can only be used to cautiously suggest broader implications (Pietkiewitcz & Smith 2014) and be used to bridge "the gap between real life occurrences and theoretical concepts" (Cope, 2011 pg. 610).

4. Empirical Findings and Analysis

In the following interpretation the themes identified through the pattern recognition stage of IPA are translated into a narrative analysis. Given that the aim of the study is to investigate how participants utilize their networks in the sensemaking process surrounding failure the first two sections of the findings present relevant data illustrating both when and how entrepreneurs make use of their personal and professional ties within their networks.

From the data analysis various patterns were recognized that seem to indicate emerging themes (see Table 3). In the third section of the findings these themes are presented. Special attention is paid to not only elaborating on the shared themes between individuals but also to the individuality of each participant finding a balance between the convergence and divergence of experiences (Smith 1999). Given that the interview style was semi-structured and the emerging themes came to light as a result of probing questions related to the individual's response to the structured questions, it should not be considered surprising that some participants elaborate on some themes extensively while not touching on others.

In interviewing the participants regarding the sensemaking process during failure it is clear that the process is complex and multidimensional. Those experiencing failure do not simply reach out to members of their networks once to make sense of the process but rather many times throughout the course of the failure. Through the course of the interviews it emerged that the times in which participants reached out to members of their network can be split into two parts: during the failure, and after the failure. Due to this the findings regarding sensemaking have been divided into two sections: pre-failure and post-failure.

Table 3 - Superordinate Themes – A brief synopsis of original table developed during pattern recognition stage of analysis

Participant	Experience	Loss Following Failure	Participant's Identity	Attitude Towards Failure	Risk Acknowledgement	Failure Attribution	Pre-Failure Sensemaking Network Use		Post Failure Sensemaking Network Use	
	Do they have previous startup experience?	Personal and/or Financial	Did they identify as the business owner or an entrepreneur?	How do they view failure?	Did they acknowledge risk of failure when starting the business?	Do they attribute the failure at least in part to themselves?	Professional Networks	Personal Networks	Professional Networks	Personal Networks
Flintberg	No	Yes	Business	Negative	No	Yes	√		√	√
Schlegel	No	Yes	Business	Negative	No	Yes	√		√	√
Greenspan	No	Yes	Entrepreneur	Negative	No	Yes				
Chan	No	Yes (minimal)	Entrepreneur	Positive	Yes	No	√		√	√
Esser	Yes	No	Entrepreneur	Positive	Yes	No	√			
Lövschall	Yes	No	Entrepreneur	Positive	Yes	No	√			

4.1 Pre-failure Sensemaking - The use of professional networks

Regardless of how individual participants reach out to their networks, it became clear that all of the participants go through some sort of active sensemaking process during the failure, which is natural given that in order to successfully navigate the failure they need to be making sense of what is happening and making decisions accordingly[1]. As mentioned by Esser, "You see all of the failures along the way – all the small ones – and try to pivot and adjust. And sometimes you do it and sometimes you don't."

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[1] Given that sensemaking is a continuous and iterative process the phrases **active** and **passive** are used to describe participant's engagement in the process rather than using phrases such as beginning, end, start and stop which indicate a linear process rather than a circular one. When it is said that the participants are no longer actively engaged in sensemaking it does not mean that the participants have halted all thoughts relating to the failure but simply that they are not actively seeking out networks to discuss the failure, nor are they going through intense personal analysis of the failure.

This statement demonstrates the iterative process that Esser is going through as the business is failing and the ways in which the company is trying to remap their existing framework based on new information, i.e., the impending failure. The sensemaking process during the failure is used first in an attempt to avoid the failure. Similarly to Esser, the other participants speak to different processes in which they attempt to save the company:

Flintberg: "We knew that we are going to survive April but not May, [we] started to look at other options. As every week passed the time got scarcer to find a solution. We tried to sell the consultancy but the time frame was too short. Then in April, we tried to get a new investment plan."

Greenspan: "The Malmo center was losing money and the Lund center was making money, so we put the whole company in bankruptcy and then started a new Aktiebolag with Lund."

These quotes indicate the different actions that participants are taking in response to the new information they have received regarding the state of the business. Chan speaks about her attempt to, "negotiate down the royalty" while Schlegel and Lövschall outline their different strategies to save the company when the expected round of funding was denied. This can be seen in Lövschall's appeal to his employees: "please help us try to see if we can restore this business" as well as in Schlegel's description of events during the bankruptcy: "We managed to get that traction while we were going bankrupt, which would have been awesome if we had a bit of money to sustain that growth."

All the participants are actively making sense of their failure and identifying what they see as the best next step. Unfortunately these steps are not enough to avoid failure. Once this is clear the focus of the sensemaking process shifts to how best to navigate the failure, both in terms of mitigating the effects for everyone involved, as mentioned by Flintberg: "I wanted to make sure that people suffered as little as possible", as well as determining the steps that should be taken in terminating the business, or their relationship with the business, as Chan affirmed: "I decided to sell off my shares to a third party" or Greenspan added: "the landlord increased rent by 20% and

we couldn't pay it, so we were forced to file bankruptcy on Lund."

As all of these examples indicate, sensemaking is an ongoing process and continues whenever there is new information to make sense of. However, the process of sensemaking is not a solitary one, in fact it is a very social process. In making sense during the failure all of the entrepreneurs reached out to their professional network. Schlegel speaks to the different strategies he discussed with his board of advisers where they, "entertained some ideas about going back and cutting the team in half and everyone goes without salary for about 6-9 months".

Similarly, Flintberg demonstrates the iterative sensemaking process he goes through with his board of advisers: "We did this and then this happened, and then we tried to parry that, and this happened."

Lövschall also mentions the dialogue that he engages in with the other founders in which they acknowledge that, "by the end of the month we would basically run out of money and we went to a meeting right after this meeting internally". In all of these examples each participant uses the pronoun *we* rather than *I* or *me* indicating the communal aspect of this process.

Esser describes reaching out to the start up community asking questions such as, "What can we do? How can we avoid failure? What is the next step? Should we pivot?" as well as the established business community in which he received, "lots of help from the local companies, from some CEO's from different PR and marketing firms here in Malmo." Esser also outlines conversations he has with members of his board on the steps necessary to avoid failure:

> "I remember meeting with one of our advisory members…just six or eight months
> before we closed down and he was saying something like 'alright, this looks really
> nice…but you need a lot of more traction to get the next round.'"

All these interactions demonstrate the ways in which Esser uses his network in an attempt to navigate the challenges presented with the business and make sense of different aspects of the failure.

For two of the participants, Lövschall and Esser, having these professional ties to use while making sense during the failure allowed them to construct a very clear understanding of what was happening and why:

Lövschall: "The founding team was very experienced… both of them have actually tried Bankruptcy before and…the CTO was really really good at understanding what was happening and what were the options"

Esser: "…I think it's really good to have 3 to 10 people who are really experienced in the area that you're working with so you don't find yourself like blind running in the woods trying to figure out what your trying to do, asking yourself: 'is this a success? Is this a failure?' Because if you have people who are experienced with similar companies from before, they will tell you along the way – pretty much every month, every week – 'okay, you're on the right track. You need this. You need reach this. This is crucial. This issue is really not a problem, you can let it be for a while, focus on that' and stuff like that. So you're always on the right track somehow."

By reaching out to all these different professional networks Esser and Lövschall were able to establish not only a concrete idea for how to proceed during the failure, but also a clear understanding of why the company was failing in the first place. Due to this firm understanding of the failure and the various aspects neither entrepreneur felt that they had anything further to actively reflect on following the failure and so their sensemaking process lead to the action of their professional next step.

4.2 Post-failure Sensemaking – The interplay between personal and professional networks

Following the failure the active sensemaking process continued for Chan, Greenspan, Flintberg and Schlegel. Flintberg speaks to, "reflecting, thinking and trying to make sense of things". Greenspan also references some of his post failure thought processing in which he, "had to look at the aspects of the business…to make sure that I least learned from the failure so that…I don't make the same mistake again." Both of these quotes suggest that the participants are making an effort to actively analyze the various aspects of their experience. In this process the participants

once again reach out to their networks to help them make sense of the different aspects of the failure that they were pondering. This time, participants reached out to both their personal and professional networks:

> Flintberg: "…I've spoken to many of the key people [concerning my business]. I've spoken to investors about it. I've spoken to friends who were close to me during the experience about it."

Though participants reach out to both the personal and professional sides of their networks they seemed to utilize those relationships for different aspects of the sense making process as indicated by Schlegel:

> "I leveraged my professional network far more on the business analysis side of things – trying to understand what went wrong. Whereas my personal relationships were much more around sort of 'how do I feel?' 'What do I do from here?' 'What can I, as an individual, learn from all of this?' So there is a very natural distinction in that sense."

Chan describes a similar distinction between the use of her personal and professional networks:

> "My personal network analyzed a lot of the people element of the failure, whereas with my business partner it was more about the external factors such as competition, franchisee's incompetence…"

Both of these statements indicate that Chan and Schlegel tended to reach out to their professional network to understand the more technical aspects of the business failure while they made use of their personal network in making sense of their own reactions and emotions in relation to the failure.

This theme emerges further as the participants elaborate on their use of networks. In

reference to his professional network Schlegel mentions David, a coworker with whom he, "talked to and sort of [did an] informal postmortem analysis with" and used to discuss, "what we did that made sense…what succeeded and what didn't." He also references speaking to, "the investment director for Seed Capital who was on our board" regarding the, "analysis part". In contrast to these professional interactions, when speaking of his personal network Schlegel outlines different types of conversations focusing on topics such as "'How do I move on from here?' 'How do I move on to other things?'" Rather than focusing on the business, conversations with his girlfriend centered on, "understanding what I should look for to do in the future". These conversations appear to be key in assisting Schlegel during his sensemaking process.

A similar distinction in the use of personal and professional networks can be seen in the way in which Flintberg describes his various conversations. In reaching out to his professional network he spoke to the new business owners about, "how things could be avoided from a business perspective", as well as his bankruptcy estate lawyer who, "was the only person that I felt he took the time to explain to me how things work." In regards to his personal network Flintberg notes that, "the personal aspect was very much focused on: 'how do I move on?' Because I'm still here and the business is gone. What about me?" This is exemplified in conversations with his friend Benny in which Benny "was looking more at how I felt, [he] focused on me as an individual identity".

Of course, given the fluid nature of relationships some relationships were both professional and personal in nature, in which case those conversations tended to mix both the business and personal aspects of the sensemaking process:

> Flintberg: "The main person that I spoke to was my best friend Frederick…He had been through this, both through a personal perspective, being my friend, and from a business perspective because he was working as one of our clients. He could see this from many different aspects, and then enabled him to put different perspectives on things…"

> Schlegel: "…I also talked to David whom was one of my co-founders – on the same topic, [postmortem analysis] but also on a more personal and emotional level."

All these examples demonstrate that Flintberg, Schlegel and Chan reached out to their networks during the sensemaking process following their failure, and also the manner in which they utilized each of these different relationships. One outlier in this sample was Greenspan. Similar to Flintberg, Schlegel and Chan, Greenspan goes through a sensemaking process both during and following the failure; however, this is mostly an internal process as he felt he did not have anyone to reach out to in Sweden. He attributes this to various factors. One particularly important factor is the fact that the failure of the business coincided with his divorce. This compounded the issues he was trying to comprehend in the sensemaking process as well as eliminated one of his key personal ties.

He attempts to reach out to his sister who also experienced business failure, but notes that, "the businesses were so different" that it did not prove helpful. Furthermore he mentions an advisor that was given to him by the bank but that he was, "a very bad advisor" and, "I don't feel like I got much good solid advice". These attempts to connect with networks in both a personal and professional manner suggest that Greenspan would have utilized networks in the sensemaking process had they been available to him. His statements below further supports this:

"It would have been nice if I had a network, but I felt alone a lot of the time that I was running the company…I didn't have much of a network to reach out to…maybe if I had a really solid network of advisors and of board members who could have helped and mentored me."

"At that point [post failure] I didn't know any entrepreneurs – even my friends back home in the United States. One of my best friends lived such a different life that I couldn't call him to ask for support or advice."

Given that Greenspan was lacking both a personal and professional network to reach out to he instead describes a process of sensemaking that is mainly internal and filled with, "a lot of self-reflection". However, it is important to note that even during this internal process he still identifies the two factors that he was working to make sense of, the personal aspect and the

business aspect and in this way his sensemaking process is similar to that of Chan, Flintberg and Schlegel as shown below:

> "There was only one place to go, which was internally. So the personal journey and
> the journey of comprehending why the business failed were parallel in any case."

It should also be noted that while Chan does reach out to her networks following the failure, these interactions are minimal as is her internal process. In terms of professional networks she sits down with her business partner only once following the failure to discuss the aspects of the failure. This is the only time she reaches out to her professional network. Similarly she discussed "debriefing" the family, however, outside of her parents she does not recall utilizing any other personal connections. Further, in terms of her internal processing she says, "I could have chosen to be sad or move on and take it as a lesson." The significance of this data is analyzed later, however it should be noted that she represents somewhat of a middle ground between Esser and Lövschall, and Flintberg, Greenspan and Schlegel.

Analysis and Interpretation

Whilst several conceptual studies have examined entrepreneurial failure in relation to sensemaking as a social process (Shepherd, 2009; Cardon et al., 2011; Heinze, 2013), none of them specifically examine how entrepreneurs who experience failure make use of different relationships within their network throughout the sensemaking process. Ancona (2012, Pg. 4) suggests, "Sensemaking is most often needed when our understanding of the world becomes unintelligible in some way", which occurs throughout a rapidly changing environment that presents surprises that we are unprepared for or adaptive problems to be solved (Ancona, 2012; Heifetz, 2009). The findings from this study suggest that all of the participants tried to navigate the failure before it happened through an active sensemaking process by reaching out to their professional networks. However, the active sensemaking process continued for only some of the participants (Chan, Greenspan, Flintberg and Schlegel) who reached out to both their personal and professional networks after the failure, with the exception of Greenspan. This indicates that personal and professional networks serve as different outlets for entrepreneurs throughout failure, and this is

exemplified by the way in which each participant discusses how they utilize their networks.

All of the participants' professional networks served as operational support in trying to make sense of how to avoid the failure. Lövshall's CTO, for instance, not only understood what was happening, but also understood what options they had to handle the failure. For some, Chan, Flintberg and Schlegel, their professional networked served to support the sensemaking process concerning the technical aspects of the failure not only during, but after the failure as well. For instance, Schlegel mentions using his professional network for the, "business analysis side of things – trying to understand what went wrong". This is consistent with literature that proposes professional relationships "are identified in terms of the various connections that bring people together to do business in order to pursue economic goals… [They] rely on specific business-related knowledge exchanges… [And can also be] fostered by the firms aim to manage business activities (Ceci & Iubatti, 2012, Pg. 568; Lincoln, 1990).

In addition to professional networks, some participants (Chan, Flintberg, and Schlegel) also reached out to their personal networks during the sensemaking process. These relationships were not utilized significantly before the failure but rather served as emotional support after the failure. This is consistent with literature that proposes personal networks "are based on trust and mutual obligations" (Ceci & Iubatti, 2012, Pg. 568) "support your personal development" (Yost & Plunkett, 2009, Pg. 118) and serve as "kindred spirits who can help you with personal advancement" (Ibarra & Hunter, 2007, Pg. 1).

Although these findings explain how entrepreneurs who experience failure make use of different relationships throughout the sensemaking process, it is still unclear as to why they reach out to these different networks when they do. This question is examined further in the following sections.

4.3 Emerging Groups: Reaching out to networks throughout or before & after failure – why?

From the data there emerged two groups between the entrepreneurs: 1) Those that engage in active sensemaking mainly during the failure and 2) those that actively engage in sensemaking both during and after the failure. In analyzing the emerging themes that came to light through pattern recognition there appear to be five factors that are categorized into one superordinate theme

which seems to correlate with whether or not an entrepreneur actively engages in sensemaking following a failure (see Table 3). This theme has been labeled "Failure Attribution" as it deals with the major causes that individuals attribute the failure to. The five factors that emerged in correlation to this theme are outlined below:

1. Loss – Did the participant experience financial or personal loss as a consequence of the failure?
2. Identity – At the time of the failure did the participant identify as an entrepreneur or did they identify with the business?
3. Attitude towards failure – How did they view failure when engaging in the new venture? Did they view it as a positive aspect or a negative aspect?
4. Risk acknowledgment – Upon starting the business or while running the business did they acknowledge the risks associated? In other words, did they acknowledge that there was a significant possibility of failure?
5. Previous experience – Does the participant have previous experience as an entrepreneur?

Given the scope of this study it is not possible to determine the relationship between these themes/if and how they contribute to each other. Instead, the analysis focuses on simply presenting emerging patterns that came out in the data and apparent correlations to one another as well as the larger themes of sensemaking and failure attribution. First, failure attribution is presented followed by an exploration of the five subthemes.

Failure attribution

While analyzing the data one theme continued to emerge, failure attribution. More specifically, did the participants, at least in part, blame the failure on themselves? Based on comments from the participants they fell into two groups: those that attributed the failure to themselves (Greenspan, Flintberg and Schlegel) and those that attributed the failure to outside causes (Esser, Lövschall and Chan).

Greenspan, Flintberg and Schlegel of course list other factors that contributed to the failure,

such as funding and over expansion; however, when discussing the sensemaking process they seem to highlight their own sense of failure:

> Schlegel: "My vanity, ego, self-perception after failing with Admazely made me spend a lot of time thinking about – how big of a failure does this mean that I am? Because I founded the company, I was the CEO of the company, and the company failed. What does that say about me as an individual? So trying to distinguish between the company failing and me failing."

> Flintberg: "I wanted to make sure that there was something else in me that wasn't Björn the businessman because he had failed at that point. I wanted to make sure that I didn't go back into some kind of state of thinking its all my fault and I'm useless…"

> Greenspan: "A lot of it was internal, looking inside myself to see what I did to contribute to the failure of the business…I had to look at the aspects of the business that I didn't like to… make sure that I don't make the same mistake again."

As indicated by the quotes listed, each of these participants all reflected on their connection to the failure. Trying to identify what their role in the failure was or what the failure said about them. In contrast, Esser, Lövschall and Chan all attribute outside sources as the cause of the failure and never question their part in the failure. Chan outlines various factors including lack of finances, lack of marketing, culture, and the free market. Both Lövschall and Esser identify the main factor of the failure to lack of funding. Esser further elaborates on the uncontrollability he sees in what determines whether a business is a success or failure. He mentions "pure luck" as a factor and, "[to] be in the right place at the right time".

From this theme of failure attribution a pattern emerges in which those that attributed some part of the failure to themselves also tended to actively engage in the sensemaking process following failure while those that did not mention themselves in relation to the failure, Esser, Lövschall and Chan, either did not exhibit any attempt at active sensemaking after the failure

(Esser, Lövschall) or engaged in minimal sensemaking activities following the failure (Chan). The factors associated with this correlation have been outlined above, and are explored further below.

For the purpose of exploring the five factors the participants have been placed into three groups based on how they related to the emerging sub themes. Group one is composed of Esser and Lövschall, group two is Flintberg, Greenspan and Schlegel, while group three is just Chan as she represents a middle ground between the two groups. Each group is presented individually in reference to the five subgroups so as to highlight the similarities between the participants in the groups and the differences between the groups. It should be noted that the pattern of previous experience is not heavily explored, as it is mainly a yes or no answer and can be viewed in Table 3.

Group 1 – Esser and Lövschall

Neither Esser nor Lövschall associated the failure with themselves or felt the need to reach out to their networks following the failure to actively engage in sensemaking. This correlates with their discussion of the five subthemes.

1) Loss

Neither participant invested any of their personal savings into the company so they experienced no financial loss when the business failed. Furthermore, they did not speak to any significant strains on personal relationships as a result of the failure.

2) Identity

Both Esser and Lövschall indicated that they identified more as an entrepreneur than with the business itself. Lövschall speaks to being on a team of three founders in which they, "were very clear about this is our business, this is not our life" which lead to a, "separation of the business and the personal lives". This is further exemplified when he refers to his attitude towards business:

> "It's secondary in my life, so if I should lose this job tomorrow or I should start a
> new company that would go bankrupt there will always be another opportunity, it's
> not the end of the world."

As Esser mentions, "I've always been passionate about starting new ventures" further commenting in reference to a business failing that, "it's life and it's about change. Nobody works for the same company for more than five years usually, at least not today".

3) Attitude towards failure

During the interview both Esser's and Lövschall's attitudes towards failure emerged. Each of them had an extremely positive attitude toward failure as they both viewed failure as an intrinsic aspect of being an entrepreneur:

> Lövschall: "I always talk about this failure because I think it's important for everyone who wants to be an entrepreneur to understand that this is…the most likely option of being an entrepreneur. So and it's not the end of the world."

He further goes on to describe his attitude during the failure as, "Zen Buddhist". Similarly, Esser not only understands that failure is a typical component of entrepreneurship: "Of course you want your startup to be successful, but according to the statistics – 1 in every 10 startups succeeds. You've got to be one of them", but also that it is not something to be viewed negatively:

> "It's a thing [failure] to mark off on your CV. You have tried out something completely crazy, and you did a good job at managing the investor money that you received, and you reached all the goals, but you couldn't really reach for the next level of investment. At the end of the day it's about delivering your best, but if you don't reach all of the goals, it's okay."

4) Risk acknowledgment

In describing their experience both participants touch on their acknowledgement of the risks involved and the potential for failure. This is exemplified in the statements above where they recognize failure as an intrinsic part of the entrepreneurial world. In reference to the feasibility of the business plan Esser says, "I would say it was fifty percent solid, fifty percent unexplored, so it

was a risk." Similarly, Lövschall mentions the risk involved with start-ups multiples times calling their decisions "calculated risks", referring to doing a start-up as "a risky business" and mentioning conversations where the founders, "actually talked about that this was a risk" in reference to not receiving the second round of funding.

Group 2 – Schlegel, Greenspan and Flintberg

At the time of the failure Schlegel, Greenspan and Flintberg all attributed at least some aspect of the failure with themselves. They also all actively engaged in the sensemaking process following the failure, reaching out to both personal and professional networks as possible. Outlined below are the patterns seen across this group in the five subthemes identified.

1) Loss

All three individuals experienced some sort of financial or personal loss as a consequence of the failure. Both Greenspan and Flintberg's wives requested a divorce at the termination of the business and although there were other factors that contributed to the end of their marriages both attribute, at least in part, the business as one factor that lead to the divorce, as Flintberg noted: "To me the bankruptcy and the divorce blended together – they were consequences of one another" and Greenspan added: "Seventy-five percent of the strains in our marriage were due to our business".

Schlegel also experienced significant loss as a result of the failure given the amount of sacrifices that he and his wife made to start the business. He made a conscious decision with his wife to, "not have a salary for a year", to sell their car, move out of their "very nice apartment into something cheaper" and, "cancel a lot of insurances." Furthermore, he had convinced many of his friends to join the company and, "cut their salaries in half compared to the job offers that they had on the table. I had to convince people to not join Google or Facebook". These factors taken together indicate that Schlegel had a high personal loss when the company failed.

2) Identity

At the time of the failure both Schlegel and Flintberg mention some sort of entanglement between the business and their identity.

Schlegel: "I think the lines between me as an individual and Admazely as a company – they were very blurry. Identifying so much with a company that you started. My thinking about Admazely was sometimes hard to distinguish from thinking about myself as a person."

Flintberg: "I believe that individuals who start a company invest part of their identity to it – just like a relationship. When that company then grows it becomes like a partner and when it goes bankrupt, that relationship then dies. In other words, I didn't want to be associated with that identity anymore."

The theme of identifying with the business did not arise in the interview with Greenspan, however, a follow up question revealed that he (Black, Mendenhall and Oddou) identified more as an entrepreneur than with the business itself.

3) Attitude towards failure

While engaging in their new venture as well as during the failure all the individuals within group two indicate that they viewed failure in a negative light. Flintberg describes how he felt when he realized he had not met his goals as, "shame and the embarrassment". In reflecting on his learning outcomes Greenspan mentions that he does not, "see mistakes as failure anymore" indicating that at the time of the failure he associated failure with mistakes. For Schlegel failure simply was not even an option:

"I identified very much with the idea that I would get basically one chance to found a company. I couldn't spend a year on it, fail having pissed away a lot of our personal savings and then just say, 'all right that was too bad, and I'll just try again.'"

4) Risk acknowledgment

As demonstrated in the quote above Schlegel undertook the start-up without really

acknowledging the high probability of failure given that for him failure was not an option. Obviously he was aware that there was risk involved given that he was worried about making the decision to have a start up in the first place, but the fact that he felt failure was not an option this would indicate that he had not fully acknowledged the risks associated.

Flintberg speaks to the lack of risk understanding when making decisions while running the business:

"If I had known that any of these five to ten junctions when we took the wrong position risking consequence properly, then maybe I would have used that structure to make different decisions."

Greenspan does not speak directly to risk, but in his description of the business model and starting up the business he references their confidence in the business model and at no point speaks to any sort of hesitation or doubt suggesting that perhaps this was not a concern.

Group 3 – Chan

In analyzing the two major themes, sensemaking and attribution of failure, Chan serves as a middle ground between the two groups. The reason for this is demonstrated by how she fits into each of the five subthemes.

In terms of previous experience, and loss she fits the pattern identified with Group 2. Similar to Flintberg, Greenspan and Schlegel, Chan had no previous experience as an entrepreneur. Here she references that lack of experience: "I was a bit naïve because I thought that it would be easy to run…but it wasn't."

In terms of loss, Chan experienced monetary loss but no significant personal loss as was prevalent in Group 2. Interestingly enough she actually took actions to avoid any personal loss. In references to her relationship with her business partner she said: "…It was a conscious decision that I picked our friendship over the business."

As illustrated above, Chan fits into Group 2 in reference to loss and experience, however, in terms of identity, attitude towards failure and risk acknowledgment she fits the pattern that emerged in Group 1.

When referring to her identity investment in the business Chan notes that, "my identity was totally separate from it". Rather than identifying with the business she says, "I define myself, I want to be a serial entrepreneur". Furthermore, she maintained another job while starting the business and in fact prioritized that job over the new venture. In this way the venture did not consume her entire life as it did for other entrepreneurs.

Not only did she not identify with the business, Chan also had an exceptionally positive attitude towards failure and acknowledges this positive attitude both before and after the failure of the business:

"I am able to open up and say hey, I failed, but that's ok. I learned a lot. And almost…I wouldn't say proud, but I can say hey, I did something, you know?"

"Before we went in, we knew that was a risk and we both agreed, if it failed that was ok and we would both just get a lot of experience"

This last quote also serves to illustrate her risk acknowledgement in addition to her attitude towards failure. She further speaks to this risk acknowledgement noting: "We knew the risk was there but we went because you have to start somewhere."

Analysis and Interpretation

Attribution of Failure

In psychology attribution is described as a process of assigning cause to an effect, or in other words, how people go about explaining different events (Heider 1958; Malle, 2011; Cardon et al. 2011). In terms of failure this means identifying the reasons for the failure. According to Yamakawa et al. (2010) the factors that entrepreneurs attribute to their business failure can be divided into two categories; internal and external factors. Chan, Lövschall, and Esser identified causes such as funding and issues with the market, which are considered external factors. Contrarily, the participants in Group 2 identified at least one of the factors influencing the failure as themselves, in other words, an internal factor. It has been found that an individual's response to an event depends on the meaning they attribute to it (Louis, 1980). Given that one set of

participants attributed the failure to external factors while one set attributed the failure to internal factors it follows based on Louis' (1980) research that their responses were different.

One possible example of these different responses is illustrated by the way in which the participants engage in sensemaking following the failure. This is particularly relevant given that Yamakawa et al. (2010) references a link between the attribution process and the sensemaking process and suggests that attributing causes of failure is an intrinsic part of the sensemaking process. In fact, entrepreneurs who attribute the cause of failure to themselves are more prone to reflect on the failure process and analyze what went wrong (Yamakawa et. al, 2010). This assertion is supported by the findings considering that those who attributed the failure to themselves (Flintberg, Greenspan, and Schlegel) engaged in active post failure sensemaking while those who reference other factors in the cause of failure either made no reference to active sensemaking following the failure (Esser and Lövschall), or went through minimal sensemaking (Chan).

As outlined in the findings there are various sub themes identified that were correlated with whether or not an individual attributed the failure to himself or herself. One of these factors was previous experience. According to Louis, (1980) those without previous experience, termed 'newcomers', may "see themselves as the source or cause of events when external factors are responsible for outcomes" (Louis, 1980 pg. 243). This is supported by the fact that those participants with previous experience (Group 1) attributed the failure to outside sources while the participants in Group 2 (without prior experience) blamed themselves for the failure. Louis (1980) continues on to discuss the role of experience in the sensemaking process, and her findings identified that newcomers have special sensemaking needs that diverge from those with previous experience. Particularly, newcomers need help interpreting different events that occur in the new setting. One way in which newcomers were able to make sense of these new settings were by reaching out to insiders (those with previous experience) for help (Louis, 1980). This correlation between experience and post failure sensemaking is supported by the data in this study as those without previous experience all reached out to professional networks after the failure during the sensemaking process. In contrast, participants with previous experience did not reach out to their professional network following the failure. This is not surprising because those with experience have presumably already encountered similar situations that enable them to more easily cope than newcomers (Black et al., 1991; Louis, 1980).

1) Loss

It has been found that as a result of failure entrepreneurs can experience both personal and financial loss (Cope, 2011; Ucbasaran et al., 2013). A few of the participants experienced financial loss following the failure, but what was most notable was the significant personal lost experienced. This type of social loss following failure is not unique and is supported by other works (Ucbasaran et al., 2013). In particular, Cope (2011) cites the dissolution of marriages following a failure, something that was experienced by Greenspan and Flintberg. Cope (2011) asserts that these personal losses contribute to feeling a variety of negative emotions. Entrepreneurs who experience loss and subsequent negative emotions often find it necessary to engage in the sensemaking process, which can include reaching out to their networks to discuss these emotions (Shepherd, 2003). This is supported by the findings given that both Greenspan and Flintberg actively engaged in sensemaking following the failure. Furthermore, Flintberg reached out to his personal network in order to discuss his divorce.

2) Identity

The findings clearly suggest that some participants identified with the business significantly while others defined themselves using aspects outside of the company. This phenomenon has been studied previously by Pierce et al. (2001) and further elaborated on in the context of entrepreneurship by Shepherd and Cardon (2008). Pierce et al. (2001) outlines the manner in which some individuals develop a sense of psychological ownership in relation to either a company or a project within their work that can lead to their identity becoming tied to that company or project. Pierce et al. (2001) further elaborates that when the company or project fails those individuals who have associated their identity with the entity in question tend to feel as if they have lost a part of their identity. This is supported in the findings by the experiences of Flintberg and Schlegel. They both note the interconnectedness of their businesses and their identities. Similarly they report feeling personally lost following the failure as they were unable to separate who they were individually from who they were in relation to the business.

Further elaborating on this theme, Shepherd and Cardon (2008) assert that when a business project fails those individuals with a higher level of personal attachment to that project are more

likely to experience an intense negative emotional reaction. This is supported by the differences identified between the sensemaking process of individuals in Group1, 3 and Group 2. Those that identified with the business went through a much more intensive sensemaking process following the failure. In contrast, Chan, Lövschall, and Esser did not experience such a process because they were able to separate their identity from the business, which is supported by Cardon and Shepherd (2008) who suggest that when individuals are able to detach their identity from the business they reduce the level of negative emotional reaction experienced as a result of the failure.

3) Attitude Towards Failure

The way in which an entrepreneur views failure affects the way in which they respond when confronted with failure (McGrath, 1999). This is supported by the data given that in this study a correlation was found between the participant's view of failure and the sensemaking process they engage in following the failure. This is not surprising considering that the entrepreneurs' attitude towards failure has been shown to affect the way in which they comprehend and process information related to the failure (Politis & Gabrielsson, 2007).

It was found that those participants who had previous experience (Group 1) had an overall more positive view towards failure. Rather than view it in a negative light they saw failure as a necessary and expected process of the entrepreneurial process. This relationship between experience and attitude towards failure is supported by Politis and Gabrielsson who suggest that prior experience may lead to, "the perception of failure as a temporary phase in the development of a business concept" (Politis & Gabrielsson, 2007, pg. 4).

This positive attitude towards failure has been found to be instrumental in how well an entrepreneur copes with the failure (Cannon & Edmondson, 2005; Politis & Gabrielsson 2007). Concurrently, a negative attitude towards failure has been suggested to make it more difficult for individuals to make sense of their experience (Politis & Gabrielsson 2007). The outcomes of this study are consistent with these findings in that those who have a positive attitude towards failure only actively engage in a sensemaking process during the failure, or minimally following the failure, while those with negative views engage in an extensive sensemaking process both before and after the failure.

Many other factors have been associated with an entrepreneurs' attitude towards failure

such as culture, societal perceptions of failure as well as personality (Cardon et al. 2011; Dweck & Leggett, 1988); however, given the scope of this study it is impossible to speculate on the association of these influences. This paper does not aim to pinpoint what leads to different attitudes towards failure, but to simply illustrate the correlations found between attitudes towards failure and the other themes expressed.

4) Risk Acknowledgement

It has been suggested that different entrepreneurs have different attitudes towards risk and thus view risk of failure differently (Caliendo et al., 2007), however, this is most commonly explored in reference to risk propensity and aversion rather than risk acknowledgement (Brockhaus, 1980; Busenitz, 1999; Kan & Tsi 2006). One thing that has been looked at is the aspect of surprise in relation to attribution theory and sensemaking. When entrepreneurs understand the risks involved with the business it could be suggested that they are less likely to be surprised from the failure given that they had previously identified this as a possible outcome. In contrast, those that do not outwardly acknowledge the risks might be more likely to be surprised by a failure, as they did not previously predict it. Louis (1980) describes surprises as events that deviate from those predicted. When these discrepant events occur they trigger a need for the individual to develop explanations and interpretations to make sense of the discrepancies (Black, 1999; Louis, 1980). Louis (1980) goes on to further state that in making sense of an unpredicted event the individual goes through a process of attribution in which they assign the cause of the surprise. This once again supports the correlation between event attribution, in this case failure, and making sense of that event. If risk acknowledgement is a determinant of whether an event is considered a surprise then this is an interesting correlation, however given the lack of theoretical support this association is no more than speculation.

5. Conclusion and Implications

5.1 Conclusion

The purpose this study was to explore how entrepreneurs who experience failure make use of personal and professional relationships within their network during their sensemaking process. The findings of this study suggest that entrepreneurs either: 1) only make use of their professional

networks during the sensemaking process before the failure in order to navigate throughout it, or 2) make use of both their personal and professional networks during the sensemaking process after their failure for emotional support or to understand the technical aspects of the business failure, respectively – in addition to reaching out to their professional network before the failure. Failure attribution emerged as a superordinate theme when analyzing why this difference exists, which is correlated with five different categories: loss, identity, risk acknowledgement, previous experience and identity. Overall, this study contributes to the theoretical understanding of how personal and professional networks are used during the sensemaking process of entrepreneurial failure, and potential reasons as to why they are used how they are when they are.

5.2 Research Implications

The research findings indicate that there is in fact a difference in the way in which entrepreneurs utilize their personal and professional networks in the sensemaking process associated with failure. Given the preliminary nature of these findings further research needs to be done to draw larger conclusions.

In addition to the deviation in the ways in which entrepreneurs reach out to their networks a pattern was also identified regarding when participants went about engaging in the sensemaking process with their network. Whether an individual reached out to their networks following the failure was correlated with a number of factors. It was clear that many of these factors seem to be linked, however, given the scope of this research it was impossible to draw clear distinctions. For example, previous entrepreneurial experience seemed to be interrelated to a number of factors such as attitude towards failure, failure attribution, identity, and risk acknowledgment. One future area of research would be to further investigate these various themes in relation to one another to determine if and how they are causing or affecting one another. Another interesting area of research would be to address how these factors specifically affect the sensemaking process of entrepreneurs.

Due to the explorative nature of this research, the small sample size, and the qualitative method of analysis used, the results are limited within the boundaries of the individuals being interviewed. Additional research needs to be conducted to validate these findings and to draw broader generalizations.

5.3 Practical Implications

Failure is unavoidable in entrepreneurship (Singh et al., 2015; Cope et al. 2004; McGrath, 1999), and this research serves as a resource for entrepreneurs that might end up facing failure. As the research findings indicate how entrepreneurs utilize their personal and professional networks during the sensemaking process of failure, this study can provide the insight necessary for entrepreneurs who experience failure on where to invest his or her time and energy to best make sense of the experience. Additionally, the discussion on the emerging theme of failure attribution can serve as a guide for entrepreneurs to better understand how he or she is going about attributing their own failure. This has the potential to alleviate any prolonged negative processes associated with business failure.

Acknowledgements

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Appendix A

Interview Guide

Introduction Questions / Questions regarding failure

1. *Would you share with us your experience starting up and running your business that failed?*

    a. *Can you speak to the key factors that influenced closing down your business?*

    b. *Did you seek out advice from anyone within your network (whether personal or professional) when going through this experience? With whom? How so?*

Making sense of Entrepreneurial Failure

2. *What did you first begin doing after closing down your business?*

3. *Would you speak to your experience with trying to make sense of this business failure? What did this process look like for you?*

    a. *Were there specific ways that you went about attending to and collecting information regarding your business failure to help you make sense of what happened?*

    b. *Were there specific ways that you went about trying to comprehend the information that you came across?*

    c. *How have you made use of these insights gained from this process of making sense of your business failure?*

4. *Would you speak to how you went about making use of different relationships within your network (both personal and professional) to help you make sense of your business failure?*

    d. *Do you recall a difference in the way that your personal and professional relationships contributed to helping you make sense of your business failure?*

        i. *Can you speak to these differences more in depth while considering the process you discussed in the preceding questions about making sense of your experience?*

5. *What are you doing now and how has this experience influenced the way you go about interacting in business now?*